

2018/19 Statement of Accounts (SOA) Overview

[page references are shown which cross reference to the full SOA document also available on the T&W internet site]

- The communication of financial information is a key aspect of public accountability. The Statement of Accounts provides detail about the funds available to the Council and how they have been used to deliver services together with a snap-shot of the financial position as at 31 March i.e. the value of assets and liabilities at year end.

BACKGROUND

- The structure and content of the Statement of Accounts is determined by Government Legislation, Accounting Standards, including International Financial Reporting Standards, and the Chartered Institute of Public Finance & Accountancy (CIPFA) Guidance and Codes of Practice.
- The Statement of Accounts comprises:
 1. **Narrative Report**
 2. **Statement of Responsibilities**
 3. **Annual Governance Statement**
 4. **Auditor's Report**
 5. **Expenditure & Funding Analysis**
 6. **Comprehensive I&E Account**
 7. **Movement in Reserves Statement**
 8. **Balance Sheet**
 9. **Cash Flow Statement**
 10. **Notes to the Accounts**
 11. **The Collection Fund Account**
 12. **Group Accounts**

KEY DATES

- Outturn report presented to Cabinet: 30 May 2019; Council 25 July 2019
- **Draft SOA presented to Audit Committee Members: 30 May 2019**
- Draft SOA available for Public Inspection for 30 days: including the first 10 working days in June
- **Start of External Audit: 10 June**
- Updated SAO approval by Audit Committee: 23 July 2019
- **Audit Completed 21st November 2019**
- Final SOA published

1. NARRATIVE REPORT [pages 4 -28]

Provides an overview of the budget and financial context, highlights issues raised during the year and provides a summary of both the revenue and capital outturn positions for the Council.

Revenue Position			
	Budget £m	Outturn £m	Variation £m
Cabinet Report	121.066	120.791	-0.275
Add: Funding Variance	0.000	+0.456	+0.456
Service Outturn [page 14 SOA]	121.066	121.247	+0.181
Council Tax, Govt. Grant and NDR	-121.066	-121.522	-0.456
Net General Fund Position		+0.275	+0.275
	-121.066	-121.247	-0.181

General & Special Fund Balances - £m	
Balances bwfd 1/4/18	4.807
Contribution to Balances	0.275
Balances cwfd 31/3/19	5.082

Capital - £m	
Approved Capital Programme	70.78
Outturn	57.64
Funded by:	
Borrowing	24.93
Capital Receipts	8.60
Grants	16.44
Other Sources	7.67
Total	57.64

2. STATEMENT OF RESONSIBILITIES & ANNUAL GOVERNANCE STATEMENT [page 29]

Sets out the responsibilities of the authority and the Chief Financial Officer in respect of the SOA; details the governance framework, systems of control and standards of conduct; reviews the effectiveness of governance arrangements and identifies actions to be implemented in 2019/20.

3. AUDITORS REPORT [page 44]

Provides independent assurance to Members that the SOA have been compiled in accordance with UK accountancy regulations and that they give a true and fair view of the financial position as at 31 March 2019. Grant Thornton will present their own report to Audit Committee which will include the Audit Opinion. An unqualified audit opinion has been given.

4. MOVEMENT IN RESERVES STATEMENT [page 56]

Shows the different reserves held by the authority, analysed into Usable reserves (those which could be used to fund expenditure) and Other Reserves (technical reserves and those where funds would not be immediately realisable e.g. revaluation reserve where assets would have to be sold to release the benefit).

Usable Reserves	£m	Other Reserves	£m
General/Special Fund Balance	5.082	Pension Reserve - Deficit	(314.704)
Capital Grants Unapplied	6.858	Acc. Absence Reserve	(2.737)
Revenue Grants Unapplied	1.308	Capital Adjustment a/c	113,766
Earmarked Service Reserves	73.341	Revaluation Reserve	48.005
School Balances	5.759	Collection Fund	3.898
		Deferred Capital Receipts	0.000
		Other	(7.901)
Total Usable Reserves	92.348	Total Other Reserves	(159.673)
Total Reserves at 31 March 2019: (£67.325)m			

5. COMPREHENSIVE INCOME & EXPENDITURE A/C [page 55]

This statement shows the cost of providing services, in accordance with Accountancy regulations, not the amount funded from taxation.

