

This Report will be made public on 22 July 2020



Report Number **AuG/20/04**

To: Audit and Governance Committee
Date: 30 July 2020
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councilor David Monk, Leader of the Council

Subject: Statement of Accounts 2019/20

Summary: In accordance with the Accounts and Audit Regulations 2015 the council must consider and approve its Statement of Accounts no later than 31 July 2019. However guidance has been issued in relation to the 2019/20 Statement of Accounts to provide greater flexibility in the preparation and audit of accounts due to the impacts of the global pandemic. Therefore Local Authorities are expected to publish draft Statement of Accounts by 31 August and have Audited Accounts available by 30 November 2020. The Accounts presented are subjected to audit which is ongoing at the time of drafting this report.

Reasons for recommendations:

The Committee is asked to agree the recommendations set out below because the council is required to consider and approve its Statement of Accounts no later than 30 November, to enable publication to be made by that date.

Recommendations:

1. To receive and note Report AuG/20/04.
2. To approve the draft Statement of Accounts 2019/20.

1. INTRODUCTION AND BACKGROUND

- 1.1 The 2019/20 Statement of Accounts is prepared in accordance with the relevant Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS).
- 1.2 The Ministry of Housing, Communities and Local Government (MHCLG) confirmed the details of the changes made to the Accounts and Audit Regulations 2015 in a letter to authorities on 3 April 2020. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2019/20 for all local authorities.
- 1.3 The publication date for audited accounts was moved from 31 July to 30 November 2020 for all local authority bodies.
- 1.4 The changes meant that accounts (that must be confirmed by the responsible finance officer (RFO)) must be published by 31 August 2020 at the latest, rather than the previous deadline of 31 May.
- 1.5 The team worked extremely hard throughout lockdown and managed to publish the draft accounts on the 18th June 2020, well ahead of the revised deadline of 31 August. The External Audit has commenced, and an update will be provided to the committee on the work to date, but the final Audit Findings Report will be tabled to the next Audit & Governance Committee. The Accounts are presented in draft form for the committees consideration.

2. STATEMENT OF ACCOUNTS 2019/20 – FINANCIAL POSITION AND PERFORMANCE

2.1 Narrative Report (pages 4 to 18)

The Narrative Report seeks to provide information on the authority, its main objectives and strategies, the principal risks faced and commentary on how it has used its resources to achieve the desired outcomes.

The structure of the report itself can be determined by the authority but consideration in its preparation should be given to the following elements: Organisational review and external environment; governance; organisational model; risks and opportunities; strategy and resource allocation; performance, outlook and the basis of preparation.

2.2 Statement of Responsibilities (page 19)

This sets out the responsibilities of the council and the Chief Finance Officer in relation to the production of the Statement of Accounts. Following approval of the accounts by the Committee, the Chair is required to sign and date the Statement.

2.3 Movement in Reserves Statement (page 22)

This Statement shows the movement in the year on the different reserves held by the council, analysed into 'usable' reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and other reserves.

Overall, reserves increased by £11.7m to £181.6m. Of this, usable reserves rose by £2.4m and other (unusable) reserves increased by £9.3m.

2.4 Comprehensive Income and Expenditure Statement (page 23)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Total Comprehensive Income and Expenditure for 2019/20 showed a surplus of £11.7m (£47.3m surplus in 2018/19). This is equal to the increase in overall reserves explained in the Movement in Reserves Statement. This comprises a Deficit on Provision of Services of £9.7m, with other asset and pension liability movements generating a surplus of £21.4m.

2.5 Balance Sheet (page 24)

The Balance Sheet sets out the financial position of the council at 31 March 2020. The statement shows the balances and reserves at the council's disposal, its long term indebtedness and assets employed. Overall, the council's net worth rose by £11.718m to £181.6m as already explained in the sections on Movement in Reserves and Comprehensive Income and Expenditure Statement.

Long term assets increased by £53.6m compared to the previous year. The main reasons are due to the increase in Investment Assets, particularly the acquisition of further land at Otterpool Park (£27.6m) and the Connect 38 office accommodation (£17.7m).

Current assets have decreased by £10.8m represented by decreases in the sum of cash & cash equivalent held £2.9m and short term investments (£6.5m).

Current liabilities have increased by £29.3m primarily due to additional short term borrowing undertaken (£30.2m) with small decreases in short term creditors & a small increase in provisions.

Long term liabilities have increased by £1.75m which is a net position of an increase in long term borrowing being offset by a decrease in the net pension liability of £1.95m.

2.6 Cash Flow Statement (page 24)

This Statement summarises the cash inflows and outflows arising from transactions with third parties, arising from revenue and capital transactions. The Statement shows that there has been a net cash outflow of £2.9m in 2019/20.

2.7 Notes to the Financial Statements (including accounting policies) (pages 25 to 95)

The notes set out in more detail how the figures have been arrived at and give further supporting information. The policies show the principles, bases, conventions, rules and practices applied by the council when preparing and presenting these statements.

2.8 Housing Revenue Account and notes (pages 96 to 102)

The Council, as a recognised housing authority, must produce a statement of the Housing Revenue Account in accordance with the requirements of the Local Government and Housing Act 1989. For 2019/20 there was a deficit (after non service movements) of £521k, resulting in a Housing Revenue Account reserve of £12.5m.

2.9 Collection Fund and notes (pages 103 to 106)

The council is required to maintain a separate fund for the collection of the Council Tax and Business Rates income and payment of precepts. Overall there was an in year deficit of £2.46m, resulting in a year end deficit balance carried forward on the Fund of £3.7m. Of this amount the council tax holds a deficit of £450k and the business rates a deficit of £3.2m. The council's share of the net deficit is paid over in 2020/21 and 2021/22.

2.10 Group Accounts (pages 107 to 113)

The Group Accounts show the financial position and performance of the council and its wholly owned subsidiary, Oportunitas Ltd.

2.11 Annual Governance Statement (pages 115 to 127)

The Accounts and Audit Regulations require the annual governance statement to be published at the same time as the Statement of Accounts.

2.12 Glossary of Terms (pages 128 to 131)

A definition of some of the terms used within the accounts is provided.

3. AUDIT OF THE ACCOUNTS

- 3.1 The Accounts and Audit Regulations as amended by the Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) require the statement of accounts to be prepared by 31 August and the audit completed by 30 November.
- 3.2 The publication of the draft accounts has already been achieved well within the revised statutory deadlines and as the work has already commenced on the audit, the overall deadline of the end of November is felt to be achievable. The Auditors and the team are working towards the Audit being concluded in readiness to report findings and audited Accounts to this committee in September for adoption.
- 3.3 Grant Thornton's audit team have been on site since the early July and the audit of the accounts is progressing well at the time of preparing this report.

4. CONCLUSION

- 4.1 The Committee is asked to note & approve the draft Statement of Accounts for 2019/20.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (AK)

There are no legal implications arising directly out of this report that are not already referred to in the report.

5.2 Finance Officer's Comments (CS)

A financial summary of the main features of the Statement of Accounts is covered in the body of the report.

Diversity and Equalities Implications (CS)

- 5.3 There are none arising directly from this report

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

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The following background documents have been relied upon in the preparation of this report:

Appendices:

Appendix 1: Draft Statement of Accounts 2019/20