

**South Lakeland District Council**  
**Audit Committee**  
**Thursday, 17 September 2020**  
**Statement of Accounts and Annual Governance**  
**Statement 2019/20**

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<b>Portfolio:</b>	Not applicable
<b>Report from:</b>	Helen Smith – Finance Lead Specialist (Section 151 Officer)
<b>Report Author:</b>	Helen Smith – Finance Lead Specialist (Section 151 Officer)
<b>Wards:</b>	Not applicable
<b>Forward Plan:</b>	Not applicable

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**1.0 Expected Outcome**

- 1.1 The Council's Statement of Accounts is required to be published after the conclusion of the external audit of accounts. However, the audit deadline for 2019/20 has been extended from the end of July to 30 November 2020 due to Covid-19, therefore officers are taking this opportunity to table the draft accounts for 2019/20 at this Audit Committee to give Members a chance to review and comment on the accounts. The draft accounts were published on the Council website on 24 June 2020.

**2.0 Recommendation**

**2.1 It is recommended that Audit Committee:**

- (1) notes the draft Statement of Accounts for 2019/20; and**
- (2) notes that the accounts will be presented to the next Audit Committee on 5 November 2020 for formal approval alongside the audit opinion.**

**3.0 Background and Proposals**

- 3.1 The Accounts and Audit Regulations 2015 require that the authority must prepare and publish its approved draft and audited accounts by 31st May and 31st July respectively. However due to disruption caused by the Covid-19 virus, legislation was passed to delay the statutory publication date until 31st August and the audit opinion until the 30th November 2020.
- 3.2 The Council published the draft accounts on the website on 24<sup>th</sup> June July 2020. These were approved for issue by the Finance Lead Specialist. The Council auditors, Grant Thornton, commenced their main audit programme in June. The final audit opinion is expected to be presented to this committee on 5 November 2020 in line with the audit plan timetable. This will also include a Value for Money opinion. The Council's 2019/20 outturn report, detailing net expenditure against individual service budgets, was reported to Cabinet on 24 June 2020 and Council on 30 June 2020.
- 3.3 The draft Statement of Accounts are attached to this report. The purpose of the Statement of Accounts is to provide clear information about the authority's finances and should answer such questions as:

- What did the authority's services cost in the year?
- Where did the money come from?
- What were the authority's assets and liabilities at the year end?
- Is the Council financially stable?

The Statement of Accounts reflects a common pattern of presentation to facilitate comparison with the accounts of other organisations. For 2019/20, there are no significant format or contents changes from the 2018/19 document arising from external changes but changes have been required arising from the Customer Connect related restructure of the Council's staffing and reporting structures.

- 3.4. The contents of the accounts are largely determined by statutory requirements and mandatory professional standards as set out within the 'Code of Practice on Local Authority Accounting' and 'Standard of Professional Practice on Financial Reporting' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS). These standards are used to prepare accounting policies the Council will apply to all material balances and transactions. The policies were approved by Audit Committee on 5th December 2019.
- 3.5. The Auditors opinion just applies to the Statement of Accounts section of the document. Although the Auditor will consider the Narrative Report and Annual Governance Statement as part of auditing the Accounts for consistency, strictly speaking these are outside the scope of the opinion.
- 3.6. Set out below are the main elements of Statement of Accounts with a brief explanation of the information contained in each element:
- 3.6.1 Comprehensive Income and Expenditure Account - This summarises the revenue activities of the Council during 2019/20 and shows the day-to-day costs of services provided by the Council together with charges made to the revenue accounts in respect of the use of assets, costs of borrowing and income from investments.
- 3.6.2 The draft accounts show gross revenue service spend in 2019/20 of £46.5 million (£49.0m in 2018/19). After taking in accounts service income of £27.9m and grant, Council Tax and NNDR income of £16.2m, the deficit on the provision of service was £2.4m.
- 3.6.3 Technical accounting adjustments including a gain of £8.2m due to changes in the pension fund actuarial assumptions are shown as Other Comprehensive Income and Expenditure. Inclusion of the data from the tri-ennial valuation reflecting lower expected increases in pensions and salary due to lower inflation has led to an actuarial gain to the pension fund and Comprehensive Income & Expenditure (CIES) of £5.6m. There is also a revaluation gain of £2.6m on fixed assets.
- 3.6.4 This leaves an overall total comprehensive income & expenditure gain for the year of £5.9m, but after the accounting adjustment gains are removed in the Movement in Reserves Statement (MiRS), total revenue reserves, including the General Fund working balance, have increased by £0.8m to £15.6m. Overall £2.5m of earmarked reserves were applied during 2019/20 but £3.3m was added to reserves: the largest increase in reserves was due to higher than expected income from the Cumbria business rate pool. Earmarked Reserves are those that have been set aside to cover a particular risk, or are ring fenced for particular purposes.
- 3.6.5 The Council is reviewing its financial stability as part of the increased pressures Covid-19 is putting on Council services. The Medium Term Financial Plan has identified expected deficits increasing from April 2021 onwards. Officers are preparing proposals for prioritising spend and income.

