
Report to: Audit Committee

Date of Meeting: 26 September 2019

Subject: Financial Statements 2018/19

Report by: Chief Finance Officer

1.0 Purpose

- 1.1. This report provides the council with the Audited Financial Statements for the Council for the financial year 2018/19 to 31 March 2019. The report highlights the material changes that have been made to the draft financial statements during the audit period.
- 1.2. The final amended Financial Statements for the year ended 31st March 2019 have been placed in members' room in advance of this meeting to facilitate approval.

2.0 Recommendations

It is recommended that the Committee:

- 2.1. approve the 2018/19 Financial Statements;
- 2.2. approve the submission of the Financial Statements to the Controller of Audit no later than 30th September, and
- 2.3. otherwise note the contents of the report.

3.0 Considerations

- 3.1. The accounts have been prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*. The Financial Statements show the actual figures for 2018/19 and the comparable figures for 2017/18.

4.0 Material Changes to the Financial Statements

Pension Liability (IAS19)

- 4.1 During the audit an updated IAS 19 report was received from the Pension Fund Actuaries with updated figures for asset returns. Also within this report was an estimation of the impact of the McCloud judgment regarding transitional provisions in public sector pension schemes being unlawfully age discriminatory and an estimate of allowances on Guaranteed Minimum Pension (GMP) equalisation charges.

- 4.2 In late June the Supreme Court ruled on the McCloud case that there was no further right of appeal by the UK Government and the case was referred back to Tribunal to identify potential solutions to rectify the unlawful impact of the scheme. Due to the timing of this judgement this was not reflected in the draft financial statements.
- 4.3 In the case of the McCloud ruling the actuaries have made assumptions on the impact using the Government Actuary's Department (GAD) estimates and adjusted them to reflect the Falkirk Pension Fund's local assumptions. The estimated impact on total pension liabilities is an increase of 0.4%, approximately £1.7m.
- 4.4 Based on the information provided by the actuaries, the GMP impact could increase the total liabilities by 0.23% at 31 March 2019, which equates to an increase of approximately £0.986m.
- 4.5 The impact of these adjustments are reflected in the Balance Sheet increasing the Pension Liability by £4.497m and reducing the Pension Reserve by the same amount. There is no impact on usable reserves or the General Fund Balance.

General Reserves

- 4.6 2 transactional adjustments have been made that adjust the General Reserve balance:
- An additional income accrual in respect of the funding from the Government for the inflationary increase in Teachers Pay not received by 31 March 2019 – increase in grant funding to offset expenditure £100k;
 - Adjustment to the Council Tax income in the year – £80k reduction of income.

The net impact of these transactions is to increase general fund uncommitted reserves by £20k to £4.342m.

- 4.7 The draft financial statements included Clackmannanshire's share of the Clackmannanshire and Stirling Health & Social Care overspend including the proposed risk share arrangement of this overspend. As this had not formally been agreed by the IJB Board at the time the draft financial statements were submitted for audit an earmarked reserve was created to reflect the £0.482m due from Health under this arrangement. The Board formally agreed this arrangement at its meeting in July 2019 and the earmarked reserve has been released to uncommitted reserves increasing the uncommitted reserves balance to £4.824m.
- 4.8 The Council's Reserves Strategy stipulates that it should retain uncommitted reserves at a minimum level of 3% of budgeted net expenditure. Based on 2019/20 approved budget this equates to a figure of £3.757m. At the end of 2018/19, uncommitted reserves are £4.824m, therefore, £1.061m in excess of this minimum reserve figure which represents a level of 3.8% of budgeted net expenditure.

Remuneration Report

- 4.9 Disclosures within the Remuneration report have been amended to ensure information is reported in line with the requirements set out in the Local Authority Accounts (Scotland) Regulations 2014.

Investment Properties

- 4.10 During the audit it was identified that there was a difference between the balance on Investment properties between the Asset Register and the Financial Ledger. On investigation this was found to relate to an incorrect adjustment of the change in valuation of Investment Properties during 2015/16. This has been corrected and has

increased Non-current assets on the Balance Sheet by £0.5m. There is no impact on the general fund balance as a result of this change.

5.0 Conclusion

- 5.1 The financial statements have been audited by Audit Scotland and the significant findings noted above have been disclosed and reflected in the audited financial statements.
- 5.2 These adjustments have increased uncommitted general reserves by £0.502m and the overall level of general fund reserves to £8.581m, increased the Pension liability on the balance sheet by £4.497m and increased non-current assets by £0.5m.
- 5.3 It is recommended that the Financial Statements are approved for submission to the Controller of Audit.

6.0 Sustainability Implications

- 6.1 Not applicable

7.0 Resource Implications

7.1 *Financial Details*

- 7.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes
- 7.3 Finance have been consulted and has agreed the financial implications as set out in the report. Yes

7.4 *Staffing*

8.0 Exempt Reports

- 8.1 Is this report exempt? Yes (please detail the reasons for exemption below) No

9.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) Our Priorities

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer

- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

10.0 Equalities Impact

- 10.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
 Yes No

11.0 Legality

- 11.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

12.0 Appendices

- 12.1 Audited Financial Statements 2018/19 (appendix have been placed in members' rooms in advance of this meeting.)

13.0 Background Papers


- 13.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered) Yes

Council Draft and Audited Financial statements 2018/19

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
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