

Audit and Standards Committee – 21st September 2020

Report of the Director of Finance and Legal

Statement of Accounts 2019/20

Purpose of Report

1. To present the Statement of Accounts to the Audit and Standards Committee for consideration and approval and to inform the Audit and Standards Committee of the outcome of the audit of the accounts. The Statement of Accounts, and the audit of them, are the main formal and public report on the financial standing of the authority.

Recommendation

2. It is recommended that:-
 - The Committee consider and comment on the Statement of Accounts.
 - The Committee approve the Statement of Accounts.
 - The Chair of the Committee signs and dates the Statement of Accounts to give evidence of the approval above.
 - The Committee approves the delegation of the approval of a revised Statement of Accounts to the Chair of the Audit & Standards Committee in consultation with the Director of Finance & Legal in the event of audit work on the valuation of property assets and Birmingham Airport shares (detailed in paragraphs 19) extends beyond the date of the Committee meeting.

Background

3. The audited Statement of Accounts is circulated with the committee papers. There have been a small number of adjustments to the unaudited accounts arising from the audit. These changes are detailed below and referred to in the auditor's Annual Audit Report. None of these changes affect the Council's usable reserves.

4. These accounts are prepared under International Financial Reporting Standards (IFRS) as adopted for local authorities by the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

General Fund outturn

5. The General Fund outturn was reported to Cabinet on 27th June as £243.3m. The Statement of Accounts presented to this Committee is consistent with this outturn position.

Statement of Accounts

6. The layout of the Statement of Accounts is as last year, with the Movement in Reserves (MiRS), which sets out a summary of the changes to General Fund Balance, Housing Revenue Account (HRA) balance and other reserves over the year, presented as the first key statement.
7. There were no changes introduced by the 2019/20 Code of Practice which affected the Council's Statement of Accounts.
8. A summary of the key financial statements is detailed below:

Movement in Reserves Statement (MiRS)

9. This statement shows the movements on the Authority's reserves, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.
10. The Surplus or Deficit on Provision of Services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). Other Comprehensive Income and Expenditure shows unrealised valuation gains and losses on property, and on pension assets and liabilities which only affect the unusable reserves.
11. The accounting charges in the Surplus or Deficit above are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and rent setting purposes. Adjustments between accounting basis and funding basis under regulations reverse out the accounting charges (such as actuarial pensions costs) and insert the statutory ones, such as actual payments for pension provision.



12. After transfers to and from earmarked reserves, the year end balance on the General Fund has reduced by £6.9m from £22.6m to £15.7m. This is consistent with the outturn reported to Cabinet.

Comprehensive Income and Expenditure Statement (CIES)

13. The net effect of income and expenditure items results in a deficit on the provision of services of £44.7m. This is a technical deficit intended to represent the Council's revenue position as it would be if calculated according to IFRS. As such it differs from the movement on the General Fund shown in the MiRS and in the outturn report. This is adjusted by Other Comprehensive Income and Expenditure (balance sheet revaluation items) to arrive at a total Comprehensive Income and Expenditure deficit of £5.7m. This matches the decrease in balance sheet net asset value from £342.1m to £336.4m.

Balance Sheet

14. The Balance Sheet shows that the value of total net assets has reduced by £5.7m between 31st March 2019 and 31st March 2020. The main changes were a reduction in long term debtors due to repayments to the West Midlands Debt Administration Fund, an increase in short term investments due to some cash borrowed in advance of a superannuation prepayment in April 2020, and an increase in the Net Pension Liability.
15. The lower half of the Balance Sheet summarises the usable and unusable reserves held by the Authority. The General Fund balance has reduced by £6.9m as discussed above.
- Earmarked General Fund reserves have reduced by £2.1m
 - Schools reserves have decreased by £6.4m
 - HRA reserves have increased by £2.2m
- The changes in unusable reserves mirror the main (revaluation) changes described above.

Audit of the Accounts

16. The audit of the accounts for 2019/20 is nearing completion and the audited accounts will be published well ahead of the statutory deadline of 30th November (extended for this year from 30th September due to the Covid-19 pandemic). The accounts were subject to a three-yearly "hot review" by Grant Thornton where they are subject to a more rigorous technical analysis by experts.
17. As a result of the audit process, and reviews by officers, some changes have been made to the accounts since they were certified by the Director of Finance & Legal Services and passed to audit on 15th June.



- An amount of £420k has been moved from “Assets held for sale” to “Inventories” in the balance sheet which represents the value of houses built for sale which had not yet been sold at 31 March 2020
 - Additional narrative was added to the CIES regarding the Council restructure
 - Additional information has been added and corrections made to a number of disclosure notes including narrative disclosure regarding IFRS 15 (Revenue from Contracts with Service Recipients) within Note 6 which details how revenue is recognised in the accounts
18. At the time of writing this report, some audit work was outstanding to establish that the valuations of Other Land & Buildings and Birmingham Airport shares in the balance sheet were robust enough to satisfy the auditors that there was no risk of material uncertainty and in particular any potential uncertainty arising from the Covid-19 pandemic. This requires the provision of further audit evidence from the Council’s own valuers and external valuers Bruton Knowles for Other Land and Buildings, and advice from Grant Thornton’s own experts for the airport shares. Any potential adjustment arising from this work will not impact on the General Fund or HRA balances.
19. The Code of Audit Practice requires the auditors to report the results of their audit work to the approving body before signing their audit opinion. This report will be presented at this meeting of the Audit and Standards Committee.
20. A management representation letter is provided to the auditors each year, assuring auditors that all material information has been made available to them. This will be signed by the Director of Finance and Legal Services, relying in some matters on assurances by the Head of Law & Governance.

Finance

21. This report is entirely financial in content, but does not give rise to any direct costs.

Law

22. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made there under.



Equality Impact

23. The proposals take into account the Council's Policy on Equality and Diversity.

Human Resources/Organisational Development

24. There are no Human Resources /Organisational Development implications resulting from the items in this report

Commercial/Procurement

25. There are no Commercial or Procurement implications resulting from the items in this report.

Health, Wellbeing and Safety

26. There are no Health, Wellbeing and Safety implications associated with this report



Iain Newman
Director of Finance and Legal

List of Background Papers

Working and supporting papers for the accounts.
Code of Practice on Local Authority Accounting in the UK 2019/20

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