

Audit & Standards Committee

Date 30 July 2019

Report of: Director for Corporate Services

**Cabinet
Member** Portfolio Holder for Corporate
Finance and Resources

STATEMENT OF ACCOUNTS 2018-19

1.0 Summary:

- 1.1 The Statement of Accounts inform the Committee of the key issues within the annual accounts and are prepared in accordance with the Accounts and Audit Regulations 2015. The Committee are required to approve them before 31 July each year.

2.0 Recommendations

- 2.1 **That the Audit and Standards Committee approve the Statement of Accounts for 2018-19**
- 2.2 **That the Audit and Standards Committee Chair sign the Statement of Accounts for 2018-19**

3.0 Report Detail

- 3.1 The Accounts and Audit Regulations 2015 (the Regulations) require a Statement of Accounts to be produced and approved by the appropriate committee. For the financial year 2018-19 this approval must be by 31 July 2019 although it is considered to be good practice to submit these as early as possible. 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 May 2019, and are available for public inspection for a 30 day period which must include the first 10 days in June. The audited accounts must be published by 31 July 2019.
- 3.2 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 Authority Accounts by the Chartered Institute of Public Finance & Accountancy (CIPFA).
- 3.3 The Regulations require the person presiding at the committee at which the accounts are approved in July to sign and date the Statement of Accounts.
- 3.4 The Local Audit & Accountability Act 2014 requires that Local Authorities publish an audited copy of their statement of accounts by 31 July from 2018-19 instead of the previous date of 30 September.

- 3.5 On order to achieve this early closedown every year it will continue to be necessary to rely on the increased use of estimates in the final accounts, this has two potential consequences;
- That there will be an increase in the amount of post-audit amendments; and
 - That there will be a knock-on effect into the following financial year if estimates of accruals are not as accurate
- 3.6 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 9 July 2019. Key points to note in relation to the Balance Sheet summarising the Council's assets and liabilities at the 31 March 2019 are set out in the following paragraphs. The external auditor's report referencing these accounts are elsewhere on this agenda.
- 3.7 **Revenue and Capital Accounts**
The service classification within the Comprehensive Income and Expenditure Statement (shown on page 3 of the Statement of Accounts) is now presented in line with the Council's organisational structure as at 31 March 2019, under which it operates and manages its services. These include all costs not just those controllable costs reported to Cabinet that are within the budget holder's control for areas such as accrued employee benefits for untaken annual leave.
- 3.8 **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 2018. 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.
- 3.9 **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 i.e. 31 March 2019.

Working Balances & Reserves

- a) The balance on the Corporate Priorities Reserve has reduced from £1,432k at 1 April 2018 to £1,200k at 31 March 2019. The movements to this reserve are as follows:

Corporate Priorities Reserve	£'000
Balance Brought Forward 31 April 2018	1,432
Contribution to Revenue Account	-303
Contribution to Carry Forward Reserves (net change from 2017/18 c/fwd amount compared to 2018/19)	71
Balance Carried Forward 31 March 2019	1,200

- b) The balance on the General Reserve for Special Expenses (MM) for the same period has increased from £252k to £287k. For Special Expenses (MM) the working balance has remained at £50k being its approved level as approved by Full Council in February 2018. For General Expenses the working balance has remained at £640k as approved by the same meeting. The level of reserves will be adjusted in 2019-20 in order to reflect the carry forward of capital budget underspends from 2018-19. 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 has increased from £1,667k at 1 April 2018 to £1,897k at 31 March 2019 due to an underspend within the HRA in 2018-19. This is in excess of the minimum level of £750k for 2018-19 as recommended in the Council's Medium Term Financial Strategy (MTFS).**

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 from 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-18 £'000	31-Mar-19 £'000
Fixed Assets	127,825	130,757
Less Financing to date	-96,227	-99,171
CFR (Borrowing Requirement)	31,598	31,586
Less Long Term Borrowing	-31,413	-31,413
Under Borrowing	185	173

* 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 2019 was below that figure due to a small amount of internal borrowing (£71k) and the notional set aside amount regarding the registrars (£102k). No new borrowing has been taken out in the year.

Debtors and Creditors

a) The table below illustrates that there is an increased excess of creditors at 31 March 2019 (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 an increase in 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 year's figures are shown. The main reasons for the change in both the short term creditors figure and the short term debtors figure is explained below:

- The Business Rate Retention Scheme preceptor creditor balances were increased by £140k, due to more current year income and an increased levy amount payable.
- The provision relating to the Council's share of outstanding business rates appeals has increased by £171k due to an auditor requirement to include 2 years worth of appeals rather than 1 in the previous year, and the provision for redundancies approved but not yet paid has increased by £47k.
- There is a general increase in the figure for capital creditors of £279k and a decrease in the sundry creditors (including reserved creditors) of £114k. The many transactions that make up these figures include all the Council's miscellaneous creditors. There is also an increase in reserved debtors of £401k.
- The provision for doubtful sundry debts was increased by £116k, of which £69k can be linked to an updated and more realistic calculation on the existing arrears. The provision for arrears on housing debt has reduced by £137k due to an updated calculation on the provision for former tenant arrears.
- The VAT debtor has reduced by £108k due to lower amounts of invoices processed in period 12 with some capital and revenue invoices being held awaiting evidence.
- The remainder is a mixture of smaller movements on other debtor and creditor balances.

Analysis of Balance Sheet	31-Mar-18 £'000	31-Mar-19 £'000
Creditors & Provisions	3,826	4,370
Less:		
Short Term Debtors	2,637	2,908
Excess of Creditors over Debtors	1,189	1,462

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.

b)

Analysis of Balance Sheet	31-Mar-18 £'000	31-Mar-19 £'000
Cash Resources:		
- Useable Capital Receipts & Contributions	5,126	5,313
- Earmarked Reserves	11,350	11,749
- Balances	2,359	2,590
Funds Available for Investment	18,835	19,652
Excess of Creditors over Debtors	1,189	1,462
Resources / Cash Available for Investment	20,024	21,114
Cash & Cash Equivalents	18,096	18,876
Property Investment Fund	1,936	1,966
Excess (-) / Deficit of Investments over Resources	-8	-272

The Council has reduced its performance in continuing, at the Balance Sheet date, to maximise its funds available.

4.0 Consultation and Feedback

- 4.1 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 (see also paragraph 8.1).

5.0 Next Steps

- 5.1 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 by 31 July and the Statement of Accounts will be available for purchase

6.0 Financial Implications

- 6.1 All financial implications are outlined in section 3 of the report

7.0 Legal and Governance Implications:

- 7.1 As set out above the requirements covering the arrangements for the production, approval and publication of the Statement of Accounts is governed by the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014

8.0 Equality and Safeguarding Implications:

- 8.1 There are no direct equality issues arising from this report

9.0 Community Safety Implications:	
9.1	There are no direct equality issues arising from this report
10.0 Other Implications	
10.1	No other implications have been identified
11.0 Risk & Mitigation:	
11.1	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.
11.2	Due to the earlier completion dates for the publication of the statement of accounts there is the 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.
Background Papers:	
Statement of Accounts Working Papers CIPFA code	
Appendices	
Appendix A – Statement of Accounts 2018-19 Appendix B – Narrative Statement	
Report Timeline:	
Equalities Check & Challenge	N/A
SLT Sign off	N/A
Previously Considered by Cabinet	N/A
Director Approval	9 th July 2019
Chief Finance Officer Sign Off	9 th July 2019
Monitoring Officer Sign Off	22 nd July 2019
Report Author & Job Title	
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