

Somerset West and Taunton Council

Audit, Governance and Standards Committee - 17 December 2020

Somerset West and Taunton District Council Statement of Accounts 2019/20

This matter is the responsibility of Executive Councillor Henley, Corporate Resources

Report Author: Martin Henwood, Corporate Finance Advisor

1 Executive Summary / Purpose of the Report

- 1.1 The Statement of Accounts for 2019/20 is required to be approved by the Audit Governance and Standards Committee and signed by the S151 Officer and the Chair of the Audit Governance and Standards Committee. The Statement of Accounts document is attached to this report.
- 1.2 As the audit is still work in progress at the time of writing, there may be changes between this and the final document. It is not anticipated that there will be significant changes, and in order to complete the process, it is requested that the formal sign off is delegated to the Chair of the Audit Governance and Standards Committee and the S151 Officer in the event the auditor is not in a position to finalise testing and confirm his opinion by the date of the Committee. If there are significant changes, the Committee will be notified and consideration will be given to a further, special meeting of the Committee in the near future.
- 1.3 This report also links to and reflects the Audit Findings Report which was prepared by and will be presented by the Council's external auditors – Grant Thornton UK LLP.
- 1.4 As part of the overall process for approving the Statement of Accounts, a Management Letter of Representation has to be signed by the Council. A draft letter of representation is attached.
- 1.5 Our external auditors have also asked that from this year the Management Assurance risk assessment document is brought to this Committee for approval, and this is attached with this report.

2 Recommendations

- 2.1 The Committee is recommended to:
 - a) Note the Auditor's unqualified opinion on the Statement of Accounts.
 - b) Approve the 2019/20 Statement of Accounts as attached to this report.

- c) Delegate to the Chairman of the Committee and S151 Officer approval to sign the Statement of Accounts, subject to the caveat identified in paragraph 1.2. above.
- d) Endorse the Chairman of the Committee signs the management letter of representation in respect of the financial statements for the year ended 31 March 2020.
- e) Approve the Management Assurance document.

3 Background and Full details of the Report

- 3.1 The Accounts and Audit Regulations 2015 require the audited Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Audit Governance and Standards Committee.
- 3.2 The S151 officer is usually required to sign off the unaudited Draft Accounts as true and fair by 31 May. However this deadline was extended to 31 August due to the coronavirus. The unaudited accounts were signed off on 13 August 2020.
- 3.3 The audited Statement of Accounts must usually be approved by Committee by 31 July. Once approved the Statement must be signed by the S151 Officer and the Chair of the Audit Governance and Standards Committee, and published on the Council's website. Due to coronavirus this deadline was extended to 30 November 2020.
- 3.4 As at 30 November, the Council's external auditor, Grant Thornton UK LLP, had not yet concluded the audit, and this was advised on the Council's website. As with Authorities nationally the delay has arisen due to a combination of factors, including:
 - the increased assurance work that auditors are required to carry out nationally with respect to pensions and asset valuations,
 - the impact of Covid-19 on both the complexity of the audit and pace at which it can be completed, and
 - the inherent complexity of the Council's 2019/20 statement of accounts as the Council's first year of operation.
- 3.5 The Council's Statement of Accounts is being audited this year by Grant Thornton UK LLP. At the time of writing this report, Grant Thornton has indicated its intent to issue an unqualified opinion, as reported in the Audit Findings Report however this is subject to completion of residual work to finalise the audit testing.
- 3.6 The Management Letter of Representation is a formal letter to the external auditors, Grant Thornton LLP, which is signed by the Council's senior management. The letter attests to the accuracy of the financial statements that the Council has submitted to the auditors for their analysis.
- 3.7 The Management Letter of Representation enables the Council to declare in writing that the statement of accounts and other presentations to the auditor are sufficient

and appropriate and without omission of material facts to the best of the management's knowledge. The auditors will use this letter as part of their audit evidence.

- 3.8 Each year the Council has to provide a Management Assurance (ISA240) letter to the external auditors. In previous years this has been signed by the Chief Executive and the Chair of the Audit Governance and Standards Committee. In 2019-20, to improve transparency, resilience and reliability of the document, our external auditors have asked that this is also approved by this Committee.

4 Statement of Accounts

- 4.1 The Statement of Accounts for 2019/20 has been prepared on an IFRS (International Financial Reporting Standards) 'true and fair view' basis, in line with the CIPFA (Chartered Institute of Public Finance Accountancy) Code of Practice on Local Authority Accounting in the UK 2019/20.
- 4.2 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2020:
- Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet, and
 - Cash Flow Statement
- 4.3 There are also supplementary statements related to the Housing Revenue Account, and the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).
- 4.4 The Council has no subsidiary companies and therefore there are no Group Accounts.

