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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE – SPECIAL BUDGET</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>7<sup>th</sup> JANUARY 2021</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS’ CONTACT POINT:</b>	<b>Vicki Summerfield (01283 595939)</b> <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a>	<b>DOC:</b> s/Finance/Committee/2021/Jan
<b>SUBJECT:</b>	<b>ANNUAL STATEMENT OF ACCOUNTS 2019-20</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendation**

- 1.1 That the Council’s Annual Statement of Accounts for 2019/20 (**Appendix 1**) are approved and signed by the Chairman of the Committee for publication.

## **2.0 Purpose of Report**

- 2.1 Under the Accounts and Audit Regulations 2015, the Council’s Audited Accounts and Financial Statements are presented for approval. The Committee is required to approve the accounts with the knowledge of the opinion of the Council’s External Auditor, Ernst and Young LLP (EY).
- 2.2 Their findings were contained in a report which was presented to the Audit Sub-Committee on 9 December 2020.
- 2.3 The Council issued its draft Statement of Accounts in accordance with the statutory date of 31 July 2020. They were published on the Council’s website and have been open for inspection.
- 2.4 As previously reported, the deadlines for publication and Audit of this year’s Accounts were extended by the Government due to Covid-19. The deadline for publishing the Statement of Accounts, following Audit, was 30 November 2020.
- 2.5 Following the Audit, an unqualified opinion was given on the Statement of Accounts for 2019/20. Therefore, they are now presented for approval, following which they will be formally published.

## **3.0 Detail**

- 3.1 A full copy of the accounts is enclosed alongside this covering report. They will also be publicised in the media, via public notices and made available on the Council’s website.

- 3.2 The Statement of Accounts is considered to be a complex and technical document that is prepared to meet accounting and financial standards. It acts as the statutory report on the Council's financial position.
- 3.3 It is an in-depth analysis of the Council's accounts, including its assets, liabilities, and overall financial position at a point in time. The figures are supported by numerous commentaries and disclosure notes to help explain the various balances, together with income and expenditure in the Accounts.

### **International Financial Reporting Standards (IFRS)**

- 3.4 The Accounts for 2019/20 have been prepared on a full IFRS basis and in accordance with the Code of Practice on Local Authority Accounting in the UK.

### **The Statement of Accounts**

- 3.5 A summary of each of the main sections contained within the accounts is set out in the following sections. The format and content of each of the Statements is in accordance with the Code of Practice.

### **Narrative Report**

- 3.6 This sets out a summary to explain in non-technical terms, the most significant matters reported in the Accounts. It gives an overview of the year's performance, both financially and in more general terms against the key performance indicators in the Council's Corporate Plan.
- 3.7 General information regarding the District and the Council is also provided. This is aimed at helping the reader of the Accounts to understand the financial performance of the Council in the context of local service priorities and challenges.
- 3.8 The Narrative also outlines significant factors that affect the understanding of the accounts and provides an overview of assets, reserves, and liabilities. It also outlines the Council's medium-term financial position, together with the financial issues and risks that the Council faces.

### **Comprehensive Income and Expenditure Summary (CIES)**

- 3.9 This Statement is a summary that reports the accounting cost for the year of all functions for which the Council is responsible. However, the net expenditure in this Statement is not the amount funded from taxation.
- 3.10 Councils raise tax to cover expenditure in accordance with regulations and this is usually different from the accounting cost which includes debt financing and capital accounting charges such as depreciation. The taxation position is shown in the Movement in Reserves Statement.
- 3.11 Further analysis of the figures reported in the CIES is contained within the disclosure notes that follow later in the Accounts.

### **Movement in Reserves Statement**

- 3.12 This Statement shows the movement in reserves held by the Council during the year. It includes amounts charged in and out of the Income and Expenditure Account for accounting purposes that are not a charge on the Council Tax or Rent Payer. It

reconciles the accounting cost in the CIES to the cost of services funded through taxation.

