

**AUDIT COMMITTEE**  
**11 August 2020**

**Statement of Accounts 2019/20**

<b>Leader</b>	Cllr Bob Deed
<b>Cabinet Member</b>	Cllr Alex White
<b>Responsible Officer</b>	Andrew Jarrett, Deputy Chief Executive (S151)
<b>Reason for Report:</b>	To present the final version of the annual Statement of Accounts to Members, highlighting any areas which have been amended since the draft accounts were published on the website and presented for external audit in June.
<b>RECOMMENDATION:</b>	That the Statement of Accounts be approved (subject to the recommendations made by our external auditor, Grant Thornton – see separate agenda item). The Committee is also required to formally approve and sign the letter of representation attached at the back of the Accounts.
<b>Relationship to Corporate Plan:</b>	The financial resources of the Council impact directly on its ability to deliver the Corporate Plan.
<b>Financial Implications:</b>	Good financial management and administration underpins the entire document.
<b>Legal Implications:</b>	It is a statutory requirement to follow the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) when producing the Statement of Accounts.
<b>Risk Assessment:</b>	The Section 151 Officer is responsible for the administration of the financial affairs of the Council. Adhering to the Code mitigates the risk of receiving a qualified set of accounts. The Finance Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2019/20 and entered into detailed discussions with the appointed Audit Manager prior to and during the completion of the accounts.
<b>Equalities Impact Assessment</b>	No equality issues identified with this report.

## **Impact on Climate**

No impacts identified for this report.

### **1.0 Introduction**

1.1 The Statement of Accounts for 2019/20 have been produced in full compliance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and all other relevant accounting legislation. There were few accounting changes for 2019/20.

### **2.0 The Statement of Accounts**

2.1 The Unaudited Statement of Accounts 2019/20 was signed off by the Council's S151 Officer within the statutory deadline in June 2020. The draft accounts have been available on-line since the 29 June 2020.

2.2 The main highlights of the Statement of Accounts are to be found in the Narrative Report to the accounts beginning on page 6. In overall terms, 2019/20 has been another challenging year. The outturn shows a small overspend and the net utilisation of reserves indicates the progress officers are making with the underlying projects.

2.3 The detailed management accounts were included in the outturn report presented to the Cabinet on the 9 July 2020. This report indicates the financial pressure that the Council faces due to Central Government's ongoing uncertainty surrounding our main funding sources.

2.4 The significant effects of the Covid 19 pandemic began on 23 March with the start of lockdown. It did not therefore materially affect the financial performance of the services in this reporting period but did have implications regarding the treatment of certain balance sheet items. For example, the likely economic effects of the lockdown were viewed to increase the credit risk relating to outstanding debtors. Likewise, the reliability of estimations in respect of the professional valuation of MDDC properties are subject to "material valuation uncertainty."

2.5 The interruption of services caused by Covid 19 and the income that derives from them, is also referenced in these financial statements by way of a non-adjusting post balance sheet event. These cumulative pressures coming after an extended period of austerity, leave the Council focusing on reducing expenditure and recovering income whilst seeking to maintain a "prudent" level of balances. It is also beginning to explore and accept some more commercial opportunities to either increase revenue or cut cost in order to protect frontline service provision.

2.5 In order to provide a summary financial position of how the Council ended 2019/20 a list of all available reserves is detailed below.

## Balances held as at 31 March 2020

<b>Useable Reserves</b>	<b>B/fwd 31/03/19 £k</b>	<b>In Year Movement (Surplus)/Deficit £k</b>	<b>C/fwd 31/03/20 £k</b>
General Fund Balance	<b>(2,501)</b>	<b>250</b>	<b>(2,252)</b>
General Fund Earmarked Reserves	<b>(14,353)</b>	<b>665</b>	<b>(13,688)</b>
Housing Revenue Account Balance	<b>(2,000)</b>	<b>0</b>	<b>(2,000)</b>
HRA Earmarked Reserves	<b>(16,323)</b>	<b>(1,987)</b>	<b>(18,310)</b>
Capital Receipts Reserve	<b>(3,620)</b>	<b>(1,538)</b>	<b>(5,157)</b>
Capital Grants Unapplied	<b>(2,147)</b>	<b>501</b>	<b>(1,646)</b>
<b>Total Useable Reserves</b>	<b>(40,944)</b>	<b>(2,109)</b>	<b>(43,053)</b>

- 2.6 As can be seen from the above balances, the Council remains in a strong position to deal with the funding challenges it faces. A strong culture of financial awareness is now embedded throughout the Council. This is enhanced with regular budget monitoring reports produced for Leadership Team meetings, meetings of the Cabinet and the Policy Development Groups.
- 2.7 This Council continues to take proactive steps to strategically plan for further reductions in Central Government financial support. The Leadership Team, with the Chief Executive and Group Managers have ongoing dialogue with service managers to discuss funding reduction scenarios in order to balance our ongoing expenditure needs associated with the current Corporate Plan.
- 3.0 **The Audit**
- 3.1 Our external auditor's Grant Thornton are proposing to issue a modified opinion on the 2019/20 accounts which will be in the form of an "emphasis of matter." It will reflect the "material valuation uncertainty" arising from current circumstances as described above. This can be regarded as a positive outcome and reflects the continued skills and hard work of the Finance Team. There were very few audit findings and appropriate adjustments have been made as follows:
- 3.2 We disclosed a restatement in respect of the values shown in the prior year (2018/19) Group MIRS included with the group accounts. These had been misstated in 2018/19 due to a computational error. It was necessary to amend the nature of this disclosure to facilitate compliance with the Code of Practice. This was a disclosure note only and had no impact on the outturn position or primary statements.
- 3.3 The draft financial statements included material payables and receivables described as "other." Where this is the case the Code requires that narrative be

included under the note to explain what makes up these amounts. These also had no impact on the primary statements or “bottom line”.

3.6 Further, an issue remains outstanding in respect of reporting liabilities relating to the LGPS. Price Waterhouse have been engaged to by Government to investigate matters arising from the Mccloud judgement. Whilst this is not expected to impact MDDC accounts, the auditors await the outcome before signing their report. The Auditor’s report will therefore be signed in due course at some later date.

3.5 In addition Grant Thornton have also reviewed our arrangements to secure economy, efficiency and effectiveness in our use of resources, and provide an opinion in the form of a value for money conclusion. They intend to issue an “except for” audit opinion in this regard in relation to group governance. Recommendations are currently being implemented to address these issues and their associated risks.

#### **4.0 Conclusion**

4.1 Members are asked to approve the Statement of Accounts which, excepting the emphasis of matter, reflect a true and fair view of the financial position of the Council as at 31 March 2020. The Committee is also required to formally approve and sign the letter of representation attached at the back of the Accounts.

**Contact for more information:**

Andrew Jarrett  
01884 234242  
[ajarrett@middevon.gov.uk](mailto:ajarrett@middevon.gov.uk)

**Background Papers:**

Audited Statement of Accounts 2019/20  
Audit Findings Report 2019/20  
Letter of Representation 2019/20

**Circulation of the Report:**

Cllr Alex White