

Statement of Accounts 2019-20

Corporate Priority:	Ensuring the right conditions to support delivery
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No

1 Summary

- 1.1 The Statement of Accounts inform the Committee of the key issues within the annual accounts and for 2019-20 are prepared in accordance with the Accounts and Audit Regulations 2015 and The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

2 Recommendation(s)

That Committee:

- 2.1 Approve the Statement of Accounts for 2019-20.
- 2.2 Delegate authority to the Director for Corporate Services to make any changes to the Statement of Accounts 2019-20 following this meeting in regard to the outstanding items reported verbally to this committee, to be signed by the Chair of Audit and Standards once complete.

3 Reason for Recommendations

- 3.1 The Accounts and Audit Regulations 2015 (The Regulations) and for 2019-20 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, requires a Statement of Accounts to be produced and approved by the appropriate committee. For the financial year 2019-20 this approval must be by 30 November 2020 (otherwise would normally be 31 July), although it is considered to be good practice to submit these as early as possible.
- 3.2 Unfortunately the audit of the Council's accounts has not been completed within this timeframe due to resource issues and to safeguard audit quality and so a notice to this end was published to the Council's website on 30 November as allowed for by Regulation

10, paragraph (2a) of the Accounts and Audit Regulations 2015, as updated by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

- 3.3 It is also a requirement of the regulations that the unaudited accounts have to be signed off by the Section 151 Officer and published by 31 August 2020 (otherwise would normally be 31 May but changed for the Coronavirus Amendment Regulations), and are available for approval for public inspection for a 30 day period which for this year only does not specify a common 10 day period. We published the unaudited accounts on 30 June 2020, and propose to publish the final audited accounts as soon as practicable following their final approval.
- 3.4 The format of the accounts is largely governed by the Code of Practice on Local Authority Accounting in the United Kingdom (the code) guidance notes, produced for Local Authorities by the Chartered Institute of Public Finance & Accountancy (CIPFA).
- 3.5 The regulations require the person presiding at the committee at which the accounts are approved to sign and date the Statement of Accounts.
- 3.6 This year the deadline in the Local Audit and Accountability Act 2014 has been extended to allow Local Authorities to complete their accounts at the same time as deliver extended and essential services following the coronavirus out-break.
- 3.7 The Statement of Accounts essentially shows the year end revenue and capital position in a prescribed format as required by the code. A report considering the provisional General Fund (GF) and Housing Revenue Account (HRA) position in comparison to the budget was reported to Cabinet on 15 July 2020. Key points to note in relation to the balance sheet summarising the Council's assets and liabilities at 31 March 2020 are set out in the following paragraphs. The external auditor's report referencing these accounts are elsewhere on this agenda.
- 3.8 The audit of these accounts has not fully completed in regard to a small number of outstanding valuation queries, as the accounts are substantially audited it is proposed to approve the accounts at this meeting and grant delegated authority to the Director for Corporate Services to make any required changes to the accounts before publication, should they be required. A verbal update will be made in the meeting.

4 Background

4.1 Revenue and Capital Accounts

The service classification within the Comprehensive Income and Expenditure Statement (shown on page 3 of the Statement of Accounts) is presented in line with the Council's organisational structure as at 31 March 2020, under which it operates and manages its services. These include all costs, not just the controllable costs reported to Cabinet that are within the budget holder's control, for areas such as accrued employee benefits for untaken annual leave.

4.2 Narrative Statement

The Narrative Statement provided separately to the Statement of Accounts compares the final year end position against the original budget approved in February 2019. The Council must prepare a Narrative Statement to include a comment on its financial performance and its economy, efficiency and effectiveness in its use of resources over the financial year. The Narrative Statement is attached at Appendix B for information.

4.3 Balance Sheet

Closer analysis of the Balance Sheet tells us, for example, the Council's position on reserves and whether past capital expenditure is financed or subject to borrowing arrangements, explains whether money owed to the Council exceeds money owed by it and explains what resources the Council has to invest. However, it should be noted that the figures shown in the Balance Sheet are a snapshot taken on one day ie 31 March 2020.

4.3.1 Working Balance and Reserves

a) The balance on the Corporate Priorities Reserve as reduced from £1,200k at 1 April 2019 to £1,071k at 31 March 2020. The movements to this reserve are as follows:

Corporate Priorities Reserve	£'000
Balance Brought Forward 1 April 2019	1,200
Contribution to Revenue Account	-8
Contribution to Carry Forward Reserves	-121
Balance Carried Forward 31 March 2020	1,071

b) The balance on the General reserve for Special Expenses (MM) for the same period has increased from £287k to £348k. For Special Expenses (MM) the working balance has remained at £50k being its approved level, as approved by Council on 27 February 2019. For General Expenses the working balance has remained at £640k as approved at the same meeting. The level of reserves will be adjusted in 2020-21 in order to reflect the carry forward of capital budget underspends from 2019-20. Separate reserves deal with the revenue budget carry forwards, so they will no longer cause an adjustment on the Corporate Priorities or Special Expenses reserves.

c) The working balance on the HRA reduced from £1,897k at 1 April 2019 to £1,721k at 31 March 2020. The HRA was underspent against the approved budget by £496k as reported to Cabinet on 15 July 2020. This balance is in excess of the minimum level of £750k for 2019-20 as recommended in the Council's Medium Term Financial Strategy (MTFS).