Comprehensive Income and Expenditure Statement

- 4.5 The Comprehensive Income and Expenditure Statement (CIES) shows the day to day revenue spending and income on the Council's services. It also shows the council tax and Government grants received to help pay for those services. The CIES shows the net cost on an "accounting basis" which includes accounting adjustments such as depreciation, impairment and revaluation losses, and other types of accounting adjustments. These adjustments are then reversed out in the Movement in Reserves Statement to show the "funding" position of the Council.
- 4.6 As these are the accounts for the first year of the Council, there are no comparator values for the previous year in the CIES.
- 4.7 The Financial Outturn position for 2019/20 was reported to Executive Committee on 28 October 2020. This included information relating to the Council's financial performance for the 2019/20 financial year. The report highlighted key variances to the budget and provided explanations for these.

Movement in Reserves Statement

- 4.8 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. These are analysed into Usable Reserves (these can be used to fund spending) and Unusable Reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).
- 4.9 The total of the Council's Usable Reserves (capital and revenue combined) has increased by £10.438m in year to £60.530m.
- 4.10 The Statement shows that the General Fund Reserve balance is above the minimum level required in the Council's financial strategy, with General Fund Reserves increasing from £2.857m to £4.522m. The recommended General Fund minimum balance reserve level for SWTC is £2.4m.

Balance Sheet

- 4.11 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2020. An indicative opening balance as at 1 April 2019 is provided for comparison purposes, as this is the Council's first year.
- 4.12 The Balance Sheet shows that net assets have fallen slightly from £258.9m to £257.8m. The most significant liability on the balance sheet remains in respect of the Pensions Reserve deficit at £111.9m.

Cash Flow Statement

- 4.13 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.
- 4.14 Cash and cash equivalents are represented by the following: cash in hand; deposits with financial institutions repayable without penalty on notice of not more than 24 hours; and investments that mature in one month or less from the date of the balance sheet and are readily convertible into cash.
- 4.15 During the year the Council's cash and cash equivalents rose by £6.663m.

Housing Revenue Account

- 4.16 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.
- 4.17 The HRA for 2019/20 shows that net income for the year of (£3.978m) compared with net expenditure of £2.275m in the previous year.

Collection Fund

- 4.18 The Collection Fund Statement shows the total amount the Council has collected from tax payers on behalf of, and distributed to, all of the precepting authorities and Central Government. The major precepting authorities are Somerset County Council, Avon and Somerset Police, Devon and Somerset Fire and Rescue Authority, and Central Government. The Council has a statutory obligation to maintain a separate Collection Fund Account.
- 4.19 The presentation of the statement clearly separates the Council Tax and Business Rates (NDR) movements and balances. The statement shows that the Council has collected £157.475m on behalf of ourselves, the precepting authorities and Central Government. This comprises council tax income of £98.577m and business rates income of £58.898m.
- 4.20 The statement currently shows an end of year deficit of £0.038m (SWT share is £3k) in respect of Council Tax and an end of year surplus of £4.338m (SWT share is (£1,964k)) in respect of business rates.

5 Result of the Audit of the Statement of Accounts

- 5.1 Much of the external audit review has been completed and subject to work outstanding being completed and queries being resolved, the auditor has indicated their intention to issue an “unqualified opinion” for the Statement of Accounts, as showing a true and fair view of the Council’s financial position and performance.
- 5.2 The auditor has also reviewed our arrangements to secure economy, efficiency and effectiveness in our use of resources, and provides an opinion in the form of a value for money conclusion. Their report states that “the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources”.
- 5.3 During the audit misstatement and disclosure changes were identified which have been made in the final set of financial statements. These have been identified in Appendix C of the Audit Findings Report by Grant Thornton included within this Agenda.
- 5.4 The most significant items within Appendix C relate to valuations and classification of property. The adjustments detailed here have been included in the updated Statement of Accounts provided to this meeting. Changing economic conditions have led what might have been expected to be pure investments for financial gain to become PPE Land and Buildings, when assets are retained for their wider benefits to the community rather than being disposed of if the return is not as anticipated.

6 Links to Corporate Aims / Priorities

- 6.1 The Statement of Accounts reports the financial activities of the Council in the delivery of its corporate aims.

7 Finance / Resource Implications

7.1 These are included within the Statement of Accounts document attached to this report.

8 Legal Implications

8.1 There is a Statement of Responsibilities within the Statement of Accounts, which summarises responsibilities for the Council and its S151 officer. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Council.

8.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statements of Accounts prepared in accordance with the statutory framework by the Accounts and Audit (England) Regulations 2015
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Local Audit and Accountability Act 2014.

Democratic Path

- **Audit Governance and Standards Committee - 17 December 2020**

Reporting Frequency: Annually

List of Additional Documents:

Somerset West and Taunton Council Statement of Accounts 2019/20
Letter of Representation
Management Assurance Letter (ISA 240)

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