



# COTSWOLD DISTRICT COUNCIL

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (13)</b>
Subject	<b>DRAFT STATEMENT OF ACCOUNTS 2019/20</b>
Wards affected	N/A
Accountable member	Cllr. Mike Every - Deputy Leader of the Council and Cabinet Member for Finance Email: <a href="mailto:mike.every@cotswold.gov.uk">mike.every@cotswold.gov.uk</a>
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>
Summary/Purpose	This report complements the Council's Statement of Accounts for the period 1 <sup>st</sup> April 2019 to 31 March 2020 and presents to the Committee the draft Statement of Accounts for 2019/20 to consider.
Annexes	Annex A - Statement of Accounts (unaudited)
Recommendation/s	<i>That the Committee notes the:</i> <i>(a) Accounting Policies that have been applied in producing the Statement of Accounts (pages 56 to 67 of Annex A).</i> <i>(b) The draft unaudited Statement of Accounts 2019/20 (as attached at Annex A)</i> <i>(c) The key balances and messages from the Statement of Accounts 2019/20.</i>
Corporate priorities	Ensure that all services delivered by the council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None

## **1. BACKGROUND**

- 1.1.** The Council's Chief Finance Officer is responsible for ensuring that the statement of accounts are prepared and published in line with statutory timescales. Due to the coronavirus pandemic, the government has extended the timescales for the production and audit of accounts. This change anticipated the impact of potential staff absences, closed offices and all staff involved in production of the accounts working from home. The publication date for draft accounts has moved from 31 May to 31 August and the deadline to publish audited accounts has moved from the 31 July to 30 November 2020 for all local authority bodies.
- 1.2.** The statement of accounts appended to this report is draft at this stage; there are a small number of notes that require finalising. When the final notes are complete a draft copy will be presented to the Council's auditors for review.
- 1.3.** An audited version of the accounts will be presented to the Committee at its October meeting for final sign off. The accounts will be available for public inspection prior to final sign off.
- 1.4.** The audit of the Statement of Accounts is underway, but it is not complete.
- 1.5.** The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code'). The Council is statutorily obliged under the Accounts and Audit Regulations 2015 to prepare its Statement of Accounts in accordance with the Code.

## **2. MAIN POINTS**

- 2.1.** Composition of the Statement of accounts  
The four core statements within the Accounts are:
  - 2.1.1.** Comprehensive Income & Expenditure Statement:
  - 2.1.2.** The statement shows the accounting cost of services in accordance with generally accepted accounting practices, rather than services funded purely from taxation. The 'below the line' funding & accounting entries that bring the statement back to the movement on the General Fund (reversing items such as depreciation and impairment and accounting for pension contributions) form part of the Movement in Reserves Statement below.
  - 2.1.3.** Movement in Reserves Statement:
  - 2.1.4.** The statement details the movement in the year between reserves, from the surplus/deficit on provision of services in the Comprehensive Income & Expenditure Statement, to the position on the Balance Sheet at 31 March, splitting the reserves into the usable reserves (which are available to spend) and unusable reserves which represent reserve held for accounting purposes (and are not available for use).
  - 2.1.5.** Balance Sheet:
  - 2.1.6.** The balance sheet depicts the assets and liabilities of the Authority, with the overall position representing the 'net worth' of the Council.

### **2.1.7. Cash Flow Statement**

**2.1.8.** The statement shows the year on year change in cash and cash equivalents (i.e. on demand deposits) available to the Council, rather than simply showing the movement in the bank balance.

**2.1.9.** The 'notes to the accounts' provide additional breakdown and disclosure of balances to support the primary statements.

### **2.2. Accounting Policies**

**2.2.1** The Council's Financial Rules state that the Chief Finance Officer is responsible for setting the Council's accounting policies. The Statement of Accounts is prepared based upon these policies.

**2.2.2.** Whilst it is the Chief Finance Officer's responsibility to set the policies, it is seen as best practice for this Committee to also agree the policies. The policies have a significant influence upon the Accounts which the Committee has responsibility for approving, following completion of the external audit process.

**2.2.3.** The accounting policies are set out on pages 55 to 67 of the attached Statement of Accounts. The only significant change to the policies is an update to note 'x' on 'Government Grants and Contributions' which has been updated to take account of the Council's treatment of the Community Infrastructure Levy.

### **2.3. Revenue Outturn And Performance**

**2.3.1.** The Council's approved net revenue budget [cost of services] for 2019/20 was £11,157,040. The Council planned to use a contribution from the General Fund balance of £164,313. At the end of the year, the Council was £270,577 overspent. Overall income was lower than budgeted throughout the year and the Covid-19 pandemic had a further negative effect on levels of income collected in the final month of the year. Planning application fees were £422,289 under target. This overspend was offset by underspends on both the Publica and Ubico contracts.

