

## CORPORATE AFFAIRS AND AUDIT COMMITTEE

<b>Report title</b>	<b>Statement of Accounts 2018/19</b>
<b>Chief Executive or Director</b>	Strategic Director of Finance, Governance and Support
<b>Date</b>	25 <sup>th</sup> July 2019
<b>Purpose of the report</b>	The purpose of the report is for Members to review and approve the Council's Statement of Accounts for 2018/19.
<b>Summary of the report</b>	The draft Statement of Accounts for 2018/19 were presented to Corporate Affairs and Audit Committee on 6 <sup>th</sup> June 2019. The draft accounts have subsequently been reviewed by the Council's auditors, Ernst and Young and the amended audited accounts are being presented to Members of the Committee for approval.
<b>If this is a confidential report, which category of exemption(s) from the Schedule 12a of the Local Government Act 1972 applies?</b>	Not applicable.
<b>Decision(s) asked for</b>	It is recommended that Members of the Corporate Affairs and Audit Committee approve the 2018/19 Statement of Accounts.
<b>Impact of decision(s)</b>	It is a statutory requirement that all Councils have their audited accounts for 2018/19 approved by Members and published on the Council website on or before 31 <sup>st</sup> July 2019.
<b>Contact:</b>	John Shiel, Head of Financial Governance and Revenues. <a href="mailto:john_shiel@middlesbrough.gov.uk">john_shiel@middlesbrough.gov.uk</a> Tel: 01642 729548

### What is the purpose of this report?

1. The purpose of the report is to for Members to review and approve the 2018/19 Statement of Accounts.

### Why is this report necessary?

2. The report is necessary because it is within the remit of this committee to consider and approve the audited Statement of Accounts.

## **Report detail**

3. The draft Statement of Accounts for 2018/19 were presented to this Committee on 6<sup>th</sup> June 2019.
4. The draft accounts have been audited by the Council's auditors Ernst and Young (EY) who expect to give an unqualified opinion on the financial statements i.e. the accounts give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2019 and have been prepared in accordance with the CIPFA Code of Practice.
5. As is usual during the audit process, EY have identified several issues that required changes to be made to the draft accounts and these have been reflected in the revised final accounts. Details of the adjustments that have been made to the accounts have been included in EY's audit results report. None of the changes have an impact on the Council's revenue or capital outturn position for 2018/19.
6. There are however 3 key changes to the draft accounts which should specifically be drawn to the Committee's attention.

### **Pensions Liabilities**

7. Since the draft accounts were presented a national issue regarding the valuations of pension liabilities arose as well as a decision from the Supreme Court which has required many councils to have a revised actuarial valuation of their pension liabilities. This issue was highlighted to Committee members in advance of the production of the final statement of accounts by the Head of Financial Governance and Revenues on the 2 July 2019.
8. The updated actuarial report was received by the Council on the 10 July. The outcome of the report has meant that an adjustment of £11.1 million to the net pension's liability (from £188.3m to £199.4m) has been made. This adjustment affects all of the core statements and many of the notes to the accounts. This adjustment although significantly large and above the external auditors materiality threshold, has no short term financial implications on the finances of the Council. It represents an actuarial estimate of pension liabilities over the coming decades and is expected to be addressed by growth on assets within the Teesside Pension Fund over this period.

### **Schools transferring to Academies**

9. During the presentation of the draft accounts members were advised that the most significant item in the accounts for 2018/2019 was the reduction in assets of £60m owing to the transfer of six schools to academies. Since the draft accounts were produced it has been identified that some additional transactions (writing out of cash balances on bank accounts) relating to the transfer should have been carried out totalling approximately £622,000. These transactions have now been reflected in the final balance sheet position and associated notes.

## **Officers Remuneration**

10. At the last meeting of the committee when the draft accounts were presented a Member enquired about the cost of an exit package totalling £131,000. The Head of Financial Governance and Revenues advised, based on the information understood at that time, it related to a non-senior Member of staff within public health who had received compulsory redundancy payment under generous NHS terms and conditions.
11. The member of staff was actually a senior member of staff who was made compulsory redundant as their post was deleted during the establishment of the Joint Public Health Service with Redcar and Cleveland Council. The redundancy payment was based on 20 times their monthly salary as required under the NHS staff handbook. This totalled £131,000.
12. In addition to that payment to the individual, the Council was responsible for a payment to NHS pensions for £52,000 in relation to the same redundancy. The total sum of the package is therefore £183,000. This is now reflected on the exit package note. It does not affect any of the core statements as all of the costs described were accounted for in the draft accounts.

## **Why is this being recommended?**

13. It is a statutory requirement of the Accounts and Audit Regulations 2015 that the audited 2018/19 Statement of Accounts are approved by Members of the Committee and published on the Council's website on or before 31 July 2019. In order to comply with the regulations the Chief Finance Officer and Chair of the Committee should sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue.

## **Other potential decisions and why these have not been recommended**

14. Not applicable

## **Impact of recommended decision**

15. Approval of the audited accounts demonstrates that the Council is fully compliant with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and that the accounts give a true and fair view of the financial position of the Council as at 31 March 2019.

## **Legal**

16. See paragraph 13 above.

## **Financial**

17. The statement of accounts is consistent with the Council's Medium Term Financial Plan and its assumptions regarding its reserves and balances.

### ***The Mayor's Vision for Middlesbrough***

18. The report forms part of the governance framework that ensures the Council's corporate governance arrangements are fit for purpose, ensuring the Council is best placed to support delivery of the Mayor's vision.

### ***Policy Framework***

19. This report will not result in an amendment to the policy framework.

### ***Wards***

20. There are no specific financial or ward implications arising from this report.

### ***Equality and Diversity***

21. There are no direct implications arising from this report on equality and diversity.

### ***Risk***

22. Failure to approve and publish the accounts by 31<sup>st</sup> July 2019 in line with the statutory requirements would lead to reputational damage to the Council and possible Government intervention.

### ***Actions to be taken to implement the decision(s)***

23. Following approval, the Statement of Accounts will be published on the Council's website in line with statutory requirements.

### ***Appendices***

24. Appendix 1 – The 2018/19 Statement of Accounts.

25. Appendix 2 – The 2018/19 Summary Statement of Accounts

### ***Background papers***

26. None

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