- 3.6.6 The Movement in Reserves Statement (MiRS) combines the total Comprehensive Income and Expenditure for the year along with adjustments between the accounting basis funding basis to arrive at movements in reserves as they appear on the balance sheet.
- 3.6.7 The Balance Sheet shows the assets and liabilities of the Council as at 31st March 2020. The value of the assets of the Council must equal the value of its liabilities plus reserves. Assets include property, plant and equipment, cash and investments and any debts owing to the Council.
- 3.6.8 Total non-current assets, including property, plant and equipment, heritage assets, investment property, intangible assets and long term debtors, have increased to £77.4m in value, an increase of £1.1m, mainly due to expenditure on capital schemes. Due to the impact of Covid-19 there is particular uncertainty around the value of assets, particularly those such as car parks where the value is based on current and future income projections. While in some areas levels of income from car parks has recovered well since lockdown has been lifted, this has not been seen in all areas.
- 3.6.9 The most significant change in values on the balance sheet were in Cash and Cash equivalents, increased by £7.3m (from £1.9m to £9.2m) and Short Term Creditors which increased £7.8m (from £7.1m to £14.9m). This is mainly due to the receipt of grant from HMCLG (business rate relief £4.1m) and Highways England (Cross-a-Moor junction improvement £2.8m) during March 2020 which is expected to be spent or repaid during 2020/21.
- 3.6.10 The net assets of the Council (assets less liabilities) was £98.5m, which was an increase from the £95.2m at 31st March 2019. The main reason for the increase is the reduction in the IAS19 pension deficit. The notes to the accounts labelled in the balance sheet provide more detail. The net pension liability has decreased by £2.6m with the liability in the top half of the balance sheet at £35.3m. This balance is quite volatile year on year and the 2019/20 decrease partially offsets a large increase 2018/19. These are mainly due to estimated future market forecasts of interest rates, longevity and fund performance generally. Again, this is an area of particular uncertainty due to Covid-19 and the Council has requested a revised valuation based on the latest situation.
- 3.6.11 The Collection Fund is a separate account detailing Council Tax collections (including those collected on behalf of Cumbria County Council, Cumbria Police and Crime Commissioner and parish councils) and National Non-Domestic Rates (NNDR) part of which is retained by the Council with the remainder being paid to Cumbria County Council and the Government. Any surplus or deficit on the Fund for Council Tax is distributed between the Council, Cumbria County Council and the Cumbria Police and Crime Commissioner in proportion to their share of tax income drawn from the fund. The Fund shows an increased surplus of £0.8m at 31st March 2020 which is largely due to the reduction in the estimated costs of business rate appeals.
- 3.6.12 The Cash Flow Statement details the overall cash movements (inflows and outflows) over the year. This shows a significant increase in cash and cash equivalents at 31 March 2020, consistent with the large grants received in March 2020 explained above in 3.6.9.
- 3.7 Inspection of the Accounts by the public - As part of the six week process for the inspection of the Council's Accounts, the public is able to ask questions on the Accounts and request information. Local electors also have the right to raise objections to the Statement of Accounts with the external auditors. The inspection period commenced on Monday 29th June 2020 and will continue until Monday 10th August 2020.