**2.3.2.** The revenue outturn position is being formally reported to Cabinet in September 2020.

### **2.4. Reconciling the Comprehensive Income and Expenditure Statement to the Revenue Outturn Position Reported to Cabinet**

**2.4.1.** The Comprehensive Income & Expenditure Statement (page 11 of the Accounts) shows the accounting cost in the year of providing services. A net deficit on provision of services of £3,106k is reported. The figures differ from the revenue outturn report (a deficit of £434,890) as the statement is prepared based upon international accounting standards while the management accounts are prepared

**2.4.2.** Note B1 "Expenditure and Funding Analysis" on page 14 of the Accounts reconciles this difference between statutory financial reporting and management reporting. The accounting transactions, which are not reported to Members as they do not impact upon council tax payer financing of the Council, are set out in the column headed "Adjs. between accounting and funding basis" and amount to (£2,440,839). Once adjustments for transfers to and from earmarked reserves (£230,258) are taken into account, the net contribution from the Council's General

Fund Balance is £434,890 (£164,313 planned contribution + £270,577 in-year deficit).

## **2.5. Balance Sheet Movements**

- 2.5.1.** The Balance Sheet represents the value or 'net worth' of the Council at 31st March. At 31<sup>st</sup> March 2020 the Council's net worth was £59.8m compared to £53.3m the previous year. The key movements in the balance sheet between 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2020, and reasons for the largest changes, are summarised below:
- 2.5.2.** The value of Property, Plant and Equipment has increased by £1.3 million. This is due primarily to capital additions in respect of a capital redesign and enhancement programme at the Corinium Museum. Total additions for the year of £1.1m is categorised as 'Assets Under Construction' as the work is not yet complete.
- 2.5.3.** The value of Investment Properties has increased by £1.7m. The movement is primarily due to the purchase of 27/27a Dyer Street, Cirencester for £2.2m.
- 2.5.4.** Non-Current debtors have increased by £2.1m. Each year the Council purchases waste and recycling vehicles for use on the Council contract. The movement represents the lease arrangement with Ubico Ltd in respect of these vehicles.
- 2.5.5.** Short term investments have reduced by £2.2m from the start of the year with long term investments also reducing by £4m. Cash held in 'call accounts' has also reduced by £1m. The change in investments represents the Council use of available balances to deliver against its aim and priorities.
- 2.5.6.** The Council's provisions have decreased from £2.1m to £1.1m. The provision held relates solely to outstanding Business Rates appeals against the 2010 and 2017 valuation list. As appeals against the 2010 list are gradually resolved, the provision can be reduced. Appeals against the 2017 list are subject to a 'check, challenge and appeal' process through the Valuation Office. The appeal provision has been reviewed to reflect the fact that the volume of applications to the new process continues to be low and therefore a lower level of provision for successful appeals can be justified.
- 2.5.7.** Short term debtors have increased by £1.2 million. Fluctuations in such balances are expected, due to the size of transactions with central government departments and the Council's partners.
- 2.5.8.** The value of the pension fund net liability, which is shown under "Other Long Term Liabilities", has reduced by £7.49 million. Although the Council's share of pension fund assets fell by £6.15m, the overall net liability has fallen due to a significant reduction in the pension fund liabilities of £13.64m. The future value of pension liabilities is based on the discount rate, which is based on the yield on investment grade corporate bonds. As the spread on corporate bonds increases it has led to an increased discount rate, which reduces the future value of pension liabilities.
- 2.5.9.** The Councils 'earmarked reserves' represent resources that have been set-aside by the Council for specific projects or money to provide specific schemes in the future. Overall contributions to earmarked reserves amounted to £2.09 million whilst expenditure amounted to £2.59 million, the value of earmarked reserves therefore reduced by a net £0.497 million.

**2.5.10.** The 'general fund balance' has reduced by £434,890 from 1st April to 31st March. The movement represents the budgeted transfer from the General Fund of £164,313 and the over-spend in the year of £270,577. The general fund balance represents the unallocated revenue reserves of the Council. At 31st March 2020 the balance stood at £4,475,258.

**2.5.11.** The 'Net Assets' or 'Net Worth' of the Council has increased by £6.5m during the year to £59.784m. Although the Council faces significant challenges in 2020/21, the Council is generally in a healthy position at the end of the 2019/20 financial year with an appropriate level of reserves. The Council remains financially secure and sustainable for the foreseeable future.

## **2.6.** Approval and publication of the Statement of Accounts

**2.6.1.** The Audit Committee is responsible for formally approving the audited Statement of Accounts on behalf of the Council.

**2.6.2.** At this point in time, the Accounts have not been audited. The statutory deadline for completing the 2019/20 audit is 30 November 2020.

**2.6.3.** On completion of the audit, the Committee will be asked to approve the signing of the Statement of Accounts and Letter of Representation. At this point the Accounts can be formally approved by the Committee and the external auditor (Grant Thornton).

**2.6.4.** Once approved a copy of the Audited Statement of Accounts will be published on the Council's website along with the notice of Completion of Audit.

(END)