

Report To: Audit and Governance 29th September
2020

**Lead Cabinet
Member(s):** Councillor John Williams,
Lead Cabinet Member for Finance

Lead Officer: Peter Maddock, Head of Finance

Completion of the 2018/19 Draft Accounts

Executive summary

1. The 2018/19 Accounts have now been completed and are on the Council's website. These accounts are in draft and are subject to audit which will be carried out during the autumn.

Recommendation

2. **To note the 2018/19 draft Statement of Accounts (attached) and scrutinise and comment as appropriate.**

Background information

Introduction

3. The draft 2018/19 accounts have now been completed and lodged on the Council's website. It is recognised that the draft accounts are over a year later than the prescribed deadline but could not be completed until the 2017/18 accounts had been adopted following audit and this only occurred in July 2020.

2018/2019 Accounts

4. The draft accounts are attached to this agenda and some commentary is provided below on those accounts.
5. There are four main statements sometimes referred to as primary statements; the Comprehensive Income and Expenditure Statement (CiES), the Movement in Reserves Statement (MiRS), the Balance Sheet and the Cashflow. Explanation of each one follows.

Comprehensive Income and Expenditure Statement (CiES)

6. The CiES shows the income and expenditure of the Council for 2018/19 in accordance with 'proper accounting practice', with the previous year shown for comparative purposes. The first section details the service related income and expenditure including the Housing Revenue Account (HRA) and this reports the net cost of services at 5.48m. The second section lists the corporate income and expenditure such as financing items, Parish Precepts and taxation and grant Income (detail at notes 9 to 11). The final element reports other changes, generally of a valuation nature, that do not affect the General Fund or HRA Balance and in the Council's case relate to the Revaluation and Pensions reserves. Overall there is a deficit of £19.316m which is effectively the year on year movement on the balance sheet.

Movement in Reserves Statement (MiRS)

7. The MiRS is where the reported surplus on provision of services (13.3
8. 92m) is reconciled back to the Movement on the General Fund and HRA balances and any other reserve movements. Because the Council is a public body with tax raising powers there are certain items accounted for in the CiES under proper accounting practice that cannot by law be charged against Council Tax or Housing Rents. Conversely there are some items that *should* be charged against the Council Tax or Housing Rents that are not comprehensive income or expenditure. This statement reverses out or adds in these transactions, for example depreciation, the payment to the Capital Receipts Pool and Capital Expenditure funded from Revenue to name but a few. The totals at the bottom of the statement shows the year end position for each Fund or type of Fund.

Balance Sheet

9. This Statements shows what the Council owns and what it owes.
 - (i). The largest figure (£505m) is un-surprisingly the property that the Council owns and within that Council Dwellings makes up over 90% (see note 12 column 1). These are valued annually by an external valuer at existing use for social housing.
 - (ii) The Council also has significant investments either classified as Long Term, Short Term or Cash Equivalent depending on their nature. The largest element of investments is the Council's Investment in Ermine Street. A cash equivalent is an investment that can be turned into cash within 24 hours, such as money placed with money market funds.
 - (iii) Under Current Liabilities (amounts due with 12 months) is a figure of £31m which is similar to the previous year. Much of this relates to public bodies such as other local authorities, The Ministry for Housing

Communities and Local Government and the Department for Work and Pension.

(iv) Long term Liabilities (£276m) are two items; the pensions liability (£71m) and long term Loans (£205m). The former is an estimate of what is owed to the pension fund based on an actuarial valuation. This amount is not due any time soon and will change depending on what happens to fund returns, assumptions on life expectancy and how much is estimated to be paid out in future pensions. The liability increased year on year by £13m mainly due to the estimated increase in future pension obligations. The latter relates to loans taken out with the Public Works Loan Board on the cessation of the former Housing Subsidy regime in March 2012. Note 13 shows the profile of repayments with the first loan due for repayment in 2037.

(v) The Balance Sheet totals some £302m and this is represented by a number of reserves some which can be used to fund expenditure and some that cannot. The usable reserves are for example the General Fund and HRA Balances, Earmarked Reserves and Capital Receipts. Unusable reserves include the Revaluation Reserve, Capital Adjustment Account and the Pensions Reserve.

Cashflow Statement

10. This reconciles the reported surplus on the provision of services to the change in cash and cash equivalents. It shows the net cash the Council has received in the year from operating activities £26m, and the amount spent £27m on investing and financing activities. The difference between the two being the change in cash and cash equivalents.

Other Statements and Notes

11. There are two other statements; the detailed Housing Revenue Account (HRA) and the Collection Fund. The HRA deals with income and expenditure related to the Council's landlord function as a social housing provider and the Collection Fund shows the collection and distribution of the Council Tax and Business Rates.
12. There are also a number of notes giving more detail behind figures in the various statements.
13. The accounts were lodged on the website on 11th September to allow the public inspection period to commence prior to the audit of the accounts due to start in early October. The audit is expected to last around two months and culminate in the approval of the accounts at a future meeting of this Committee.

14. The 2019/20 accounts are currently being prepared but they cannot be submitted for audit until the 2018/19 accounts audit is complete.

Options

15. There is a requirement that the accounts receive scrutiny by the Committee with that responsibility. The other option would be not to review the 2018/19 accounts, which of course could not be recommended.

16. Implications

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

Legal

18. Since 2016 there has been 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 31st July each year. There has been an extension granted for 2019/20 accounts due to COVID but the delay in the audit of the 2018/19 accounts will prevent the Council from meeting this deadline.

Financial

19. As set out in the report.

Risk

20. There is a risk that the financial statements are incorrectly stated with consequential impacts. This is still a significant risk going forward but with a dedicated experienced resource now tasked with accounts completion for 2019/20 the risk should be mitigated to an extent.

Environmental

21. There are no environmental implications arising directly from the report.

Equality Analysis

22. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. It is considered that the report has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information England) Regulations 2012 require documents to be open to inspection by members of the Public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) In the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

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