



Report of the Chief Finance Officer
Report to Corporate Governance and Audit Committee
Date: 27th July 2020
Subject: Draft Statement of Accounts 2019/20

Are specific electoral wards affected?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If yes, name(s) of ward(s):	
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:	
Appendix number:	

Summary

Main issues

- 1 The Chief Finance Officer has reviewed the 2019/20 accounts and certified that they are a true and fair view of the Council's financial position.
- 2 The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2015.
- 3 The accounts were made available for public inspection for thirty working days commencing 6th July 2020.
- 4 The draft accounts are prepared in the context of an uncertain financial outlook arising from the coronavirus pandemic. However as the balance sheet date of 31st March 2020 fell shortly after the start of lockdown, there has been limited impact on the figures to be reported for 2019/20.

Best Council Plan Implications and Resource Implications

1. There are no implications for the Best Council Plan and no resource implications arising from this report.

Recommendations

2. Members are asked to note the 2019/20 unaudited Statement of Accounts as certified by the Responsible Financial Officer.

1. Purpose of this report

- 1.1 The purpose of this report is to present to the Committee the draft unaudited 2019/20 Statement of Accounts which are currently available on the council's website for public inspection. The Statement of Accounts is included with the agenda as a separate document for Committee members and is also published on the Council's internet site on the 'Our financial performance' webpage. The draft accounts will remain available on the website until they are replaced with the final audited accounts.

2. Background information

- 2.1 Whilst it is not a statutory requirement for members to formally approve these unaudited accounts, members of this Committee requested that they receive the draft accounts for information, prior to the final audited accounts being submitted to the committee for approval in the autumn.

3. Main issues

3.1 Going concern basis for the statement of accounts

- 3.1.1 The council's accounts are prepared on a going concern basis, i.e. on the assumption that the council will continue to exist and to provide local services for the foreseeable future.
- 3.1.2 This is a requirement of the Code of Practice on Local Authority Accounting, covering for all statutory authorities. The Code applies IAS1 which states that an organisation "shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so". Since the governing body of a local authority has no power to wind up the entity and cease its operations, a statutory local authority will always be a going concern as defined by IAS1. Further, in the event of government intervention to abolish a local authority, there would be a successor authority or authorities which would assume ownership of the assets and liabilities and continue to provide local services. A going concern basis of accounting would therefore still be appropriate as the functions of the authority would continue to operate for the foreseeable future.
- 3.1.3 In the light of the coronavirus pandemic, CIPFA's guidance for 2019/20 statements of accounts includes a reminder that the going concern basis of accounting is mandatory for statutory local authorities. It clarifies that a local authority cannot apply the requirement of IAS1 to carry out a review of its ability to continue as a going concern. However given that this is the case, it identifies a separate need for local authorities to include commentary in the narrative report that accompanies the statement of accounts, covering their financial health and the financial pressures that they face as a result of the impact of the coronavirus pandemic.
- 3.1.4 The Narrative Foreword to the 2019/20 statement of accounts discusses the financial pressures that the council is facing, highlighting that at the date of issue of the draft accounts there is considerable uncertainty over both the extent of the financial pressures and the extent to which additional government support will be received to help to address them.

3.1.5 Rather than a going concern assessment, the key measures of a local authority's financial standing are whether it can deliver its current budget by keeping expenditure to within the level of the resources available, and its ability to meet its statutory duties in setting a balanced budget in the future. This is discussed further in the report presented on this agenda which covers the circumstances under which a S151 officer may be required to issue a S114 report.

3.2 Main financial issues

3.2.1 The most significant impact of the coronavirus and the associated lockdown on the 2019/20 statement of accounts has been to increase the level of estimation uncertainty, particularly in the valuation of property assets. The lack of activity in the property market from mid-March led RICS (the Royal Institute of Chartered Surveyors) to issue a valuation practice alert, advising its members that material uncertainty declarations were likely to attach to valuations which would normally rely on market data. As a result, the draft accounts include additional disclosures explaining the uncertainty that attaches to property valuations this year. Given that the majority of the economic impact from the coronavirus lockdown has happened after the balance sheet date of 31st March, there is a potential for post balance sheet event disclosures to be required before the accounts are finalised, if there is sufficient data available at that time for a valid re-assessment of property values to be made, and if these indicate significant changes in property values.

3.2.2 The following is a summary of the main financial issues raised by the 2019/20 unaudited accounts

- The final outturn position for the year was a £3.5m contribution to the General Fund Reserve, which represented a £0.3m overspend in comparison to the figure budgeted for.
- The Housing Revenue Account outturn position was a £3.0m usage of revenue reserves, which was in line with the use of reserves budgeted for. However, within this position net variations of £2.9m have been offset by a reduced revenue contribution to the capital programme.
- The council's net worth has increased by £149.3m and stands at £1,535m. The most significant factor in this increase was an increase of £451m in the value of tangible and intangible fixed assets. However this has been partly offset by an increase in the net pensions liability of £208m, largely as a result of poorer than anticipated earnings from assets.
- Net borrowing for capital and treasury management purposes has increased during the year by £100m, in comparison to an increase of £143m in the borrowing element of the capital financing requirement. The council also significantly increased its levels of cash and cash equivalents held during March 2020, to guard against liquidity risks in the light of the impact of coronavirus.
- The council's level of usable reserves has increased by £25m to £337m during the year. It should be noted however that this increase included £19m from the first tranche of Covid Support grant, which was received in late March and carried forward to fund costs in 2020/21. The figures for useable reserves also include an increase of £10m in usable capital reserves, largely capital grants received in advance.