- 3.13 The balance as of 31 March 2020 reflects the level of resources available whether unallocated or held within earmarked reserves, i.e. *usable reserves*.
- 3.14 Other reserves, such as the Revaluation Reserve, reflect accounting transactions and are not available for spending, i.e. they are *unusable reserves*.

### **Balance Sheet**

- 3.15 This shows the Council's overall financial position as of 31 March 2020 with a comparison to the previous year, 2018/19. It reports the Council's assets and liabilities as valued at the financial year end. This includes land, property, money owing to and from the Council, together with reserves and provisions, etc.
- 3.17 The overall value of the Council's assets increased in 2019/20 from £87 million to £113 million. This was mainly due to a decrease in the deficit on the Pension Fund from approximately £41 million down to £27 million.
- 3.18 The other major change was an increase in cash held on deposit, which increased from approximately £35 million to £45 million.

### **The Pension Deficit**

- 3.18 The decrease in the Pension Fund Deficit is based on a valuation by the Fund's Actuaries. The Deficit can fluctuate between years due to changes in assumptions regarding investment returns and future liabilities. The Deficit effectively shows the underlying commitments that the Council has in the long-term to pay retirement benefits.
- 3.19 However, statutory arrangements for funding the deficit mean that the financial position of the Council is not materially affected in any one year. Recent reforms to the Local Government Pension Scheme are in place to reduce the deficit on the Pension Fund over time.

### **Cash Flow Statement**

- 3.20 This shows the actual inflow and outflow of cash for the year by adjusting the accounts for all non-cash transactions.

### **Disclosure Notes to the Financial Statements**

- 3.21 These are designed to provide further explanations of the reported figures contained in the Financial Statements. The notes are required under the Code of Practice to give added clarity and understanding for readers and users of the Accounts.
- 3.22 The notes cover details of income and expenditure, including the Council's accounting policies, together with explanations regarding the critical judgements and assumptions used in preparing the Accounts.

### **Supplementary Financial Statements**

- 3.23 These contain further detail relating to the ring-fenced Housing Revenue Account (HRA) and the Collection Fund. This Fund shows the amounts collected in Council

Tax and Business Rates and how that income has been distributed amongst the preceptors on the Collection Fund.

## **Glossary**

- 3.24 This is not required under the Code, but it is considered best practice to incorporate a glossary to help explain the terms and phrases used in the Accounts and the Financial Statements.

## **Value for Money**

- 3.25 As part of their audit work, the Auditor is also required to consider whether the Council has put in place “proper arrangements to secure economy, efficiency and effectiveness on its use of resources.” This is generally known as the VFM conclusion.

- 3.26 For 2019/20, this was based on the overall evaluation criterion:

*“In all significant aspects, the audited body had proper arrangements to ensure that it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

- 3.27 Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise the Council’s arrangements to:

- Take informed decisions.
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

- 3.28 In considering these arrangements, the Auditor will draw on the Council’s Corporate Governance Framework. The Auditor is only required to determine whether there are any risks that they consider significant, which the Code of Audit Practice defines as:

*“A matter is significant if, in the Auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public.”*

- 3.29 In EY’s Audit Plan for 2019/20, they identified a significant risk to their value for money conclusion, concerning financial resilience.

- 3.30 Following the Auditor’s review, they stated that *“they had no matters to report about your (the Council’s) arrangements to secure economy, efficiency and effectiveness in your use of resources.”* Effectively, this is a positive outcome and an unqualified opinion on the Council’s arrangements.

## **4.0 Financial Implications**

- 4.1 The production and publication of the Accounts and Financial Statements is undertaken within current resources.

## **5.0 Corporate Implications**

- 5.1 None directly.

## **6.0 Community Implications**

- 6.1 The production of the Council's Statutory Annual Accounts and Financial Statements is an important part of stewardship and accountability for public resources.
- 6.2 The document aims to give electors, those subject to locally levied taxes and charges, Elected Members, employees and other interested parties, detailed information about the Council's financial position.

## **7.0 Background Papers**

- 7.1 None