	£m
Deficit on I&E Account	66.553
Less amounts included in I&E Account but which do not impact on the General Fund (including Depreciation, Impairments and Capital Grants Applied)	(66.412)
Plus amounts not included in I&E Account but which do impact on the General Fund (such as movement in reserves)	(0.416)
Actual Contribution to General Fund Balances	(0.275)

6. BALANCE SHEET [page 57]

Shows the value of assets and liabilities at 31 March.

Assets	£m	Liabilities	£m
Property, Plant & Equipment	464.669	Borrowing	266.924
Investment Properties	93.413	Creditors	68.259
Intangible Assets	2.048	Pensions Liability	314.704
Long Term Investments	11.915	PFI/Finance Leases	50.668
Assets Held for Sale	6.062	Provisions	18.574
Debtors	62.096	Other	4.194
Cash/Cash Equivalents	15.498		
Other Current Assets	0.297		
Total Assets	655.998	Total Liabilities	723.323
Total Net position at 31 March 2019: £67.325m (liability)			

7. CASHFLOW STATEMENT [page 58]

Shows cash inflows and outflows during the year.

8. NOTES TO THE ACCOUNTS [page 59]

57 notes providing further information to support the figures in the financial statements.

[listed in contents on page 1]

9. COLLECTION FUND [page 130]

Required by statute for billing authorities; records transactions relating to business rates and council tax income and payments to this Council, the Parishes, Police & Fire Authorities.

GROUP ACCOUNTS AND NUPLACE ACCOUNTS [page 135]

Nuplace was incorporated on 1 April 2015. The principal activity of the company is the procurement of the construction and management of private and affordable residential property.

- Nuplace is wholly owned by Telford & Wrekin Council;
- 2018/19 was the fourth year of operation;
- During the year the company completed sites at Miners Walk, Madeley (53 units) and The Oaklands, Dawley (47 units) and Springfields, Newport (33 units). A further 39 units are under development at Coppice Court, Snedshill and are expected to be complete early 2019, taking the number of properties completed and available to let at 31 March 2019 to 309 (232 at 31 March 2018).
- Grant Thornton are the appointed auditors for Nuplace;
- Nuplace generated an operating profit, before taxation of **£0.492m**. The Council also received income of **£1.2m** from Nuplace during 2018/19. A summary of the financial statements is shown below:

Profit & Loss Account 31 March 2019 - £	
Turnover	2,148,911
Cost of Sales	(225,245)
Gross Profit	1,923,666
Administrative Expenses	(191,627)
Profit before taxation and interest	1,732,039
Net Interest payable	(1,240,016)
Profit before taxation	492,023
Tax on Profit	(128,270)
Profit for the financial year	363,753
Revaluation of tangible fixed assets	854,993
Total Comprehensive Profit for the Year	1,218,746

Balance Sheet at 31 March 2019			
Assets	£m	Liabilities	£m
Fixed assets	46.162	Creditors	30.972
Cash at bank and in hand	0.812	Provisions	0.195
Debtors	0.007		
Total Assets	46.981	Total Liabilities	31.167
Total Net Assets at 31 March 2019: £15.814m			
Share Capital		£11.600m	
Profit & Loss Account		£0.901m	
Revaluation Reserve		£3.313m	
		£15.814m	

The Council has produced Group Accounts for 2018/19 which consolidate the Council's accounts with those of Nuplace to give an overall picture of the Council's activities.

PENSIONS [notes 11, 12 and 13, page 76]

The Council participates in 3 pension schemes: the Local Government Pension Scheme, the National Health Service Pension Scheme and the Teacher's Pension scheme.

The pension fund assets and liabilities of the National Health Service and Teacher's schemes cannot be attributed to individual authorities and the Council is not therefore required to disclose detailed information relating to these.

The Local Government Pension Scheme (LGPS) is a Defined Benefit Scheme which is administered by Shropshire Pension Fund and detailed disclosures are available and shown in the accounts.

Both the Council and employees pay contributions into the LGPS fund, calculated at a level intended to balance the pension liabilities with pension assets. There is an actuarial evaluation of the fund undertaken every 3 years which determines the council's contribution. Following the valuation at 31/3/16 the contribution rate was set at 14.1% for 2018/19, supplemented with a lump sum payment.

