

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Statement of Accounts 2019/20
Meeting date	26 November 2020
Status	Public Report
Executive summary	<p>This report presents the BCP Council statement of accounts 2019/20 for consideration and approval.</p> <p>The statement of accounts has been prepared in accordance with the CIPFA Local Authority Accounting Code of Practice, and presents a true and fair view of the authority's financial performance for 2019/20 and financial position as at 31 March 2020.</p> <p>This report highlights any significant issues within the statement of accounts, and provides an opportunity for robust Member scrutiny prior to their formal approval.</p>
Recommendations	<p>It is RECOMMENDED that the Audit and Governance Committee:</p> <ul style="list-style-type: none">(a) Consider and approve the statement of accounts 2019/20;(b) Agree that the Chair of the Audit and Governance Committee signs the statement of responsibilities included in the statement of accounts and the letter of representation on behalf of the Committee once the audit is complete.
Reason for recommendations	The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require that Local Authorities approve their 2019/20 financial statements by 30 November 2020.
Portfolio Holder(s):	Councillor Drew Mellor, Leader of the Council
Corporate Director	Chief Executive

Report Authors	Adam Richens, Chief Finance Officer and Director of Finance Dan Povey, Assistant Chief Financial Officer Matthew Filmer, Finance Manager
Wards	Council-wide
Classification	For Decision

Background

1. The presentation of the annual accounts closes the financial management cycle for 2019/20. The deadline for the approval of the statement of accounts is usually 31 July, but this was extended to the 30 November for the 2019/20 accounts due to covid-19.
2. The pandemic has impacted on the completion of the audit due to remote working by the finance team and auditors, increased uncertainty with regard financial markets and financial assumptions in the accounts which require additional audit work to assess, and the ability of the finance team to respond swiftly to audit queries while having to assess the considerable impact of the pandemic on the council's budgets.
3. In addition to the impact of covid-19, the audit of the BCP Council statement of accounts is particularly complex for 2019/20, the first year of the new council's existence. The requirement to audit opening balances from four legacy authorities, and the complex financial systems inherited from these legacy authorities has also required additional audit effort.
4. The pandemic and additional complexity with auditing the BCP Council statement of accounts should also be considered against the national background of the increased assurance work that auditors need to carry out with regard to areas such as property valuations and pension disclosures.
5. The factors referred to above will delay the completion of the external auditor's work and issuing of their opinion until after 30 November 2020. The auditor's work is substantially underway and they expect to issue an unqualified opinion. Therefore the Audit and Governance Committee is asked to approve the statement of accounts as presented today in Appendix A. It is recommended that approval is also given for the Chair to sign of the statement of responsibilities and letter of representation once the audit is complete.
6. Any material changes to the statement of accounts after approval will be reported back to the next meeting of the Audit and Governance Committee in January 2021, for further approval if necessary.

Roles and responsibilities

7. To comply with the Accounts and Audit (England) Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020;
 - The Chief Finance Officer (CFO) certified that the 2019/20 statement of accounts presented a true and fair view of the authority's financial position

by 31 August 2020. The CFO is required to re-certify the statement of accounts before Audit and Governance Committee approval.

- Since certification by the CFO of the accounts by 31 August 2020, they have been the subject of a detailed external audit by Grant Thornton. The findings of the external auditor are reported to this Committee in the Audit Findings Report that is on the agenda to be considered today.
- The Audit and Governance Committee are responsible for approving and issuing the statement of accounts. The Committee also plays a key role in ensuring accountability and that value for money is demonstrated to the public.
- Consequently, the role of the Audit and Governance Committee is to consider and accept the audited statement of accounts for 2019/20, including the annual governance statement, and agree that the Chair can sign and date the document by 30 November 2020.
- The council is required to publish the statement of accounts and audit opinion by 30 November 2020. As referenced in paragraph five, the audit opinion will not be issued until the completion of the audit and so a notice of delayed audit opinion will be published alongside the draft statement of accounts on the council's website, in accordance with the Accounts and Audit Regulations 2015.
- It is also a requirement that Grant Thornton is supplied with a letter of representation from the council and that this is signed at this Committee by the Chief Finance Officer and Chair of the Audit and Governance Committee. The letter confirms that the council has knowingly supplied all relevant information in order for the external auditors to complete their audit. It recommended that this Committee give approval for the CFO and Chair to sign the letter of representation once the audit is complete.
- The annual governance statement which forms part of the statement of accounts is required to be signed by the Leader of the Council and the Chief Executive at this Audit and Governance Committee.

Interpretation of the accounts – general

8. The Statement of accounts comprise:

- Narrative report
- Statement of responsibilities for the statement of accounts
- Financial statements including the comprehensive income & expenditure statement, movement in reserves statement, balance sheet and the cash flow statement.
- Notes to the accounts (including accounting policies and pensions disclosures).

