



Corporate Governance Group

24 July 2018

Statement of Accounts 2017/18

Report of the Executive Manager – Finance and Corporate Services

1. Summary

- 1.1 This report presents the Council's statutory Statement of Accounts (**Appendix A**) for the financial year 2017/18 for consideration prior to their submission to Full Council.
- 1.2 The Council's external auditors have commented on the Statement of Accounts and their quality in their covering report.

2 Recommendation

It is RECOMMENDED that the Corporate Governance Group:

- a) Accepts the Statement of Accounts for 2017/18 (**Appendix A**) and recommends them to Full Council for approval; and
- b) Agrees the Draft Management Representation letter (**Appendix B**).

3 Reasons for Recommendation

- 3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code') and various legislation such as the Accounts and Audit Regulations (2015); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

4 Supporting Information

- 4.1 The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code') and the Annual Governance Statement must comply with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.
- 4.2 The Statement of Accounts 2017/18 at **Appendix A** is included as a separate document. This year the finance team has had to deal with staff turnover nonetheless, and to their credit, the positive direction of travel regarding producing the financial statements in recent years has continued. The accounts have to be closed earlier, allowing for better quality assurance, and no diminution in the quality of working papers presented for audit.
- 4.3 The Council's external auditors comment on the quality of the financial statements in their report.

- 4.4 The closure of accounts process is complex and pleasingly no significant issues have arisen from the audit this year.

Pensions Update

- 4.5 Members will recall discussions regarding the ongoing deficit circa £19m (at 31 March 2016). This is fully calculated every three years in order to set the contributions that we pay. The IAS19 deficit (c£54m at 31 March 2018) is calculated every year in order to fulfil the accounting standards.
- 4.6 The main reason there's a big difference in these numbers is the discount rate used in the two valuations – for the ongoing basis we allow for the Fund's investment strategy which is predominantly equity-based, but for IAS19 we are required to use corporate bond yields which give a far higher valuation of liabilities because the expected future long-term returns from corporate bonds are much lower than the returns from the Fund's investment strategy.
- 4.7 In terms of the accounts the IAS19 deficit (from March 2017 to March 2018) has reduced mainly due to changes in financial assumptions – this has reduced the deficit by around £4.5m. This is because the IAS19 discount rate assumption fell from 2.7% to 2.55% with a fall in future inflation expectations from 2.7% to 2.3% which has had more of an impact on the IAS19 liability valuation this year.
- 4.8 Based on the current position the actuary estimates the ongoing deficit will be in the region of £11m-£12m at 31 March 2018. This is positive (from the previous £19m), but bear in mind BREXIT is on the horizon and things can change significantly.
- 4.9 Going forward next year we will be getting the results for the next triennial valuation from 2019/20 with indications from October 2019.

Draft Management Representation Letter

- 4.10 **Appendix B** details the draft management representation letter which confirms for the auditors that the Corporate Governance Group is satisfied with the validity of the financial statements provided by the Authority to KPMG. If agreed this letter will be signed at the conclusion of the full Council meeting.

5 Risk and Uncertainties

- 5.1 Failure to adhere to professional accounting practice could lead to potential criticism from the Council's external auditors and inadequate Financial Statements.

6 Implications

6.1 Finance

None.

6.2 Legal

None.

6.3 Corporate Priorities

Not applicable.

6.4 Other Implications

None.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None.
List of appendices (if any):	Appendix A – Statement of Accounts 2017/18 Appendix B – Draft Management Representation Letter