The Council's assets and liabilities relating to the LGPS at 31 March were:

	31.3.18	31.3.19
	£'000	£'000
Total Present Value of Benefit Obligations	(777,821)	(852,874)
Fair Value of Pension Fund Assets	519,082	538,170
Deficit on Fund at 31 March	(258,739)	(314,704)
Deficit on Fund at 31 March prior year	(275,500)	(258,739)
Increase in deficit / (Decrease) in deficit	(16,761)	55,965

The cost charged to the Income and Expenditure account is not the employer contribution rate but an amount provided by the actuaries which takes into account the additional cost of pension obligations earned at 31 March – the principle being that local authorities must account for retirement benefits when they are committed to giving them.

PENSIONS – McCloud Ruling

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of reformed 2015 public service pension schemes from 1 April 2015. The transitional protection enabled some members to remain in the pre-2015 schemes after 1 April 2015 until retirement age, or the end of a protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The cases were brought by McCloud and other members of the Judicial Pension Scheme; and, Sargeant and other members of the Fire Fighters Pension Scheme and were heard in November 2016 and January 2017.

In December 2018 the Court of Appeal looked at the Employment Tribunal rulings and ruled that there was age discrimination in both pension schemes. More recently at the end of June 2019 the Supreme Court has backed this decision and ruled that the 2015 changes to the public sector pensions had discriminated against younger employees.

Although relating to the Judiciary and Fire Fighters this will also impact Local Government pension schemes with additional liabilities arising as the position is remedied and pension funds have to provide compensation.

In light of this judgement, we requested a revised actuarial report from Mercers to include the potential impact and as a result the pension fund liability has increased by £9.2m. The SOA has been updated to reflect this:

Net Cost of Services	+£5.622m
Re-measurements of the net defined pension liability	+£3.556m
Total CIES impact	+£9.178m
Pension Liability	+£9.178m
Total Balance Sheet impact	+£9.178m

Notes 11, 12 and 13 have also been updated.

RELATED PARTIES [note 48, page 122]

- Local authorities are required to show related party transactions as a disclosure note in the Statement of Accounts.
- Disclosure ensures that the SOA are presented in a fair and transparent manner.
- In 2016/17 there was a low return rate for disclosures; following this the process for completing and returning the Related Party Declaration forms was changed for 2017/18 and all forms were received before the closure of the audit. The same process was used in 2018/19. 5 outstanding returns, 4 returns are from members who either stood down or were not re-elected following the Local Elections held in May.
- A number of further disclosures have been included in the final draft of the SOA following the completion of testing by Grant Thornton which included Companies House checks.
- We will clarify the requirements in the guidance issued for 2019/20 returns.

PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY [note 15a & 15b, page 85]

Net Book Value	Property, Plant & Equipment £m	Investment Property £m
As at 1st April 2018	471.531	95.657
Additions	44.212	0.435
Revaluations charged to Revaluation Reserve	15.792	(0.957)
Revaluations Charged to Services (CIES)	(65.854)	2.626
Disposals	(0.378)	(4.400)
Reclassifications	5.768	0.052
Depreciation charged in year	(6.402)	0.000
As at 31st March 2019	464.669	93.413
Movement	(6.862)	(2.244)

- Impact on PPE of Academy conversions in 2018/19 (included in revaluations charged to services): -£41.2m (or 8.7% of NBV 1st April 2018)

International Financial Reporting Standard (IFRS) 9: Financial Instrument

- One of the major impacts on this year's financial statements has been the introduction of IFRS 9 which is the new accounting standard for investments, borrowing, receivables and payables, and applies to local authorities from the 2018/19 financial year onwards. IFRS 9 replaces International Accounting Standard (IAS) 39.
- IFRS 9 applies to all contractual rights to receive cash (financial assets) and obligations to pay cash (financial liabilities) and specifies how these should be classified and measured including implications for potential impairment of financial assets = expected likelihood of the counter party failing to return funds when they become due under the terms of the agreement.
- A series of guidance notes and worked examples have been issued by both CIPFA and the Council's Treasury Advisor which have been followed and implemented.
- Implications for Telford & Wrekin Council had relatively little impact due to the uncomplicated nature of our financial assets and liabilities and the requirement only to include impairment where the impact is material. Notes 21 & 22, pages 94-103, are laid out in accordance with the new standard and contain the required disclosures.