9. A **narrative report** is produced as a concise and easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the council's financial position and a commentary on the major influences on income and expenditure, cash flow, assets and liabilities.

10. The **movement on reserves statement** shows the movement in the year in the different reserves held by the authority analysed into “usable reserves” that can be applied to fund expenditure or reduce local taxation and “unusable reserves”. The surplus or deficit on the provision of services line reflects the economic cost of providing services shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance and housing revenue account for council tax and dwelling rent setting purposes.
11. The **comprehensive income and expenditure statement** brings together all of the council’s activities, showing the resources that it has generated, consumed or set aside in providing services for the year.
12. The **balance sheet** is fundamental to the understanding of an authority’s financial position. It shows its balances and reserves and its long-term indebtedness, and the long term and current assets employed in its operations, together with summarised information on the property, plant and equipment held.
13. The **cash flow statement** summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
14. The **statement of responsibilities** identifies the respective responsibilities of the Council and the Chief Finance Officer for the statement of accounts.
15. The **notes to the financial statements** provide further explanation or disclosures in respect of certain items of income and expenditure, reserves and balances, as required by the Code of Practice. These include (with references to the statement of accounts page numbers):
 - Expenditure and funding analysis – used to bring together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the general fund and housing revenue account (P25).
 - Members allowances (P52).
 - Employee remuneration (P52 – P53).
 - Termination benefits and exit packages (P54).
 - Retirement benefits (P62 – P67).
 - Accounting policies – used to explain the basis for recognition, measurement and disclosure of transactions and other events in the accounts (P72 – P84).
 - Housing revenue account – a statutory account which independently records the costs of maintaining and managing the council’s own housing stock and how these costs are met by rent payers and other income (P85).
 - Collection fund – shows the transactions of the council as a billing authority in respect of the council tax and business rates income and its distribution to precepting authorities, the government and the council’s general fund (P90).
 - Group accounts –are produced to include material interests the council has in other companies and charities. These group accounts therefore consolidate

the council's accounts with the entities where it has been determined that the council has control and significant influence, these being the Lower Central Gardens Trust, Five Parks Charity and the Russell Coates Art Gallery and Museum Charitable Trust (P94).

- The group accounts are made up of all four statements as per the council's single entity accounts but also show the additional transactions, reserve movements and balance sheet items associated with the council's share of the entities that have been consolidated.

Key messages from the BCP Council statement of accounts 2019/20

16. The key messages from the statement of accounts are summarised as follows:

- Outturn per narrative report consistent to that reported to Cabinet in July with a £0.2 million surplus after the use of £2.4 million budget contingency.
- The accounting deficit on the provision of services in the comprehensive income and expenditure statement is £99.1 million. This includes items not funded from council tax such as depreciation and pension accounting costs.
- Total comprehensive income and expenditure is a £6.7 million surplus. This is the increase in net worth of the council over the financial year and is due mainly to asset revaluations and movements in the pension liability.
- The movement in reserves statement shows a net £1.2 million increase in usable reserves.
- The balance sheet shows the net worth of the council as at 3 March 2020 was £687.7 million. The pension deficit of £763.3 million has a significant impact on the net worth of the council.
- The council had £269.8 million in outstanding debt at the balance sheet debt, although this represents a significantly "under borrowed" position compared to the council's capital financing requirement as the council has utilised its own cash balances instead of external borrowing.
- There are no comparatives for prior years within the statement of accounts as this is the first year that BCP Council has existed.

Options Appraisal

17. Not applicable.

Summary of financial implications

18. The statement of accounts play a key role in demonstrating to taxpayers and other stakeholders how public money has been used.

Summary of legal implications

19. This report has been produced in accordance with the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, that require local authorities approve their audited 2019/20 financial statements by 30 November 2020. Authorities unable to do so

must publish a notice stating the reasons why this is not possible and publish the audited accounts as soon as is reasonably practicable to do so. Under the Council's constitution approval of the financial statements is delegated to the Audit and Governance Committee.

Summary of human resources implications

20. None.

Summary of sustainability impact

21. None.

Summary of public health implications

22. None.

Summary of equality implications

23. Equality impact assessments are carried out by services in order to support budget their proposals.

Summary of risk assessment

24. The financial health of the authority as demonstrated within the statement of accounts will be used to inform the council's overall financial risk assessment and reserve strategy.

25. Failure to produce an unqualified statement of accounts would result in reputational risk with regards to how the council is viewed by the community it serves and by central government.

Background papers

The 2019/20 Outturn Report was presented to Cabinet on 29 July 2020.

<https://democracy.bcpCouncil.gov.uk/documents/s18271/201920%20Outturn%20Report.pdf>

Appendices

Appendix A BCP Council Statement of Accounts 2019/20