#### **4.0 Consultation**

- 4.1 The unaudited statements were published on the Council's website on 24 June 2020. They were also open to scrutiny and comment by members of the public from 29 June to 10 August in line with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.

#### **5.0 Alternative Options**

- 5.1 This report does not present any alternative options. The draft accounts were approved for issue by the Finance Lead Specialist on 24 June 2020. The accounts were prepared based on officer interpretation of statutory and non-statutory guidance.

#### **6.0 Links to Council Priorities**

- 6.1 The Statement of Accounts is one of the key corporate documents produced by the Council to demonstrate its financial position and performance. This underpins all Council priorities.

#### **7.0 Implications**

##### **Financial, Resources and Procurement**

- 7.1 There are no direct financial implications arising from the publication or approval of the annual accounts. The full financial position was included in the 2019/20 Outturn report approved by Council on 30 June 2020. The implications of the 2019/20 Outturn were included in the Medium Term Financial Plan 2021/22 to 2025/26 approved by Council on

##### **Human Resources**

- 7.2 There are no direct human resources implications arising from this report.

##### **Legal**

- 7.3.1 The Audit Committee is the decision making body in relation to the approval of the Annual Statement of Accounts which is one of the miscellaneous functions not to be the responsibility of the Executive.
- 7.3.2 As stated above the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020/404 amended the timetable for Local Authority accounts. The accompanying guidance letter from MHCLG dated 22 April stated the effect of the amendments as follows:
- “This means that draft accounts must be approved by 31 August 2020 at the latest. However, they may be approved earlier, and we would encourage councils to do so wherever possible, to help manage overall pressure on audit firms towards the end of the year.”
- 7.3.3 There are no apparent legal implications in adopting the recommendations set out in this Report.

##### **Health, Social, Economic and Environmental**

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: This report relates to the 2019/20 Statement of Accounts and has no direct health, social, economic or environmental impacts.

##### **Equality and Diversity**

- 7.6 Have you completed an Equality Impact Analysis? No

7.7 If you have not completed an Impact Assessment, please explain your reasons: This report relates to the 2019/20 Statement of Accounts and has no direct equality or diversity impacts.

### Risk

Risk	Consequence	Controls required
<p>The risk that the accounts have not been prepared in accordance with statutory requirements</p> <p>The risk that the accounts are not authorised, audited and published by the statutory deadline</p>	<p>The Council's reputation for good financial governance may be diminished</p>	<p>Accounts prepared by properly trained staff.</p> <p>Adequate checking of draft accounts</p> <p>External audit of accounts within statutory deadlines to provide Audit Committee with assurance that the accounts represent a true and fair view.</p>

### Contact Officers

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### Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Draft Statement of Accounts 2019/20

### Background Documents Available

Name of Background document	Where it is available
Revenue and Capital Outturn 2019/20	<a href="https://tinyurl.com/yxr2usg9">https://tinyurl.com/yxr2usg9</a>

### Tracking Information

Signed off by	Date sent	Date Signed off
Legal Services	03/09/2020	07/089/2020
Section 151 Officer	N/A	N/A: report from S151 officer
Monitoring Officer	03/09/2020	07/09/2020
CMT	N/A	N/A

Circulated to	Date sent
Lead Specialist	Report author
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	N/A
Ward Councillor(s)	N/A
Committee	17/09/2020
Executive (Cabinet)	N/A
Council	N/A