



SPECIAL COUNCIL – 30TH JULY 2019

SUBJECT: FINANCIAL STATEMENTS FOR 2018/19

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

1.1 To present Council with the 2018/19 Financial Statements.

2. SUMMARY

2.1 The report presents Council with the 2018/19 Financial Statements for formal approval, subject to any changes that may be required as a result of ongoing audit work.

2.2 The report also seeks Council's approval of a recommendation from Cabinet to transfer £2.380m from the General Fund to Capital Earmarked Reserves, resulting in a net General Fund balance of £11.660m.

3. RECOMMENDATIONS

3.1 Council is requested to: -

3.1.1 approve the 2018/19 Financial Statements, subject to any changes that may be required as a result of ongoing audit work;

3.1.2 approve a recommendation from Cabinet that the General Fund balance should be maintained at £11.660m, as previously agreed by Council on the 21st February 2019; and

3.1.3 approve a recommendation from Cabinet that the increase in the General Fund balance of £2.380m over the previously anticipated level should be transferred to Capital Earmarked Reserves, pending a report that will be presented during the autumn in respect of unallocated capital reserves and proposals for investments in a number of key strategic projects.

4. REASONS FOR THE RECOMMENDATIONS

4.1 To ensure that the 2018/19 Financial Statements are approved and submitted to the Wales Audit Office (WAO) in accordance with statutory requirements.

4.2 To set aside additional funding in Capital Earmarked Reserves to support future investments in key strategic projects.

5. THE REPORT

5.1 At its meeting on the 23rd July 2019, the Audit Committee was presented with the External Auditor's Audit of Financial Statements Report based on the audit work that had been

completed to date. The Auditor's report is attached as Appendix 1 and stated that it was the Auditor General's intention to issue an unqualified audit report on the 2018/19 Financial Statements based on the audit work completed as at the 23rd July 2019.

- 5.2 Appendix 3 of the Auditor's Report provided details of misstatements identified during the audit process which have subsequently been corrected by management.
- 5.3 Appendix 4 of the Auditor's Report provided details of recommendations arising from the 2018/19 financial audit work completed to date along with the management responses.
- 5.4 The 2018/19 Financial Statements attached as Appendix 2 of this report incorporate all of the corrected misstatements identified in the Auditor's Report as at the 23rd July 2019.
- 5.5 Following consideration of the Auditor's Report the Audit Committee unanimously endorsed a recommendation to Council that the Financial Statements be approved, subject to any changes that may be required as a result of ongoing audit work.
- 5.6 The External Auditor is still completing final audit testing in a number of areas and Council will receive an update at its meeting on the 30th July 2019 on any matters arising from the work that is yet to be completed.
- 5.7 At its meeting on the 12th June 2019, Cabinet was presented with a report on the Provisional Outturn for 2018/19. The report included details of movements on the General Fund balance from the 1st April 2018 to the 31st March 2019 along with agreed commitments for 2019/20. Members will recall that the forecast General Fund balance as reported to Council on the 21st February 2019 was £11.660m. The updated position is a projected balance of £14.040m, an increase of £2.380m.
- 5.8 The Section 151 Officer normally recommends a minimum General Fund balance of £10m (circa 3% of the net revenue budget). Members will recall that anticipated savings of circa £44m will be required for the four-year period 2020/21 to 2023/24. This is clearly extremely challenging and it is inevitable that some very difficult decisions will need to be made. With this in mind Cabinet was asked at its meeting on the 12th June 2019 to support a recommendation to Council that the General Fund balance should be maintained at £11.660m as previously agreed by Council on the 21st February 2019. Cabinet was also asked to support a recommendation to Council that the increase in the General Fund balance of £2.380m over the previously anticipated level should be transferred to Capital Earmarked Reserves, pending a report that will be presented during the autumn in respect of unallocated capital reserves and proposals for investments in a number of key strategic projects. Both of these proposals were supported by Cabinet and Council is therefore asked to approve the recommendations.

Conclusion

- 5.9 The information presented in this report and the appendices is based on audit work completed as at the 23rd July 2019, with final audit testing still to be completed in a number of areas.
- 5.10 Council will receive an update at its meeting on the 30th July 2019 on any matters arising from the audit work that is yet to be completed.

6. ASSUMPTIONS

- 6.1 A range of accounting assumptions and estimates have been made in the preparation of the Financial Statements in accordance with best accounting practice and guidance.

7. LINKS TO STRATEGY

7.1 The Financial Statements deal with resources available to the Authority that influence the delivery of policies and strategies.

7.2 Effective financial planning and robust budget management support the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 Effective financial planning and robust budget management are key elements in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications arising from this report.

10. FINANCIAL IMPLICATIONS

10.1 As identified throughout the report.

11. PERSONNEL IMPLICATIONS

11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER

13.1 Accounts and Audit (Wales) Regulations 2014.

Author: Stephen Harris, Interim Head of Business Improvement Services & Acting S151 Officer
Tel: 01443 863022 E-mail: harrisr@caerphilly.gov.uk

Consultees: Cllr B. Jones, Deputy Leader & Cabinet Member for Finance, Performance and Governance
Richard Edmunds, Corporate Director for Education and Corporate Services
Andrew Southcombe, Finance Manager (Corporate Finance)
Lisa Lane, Head of Democratic Services & Deputy Monitoring Officer

Background Papers:

- Working Papers for Financial Statements 2018/19
- Report to Council (21/02/19) – Budget Proposals for 2019/20 and Medium-Term Financial Plan 2019/20 to 2023/24
- Report to Cabinet (12/06/19) – Provisional Outturn for 2018/19
- Report to Audit Committee (23/07/19) – Financial Statements for 2018/19

Appendices:

Appendix 1 Audit of Financial Statements Report
Appendix 2 2018/19 Financial Accounts