4.3.2 Capital Financing Requirement

a) An analysis of the balance sheet allows us to determine whether the actual amount of borrowing during the year for capital purposes is significantly different to the Capital Financing requirement (CFR). The CFR represents the amount of borrowing required to fund capital expenditure after utilising all other funds available e.g. capital receipts, capital grants, capital and revenue contributions etc. The following table indicates that the Council's actual borrowing was within the level of the CFR:

Analysis of Balance Sheet	31-Mar-19	31-Mar-20
	£'000	£'000
Fixed Assets	130,758	130,442
Less Financing to date	-99,172	-98,868
CFR (Borrowing Requirement)	31,586	31,574
Less Long Term Borrowing	-31,413	-31,413
Under Borrowing	173	161

* note all borrowing relates to the HRA

- b) The net borrowing at the balance sheet date should not exceed the CFR, and at 31 March 2020 was below that figure due to a small amount of internal borrowing (£71k) and the notional set aside amount regarding the registrars (£90k). No new borrowing has been taken out in the year.

4.3.3 Debtors and Creditors

a) The table below illustrates that there is a reduced excess of creditors at 31 March 2020 (money owed by the Council) over debtors (money owed to the Council). For a healthy cash flow position this is the ideal scenario. This therefore shows a slightly reduced performance over the previous year. However, as mentioned above, the figures shown in the balance sheet are a snapshot at 31 March. It can be more useful to make comparisons over time, hence the previous years figures are shown. The main reasons for the change in both the short term creditors and debtors figures is explained below:

- The Business rate retention scheme preceptor credits balances were increased by £87k, due to more current year income and an increased levy equivalent payable
- The provision for the Council's share of outstanding business rates appeals has reduced by £14k. The provision for redundancies approved but not yet paid has increased by £35k.
- There is a general decrease in the figure for capital creditors of £306k and a decrease in the sundry creditors (including reserved creditors) of £408k. The many transactions that make up these figures include all the Council's miscellaneous creditors. There is also an increase in the reserved debtors of £86k.
- Prepayments and accounts in credit for housing rent, council tax and NNDR increased by £57k.
- The provision for doubtful sundry debts was reduced by £48k, due to lower outstanding arrears. The provision for arrears on housing debt has reduced by £49k due to lower outstanding current tenant arrears.
- The VAT debtor has reduced by £50k due to lower amounts of invoices processed in period 12.
- The remainder is a mixture of smaller movements on other debtor and creditor balances.

Analysis of Balance Sheet	31-Mar-19	31-Mar-20
	£'000	£'000
Creditors & Provisions	4,370	3,803
Less:		
Short Term Debtors	2,908	2,923
Excess of Creditors over Debtors	1,462	880

4.3.4 Cash Resources

a) The following table shows that where there have been cash resources available that these have been invested, either internally or externally, in order to both maximise the Council's income from interest receipts or reduce interest paid. The previous year has been included for comparison purposes:

Analysis of Balance Sheet	31-Mar-19 £'000	31-Mar-20 £'000
Cash Resources:		
- Useable Capital Receipts & Contributions	5,313	6,011
- Earmarked Reserves	11,749	11,756
- Balances	2,590	2,414
Funds Available for Investment	19,652	20,181
Excess of Creditors over Debtors	1,462	880
Resources / Cash Available for Investment	21,114	21,061
Short-term Investments	9,000	14,000
Cash & Cash Equivalents	9,876	5,951
Property Investment Fund	1,966	1,895
Excess (-) / Deficit of Investments over Resources	272	-785

The Council continues, at the balance sheet date, to maximise its funds available.

5 Main Considerations

5.1 All considerations have been addressed in section 4.

6 Options Considered

6.1 No other options considered as the report is a statutory requirement and therefore if it was not provided the Council would not be undertaking its statutory functions and could be open to legal challenge.

7 Consultation

7.1 The Council's external auditors have been consulted in preparing the Statement of Accounts. The public are provided with an opportunity to question the auditor on the accounts.

8 Next Steps – Implementation and Communication

8.1 The Statement of Accounts is a corporate document. The Statement of Accounts (subject to audit) has been advertised as available for public inspection on the website and the auditors available to answer questions. Now that the audit has been completed the audited accounts, narrative statement and Annual Governance Statement will be available on the Council's website as soon as practicable after approval and the Statement of Accounts will be available to purchase.

9 Financial Implications

9.1 All financial implications are addressed in section 4 above.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

10.1 As set out above the requirements covering the arrangements for the production, approval and publication of the Statement of Accounts for 2019-20 is governed by the Accounts and Audit Regulations 2015, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 and the Local Audit and Accountability Act 2014.

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

11.1 There are no direct equality and safeguarding implications arising from this report.

12 Community Safety Implications

12.1 There are no direct community safety implications arising from this report.

13 Environmental and Climate Change Implications

13.1 There are no environmental or climate change implications arising from this report.

14 Other Implications (where significant)

14.1 There are no other implications arising from this report.

15 Risk & Mitigation

15.1 There is a risk that the accounts will not be signed off by the auditors as a result of errors, however every effort has been made to ensure the accuracy of the Statements.

15.2 Due to the on-going requirement for earlier completions dates for the publication of the Statement of Accounts there is the continued requirement to rely on an increased use of estimates. A potential consequence of this is that there will be a knock-on effect into the following financial year if estimates of accruals are not accurate.

16 Background Papers

16.1 CIPFA Code

17 Appendices

17.1 Appendix A – Statement of Accounts 2019-20

17.2 Appendix B – Narrative Statement

Report Author:	Carol King , Senior Technical Accountant
Report Author Contact Details:	01664 502446 CKing@melton.gov.uk
Chief Officer Responsible:	Dawn Garton , Director for Corporate Services
Chief Officer Contact Details:	01664 502444 DGarton@melton.gov.uk