A full analysis of these and other financial issues is included in the Foreword of the Chief Finance Officer which can be found at the front of the accounts.

3.3 Responsibilities and Timeframes for Approving the Statement of Accounts

3.3.1 The Accounts and Audit Regulations 2015 determine the roles and responsibilities for approving local government accounts. As reported at the June meeting of the Committee, in response to the coronavirus pandemic the government has made changes to the Regulations to extend the publication deadlines for 2019/20. Under the amended regulations it is the responsibility of the Responsible Financial Officer to certify that the accounts are a true and fair view of the Council's financial position, and for 2019/20 this must be done before the 31st August. The accounts must then be available for public inspection for thirty working days. This Committee is charged with approving and publishing the final audited accounts on or before the 30th November 2020.

3.3.2 To enable members to discharge their responsibilities for approving the accounts at the October meeting of the committee, the following assurances can already be given, or will be given within the approval process :

- On 2nd July 2020 the Chief Finance Officer in her capacity as the Responsible Financial Officer signed the draft 2019/20 accounts, confirming that she is satisfied that they present a true and fair view of the Council's financial position.
- The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which represents proper accounting practice for local authorities, as required by the Accounts and Audit Regulations 2015.
- Grant Thornton are currently undertaking a detailed audit of the accounts to ascertain that, in their view, the accounts show a true and fair view of the Council's financial position. They will report any significant issues back to this Committee in the autumn.
- Stakeholders have thirty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered an eligible objection the auditors would investigate the complaint or questions and determine whether the accounts needed amendment. Any significant issues raised in this way would be reported back to this Committee in September. For 2019/20, the public inspection period commenced on 6th July.
 - Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the October Committee prior to approving the accounts.

3.4 External Audit Issues

3.4.1 Grant Thornton presented their annual audit plan to the committee in January 2020, and presented an update in response to the coronavirus pandemic in June 2020. The first of these documents identified two key areas of audit risk for the 2019/20 accounts, due to the materiality of the figures involved. These were the valuation of property, plant and equipment and the valuation of net pension liabilities. The update identified that the coronavirus pandemic presented a further risk to the accounts, in terms of both the council's capacity to produce its statement of accounts and uncertainty over valuations to be included and over the wider financial outlook.

3.4.2 In July 2019, Grant Thornton reported back to this Committee on their main audit findings in respect of the 2018/19 accounts and any recommendations or risks for the following year's accounts. The report made two medium priority recommendations – firstly in relation to the statement of accounts that the valuation date for the council's property, plant and equipment should be moved from 30th September to later in the year, and secondly in relation to value for money, that the council should keep the level of its reserves under review. Officers discussed the asset valuation date with the council's valuers. Their view was that it would not be possible to produce reliable valuations based on market data for a 31st March valuation date within the required timescales for the statement of accounts. However they did indicate that improvements in software may make a move to a date later than 30th September possible for the 2020/21 statement of accounts.

4. Corporate considerations

4.1 Consultation and engagement

4.1.1 This is a factual report from the Chief Finance Officer on the Council's 2019/20 financial accounts and consequently no public, ward member or councillor consultation or engagement has been sought.

4.2 Equality and diversity / cohesion and integration

4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and the Best Council Plan

4.3.1 The Statement of Accounts is an audited publication which provides all stakeholders with the confidence that public money has been properly accounted for and that the financial standing of the Council is on a secure basis.

4.3.2 As required by the Accounts and Audit Regulations 2015, the accounts are to be made available for public inspection for thirty working days. Local electors and taxpayers have the right to look through the accounts and supporting documentation as well as the right to object to the accounts and question the auditors.

Climate Emergency

4.3.3 There are no climate implications arising from this report.

4.4 Resources, procurement and value for money

4.4.1 This is a factual report of the Chief Finance Officer on the financial accounts of the Council for 2019/20. There are no additional financial or value for money implications.

4.5 Legal implications, access to information, and call-in

4.5.1 The accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of August

2020. This report does not require a key decision and is therefore not subject to call in.

4.6 Risk management

4.6.1 The Council's external auditors provide a risk assessment on the accounts process as part of their annual audit plan, which was presented at a previous meeting of this Committee. The specific areas identified as audit risks will be covered as part of their audit work, and any issues arising will be reported to this committee at the meeting at which the final audited accounts are presented for approval.

5. Conclusions

5.1 The draft accounts have been prepared in the context of an uncertain financial outlook arising from the coronavirus pandemic. However the majority of the financial impact of the pandemic will be experienced during 2020/21, and the main impact on the figures to be reported for 2019/20 has been greater than usual uncertainty over some valuations at the balance sheet date. This has necessitated additional disclosure within the draft accounts.

5.2 The Responsible Financial Officer has certified that the accounts are a true and fair view of the council's financial position.

6. Recommendations

3. Members are asked to note the 2019/20 unaudited Statement of Accounts as certified by the Responsible Financial Officer, and that they have been released for public inspection.

7. Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.