

## **AGENDA ITEM**

### **REPORT TO AUDIT & GOVERNANCE COMMITTEE**

**29<sup>th</sup> JULY 2019**

### **REPORT OF DIRECTOR OF FINANCE AND BUSINESS SERVICES**

## **STATEMENT OF ACCOUNTS 2018/19**

### **PURPOSE OF REPORT**

This report presents to Members the Council's Statement of Accounts for 2018/19.

### **RECOMMENDATIONS**

That Members approve the Statement of Accounts for 2018/19.

### **DETAIL**

1. The accounts have been completed in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2018/19" which is prepared under International Financial Reporting Standards.
2. The Accounts and Audit Regulations (England) 2015 came in to effect on 1<sup>st</sup> April 2015. The regulations changed the arrangements for the approval and publication of the Statement of Accounts and the Annual Governance Statement. Under the regulations the Council must publish its audited Statement of Accounts and approved Annual Governance Statement by 31<sup>st</sup> July for the financial year 2018/19.
3. The period in which electors have the right to examine the accounts, question the auditor and to make objections at audit was set. This covered a period of 30 working days which, for 2018/19, had to include the first ten working days of June from the 3<sup>rd</sup> to the 14<sup>th</sup> June. The inspection period for 2018/19 commenced on the 3<sup>rd</sup> June 2019 and ended on 12<sup>th</sup> July 2019. The council did not receive any requests to examine the accounts during this period.
4. The accounts for 2018/19 now include additional statements in relation to the Councils group undertakings for the ownership of the Stockton Hotel and Stockton Holding Companies.
5. Since the draft accounts were presented to the Committee in May there has been a requirement to adjust the accounts due to a Supreme Court ruling that has been made regarding age discrimination arising from public sector pension scheme transition arrangements.
6. Court of Appeal judgements were recently made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant) which had previously been considered by employment tribunals. The Supreme Court ruling means that council pension funds will also have to compensate and account for payments to ensure that no employee is left out of pocket.
7. Actuaries had not included an estimate of the additional liabilities relating to these cases in the annual pension reports (International Accounting Standards IAS 19) provided to

each authority in April 2019. Due to the materiality of the change in liabilities from the ruling these now need to be accounted for in the 2018/19 financial statements. New IAS 19 reports were therefore requested and provided by the actuary to include an estimate of these additional liabilities.

8. The authority has also taken the opportunity to update the pension liabilities in relation to Guaranteed Minimum Pensions (GMPs) indexation and equalisation. The pension scheme is required to pay GMP to members who accrued benefits in the scheme between 1978 and 1997, but it has been found that the terms of GMP are different between men and women.
9. On 26 October 2018 the High Court ruled in a Lloyds Bank case that equalisation for the effect of unequal GMPs is required. The ruling confirmed that trustees have a duty “to equalise benefits for men and women. Again these liabilities had not been included in the original actuarial reports.
10. In addition to the above the external audit report on the statement of accounts and value for money, the ‘Annual Completion’ report also highlighted a small number of agreed changes to the draft accounts presented to this Committee in May. The accounts have also been updated for these adjustments.
11. The following key financial figures (non-group) are included in the accounts:
  - A surplus of £732k was reported against directorate revenue budgets for 2018/19 (see revenue year end table page 17). This surplus has been added to general fund reserves.
  - Total capital spending was £45.275 million during 2018/19 (see page 18).
  - Non-Current Assets amounted to £341.2 million (Group £340.4 million); this is an increase of £19.1 million over 2017/18. This increase reflects the additional investment in the CCLA Property Fund and in investment properties.
  - Current investments and cash amount to £6.9 million (Group £7.5m). This is a decrease of £20.2 million from the previous year. This is due to the additional long term investment in the CCLA Property Fund and using cash reserves to fund the capital programme prior to entering into borrowing.
  - The Council’s current long and short-term borrowings total £47.258 million which is a reduction of £0.156 million over the previous year.
  - The Council’s earmarked reserves (excluding schools) stand at £59.9 million which is a decrease of £4.4 million from the previous year. This reflects the planned use of reserves to fund the capital programme.
  - The level of General Fund balances at the 31<sup>st</sup> March stands at £8.4 million an increase of £732k and School Reserves stand at £4.8 million a reduction of £196k.
  - The Council’s Pension Scheme deficit is estimated at £227m, an increase of £3m from the previous year. This results from the actuaries’ assessment of fund performance and the re-measurement of scheme assets and liabilities.

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