



Report to:	Audit and Governance	28 th July 2022
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Finance	
Lead Officer:	Peter Maddock, Head of Finance	

COMPLETION OF THE AUDIT AND ACCOUNTS FOR 2019/20 AND FUTURE YEARS.

Executive Summary

1. Following completion of the 2018/19 audit of the accounts, reported to this committee in April 2022, work has progressed at pace on the 19/20 accounts.
2. The audit of the 2019/20 accounts began on 13th June 2022. Whilst the Statement of Accounts was not ready much of the supporting documentation and information was made available to the auditors and they have been able to make steady progress. The draft statement of accounts is attached as an appendix to this report for the Committee to review and comment on. The statement has already been issued to the auditors for them and any comments by this committee will obviously be shared with the auditors. It is expected that the audit will be complete by the end of October.
3. The report also gives the proposed timeline for getting the Accounts and audits up to date but the exact timings cannot be set in stone at this point, and this will become clearer as each audit is completed.

Recommendations

4. That Committee review the draft statement of accounts for 2019/20 and comment as appropriate.
5. That Committee note the 2019/20 accounts audit is ongoing, the expected timescales for completion of that audit and the proposed timetable for getting the remaining accounts and audits up to date.

Details

Statement of Accounts

6. The statement of accounts for 2019/20 is reproduced as an Appendix. A commentary on the key areas is included below to assist the Committee.
7. The Comprehensive Income and Expenditure Statement (CIES) shows the income and expenditure of the Council for 2019/20 and relates to both the General Fund and the Housing Revenue Account. The deficit of £1.189m for the year compared to a surplus of £4.468m in the prior year is primarily driven by an increase to General Fund Net Cost of Services. This however is not the overall picture for the General Fund as the Movement in Reserves Statement (MiRS) referred to below has to be taken into account also which gives an overall surplus of £0.318m.
8. The MiRS contains various accounting adjustments that need to be removed from the cost of services figures when ascertaining the amount that can be charged against the Council Tax. Examples include Depreciation and Asset impairments, Pension and Collection Fund adjustments. The statement also includes amounts appropriated to reserves and items that need to be charged against the Council Tax but do not form part of the CIES.
9. The Balance Sheet shows what the Council owns and what it owes. The largest figure, unsurprisingly, relates to Property Plant and Equipment which has increased in value by some £41m to £550m. The biggest element of this being the Council's Housing Stock. The valuation basis used for council dwellings is existing use for social housing, on the basis that the properties are occupied by council tenants.
10. A new line appearing in the Balance Sheet for the first time in 2019/20 is Investment Properties as during the year the Council purchased three such properties. The year end valuation of these properties was £24.6m.
11. Lending to the Council's wholly owned subsidiary Ermine Street housing is now primarily classed as long term. Their latest business plan, which has been approved by the Council, shows that repayments will not start until 2045.
12. The pensions liability has reduced from £70.548m to £57.352m. The valuation is based on a number of assumptions, such as future pensions and salary increases which have been reduced, life expectancy which has also been reduced and the return on plan assets which has increased. All of these factors act to reduce the liability. Having said that the liability will not crystallise any time soon as it is merely an estimate of the future liability at a point in time.
13. The cashflow statement shows the change in cash and cash equivalents. A cash equivalent being a financial instrument that can be readily turned into cash within a short period of time. The statement shows the type of cashflows and how we get from the surplus/deficit on provision of services to the cash and cash equivalent figures in the balance sheet.
14. The statements above are often referred to as the 'core' statements.

15. There are a number of notes in the statement which give more detail on items within the core statements, and these are prescribed by the accounting code.
16. There are other statements within the accounts that are not classed as core but nevertheless need to be provided where the activity concerned is carried out by the Council. These are the Housing Revenue Account (HRA) Income and expenditure statement and related notes and the Collection Fund and related notes.
17. The former is concerned with the income and expenditure related to the management and maintenance of HRA property in the Council's role as a social landlord the latter is concerned with the collection and distribution of the Council Tax and Business Rates in the Council's role as the billing authority.
18. Finally, because the council has two wholly owned subsidiaries, Group Accounts need to be produced to show the financial performance of the three entities after adjusting for transaction between the entities.

2019/20 audit of accounts

19. The audit of the 2019/20 accounts commenced on 13th June as planned and although the statement of accounts were not complete at the time much of the audit evidence had been collated to support the figures included in the trial balance so EY have been able to carry out much of the planned work and now have the draft statement of accounts to ensure the information that they are auditing is in line with the figures reported in the accounts.
20. The audit itself is likely to be ongoing until October though we cannot be certain when the audit will actually be completed as it is dependant on whether any issues are identified by the auditors.

2020/21 accounts preparation and audit

21. The intention is for the 2020/21 accounts to be prepared during the autumn with a view to the audit taking place in the final quarter of this financial year but as said earlier the exact timing of the audit cannot be set at this point. A dedicated resource has already started looking at the 2020/21 accounts and we should have a better idea of the timings by the time of the September Committee meeting.

2021/22 and later years

22. It is proposed that the 2021/22 and 2022/23 accounts completion and audit occur during the 2023/24 financial year; again this is dependant on how the earlier year's progress and availability of the auditor team but this should be achievable. It is expected as each year progresses the process in place can be streamlined and improved upon making better use of the finance system and the technology available to us beginning with 2020/21.

Options

23. The report asks the committee to review the draft accounts and provide comments as appropriate. It also gives the expected completion date for the audit and the proposed timeline for future years accounts. Another option would be to propose a different timeline but that could not be recommended.

Implications

24. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

Financial

25. Timely and robust consideration of the Council's budgets is vital to ensure that financial statements are correctly stated, financial procedures are followed and that the financial position of the Council is effectively managed and monitored.

Legal

26. There is a requirement under the Accountancy and Audit Regulations for Council's to present their accounts for the preceding financial year for audit by 31st of May each year and for those accounts to be audited and published by 31 July each year.

Risks/Opportunities

27. There is a risk that the financial statements are incorrectly stated with consequential impacts. The purpose of the external audit is to mitigate this risk. This is still a significant risk going forward but with dedicated experienced resources now tasked with dealing with auditor queries and accounts completion for both 2019/20 and 2020/21 the risk should be mitigated.

Alignment with Council Priority Areas

A modern and caring Council

28. Producing an annual statement of accounts is key to supplementing the financial information already in the public domain, to ensure the full transparency of the Council's financial affairs.

Appendices

Appendix A Draft Statement of Accounts for 2019/20

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