



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Governance and Audit Committee

30 November 2020

Report of: Councillor Adam Stokes
Cabinet Member for Finance



Statement of Accounts and Annual Governance Statement 2019/20

The Statement of Accounts 2019/20 is presented for sign off within the statutory timeframe. This report covers:

- Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
- Section 21(2) Local Government Act 2003
- Revised Statement of Accounts
- Commentary on the outcome of the audit of the Statement of Accounts

Report Author

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Corporate Priority:	Decision type:	Wards:
Administrative	Administrative	All Wards

Reviewed by:	Claire Morgan, Management Accountant	25 November 2020
Approved by:	Richard Wyles, Interim Director of Finance	25 November 2020
Signed off by:	Councillor Adam Stokes, Cabinet Member for Finance	25 November 2020

Recommendation to the decision maker

1. It is recommended that the Audit and Governance Committee:
 - Approve the 2019/20 Statement of Accounts
 - Note the outcome of the audit work
 - Approve that the letter of representation be signed by management

1 The Background to the Report

Introduction

- 1.1 The draft Statement of Accounts 2019/20 were published on 28 August 2020. The external audit process has now been completed and the Statement of Accounts has been updated to reflect the changes identified by the Finance Team and those agreed with our external auditors, Grant Thornton.
- 1.2 In accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, the statutory deadline for completing the 2019/20 audit and publishing the final accounts is 30 November 2020.
- 1.3 The Narrative Report section of the Statement of Accounts provides a guide to the most significant matters reported. It explains the Council's financial position and assists in the interpretation of the accounting statements. It provides information about the district, including issues and challenges affecting the Council and its accounts, the political composition, the ambitions of the Council and an overview of the many achievements that have been made to improve the quality of life of the residents, businesses and visitors.
- 1.4 Pages xi to xiii of the Narrative Report provide a review of the core statements.
- 1.5 The impact of the Covid-19 pandemic on the interpretation of the statements has been referenced in the Narrative Report and Note 3: Assumptions made about future and other major sources of uncertainty and Note 4: Non-adjusting post balance sheet events.
- 1.6 The Council is required to produce an Annual Governance Statement (AGS) in accordance with the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" in order to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015. The statement is an open and transparent review of the effectiveness of the Council's system of governance, risk management and internal control, including performance across all its activities.
- 1.7 Members are asked to be satisfied that the AGS for 2019/20 is an open and transparent reflection of the governance arrangements for that financial year.
- 1.8 It has been requested by the External Auditor that group accounts be prepared to reflect the Council's relationship with Gravitas Housing Ltd, this statement has been prepared and included into the final Statement of Accounts.

Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

- 1.9 The Statement of Accounts must be published by 30 November 2020. The external auditor must complete their audit and issue the relevant audit opinion to ensure the statutory deadline is met. The external auditor's report is a separate item on this agenda. The purpose of the external audit of the financial statements is to give an opinion on:
 - whether they present a true and fair view of the financial position of the audited body and its expenditure and income for the year in question
 - whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Auditors must provide reasonable assurance that, subject to the concept of materiality, the financial statements:

- are free from material misstatements, whether caused by fraud or other irregularity or error
- comply with the statutory and other requirements applicable to the accounts of the audited body and
- comply with all relevant requirements for accounting presentation and disclosure.

Section 21(2) Local Government Act 2003

1.10 Section 21(2) of the Local Government Act 2003 requires that the Statement of Accounts is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2015. The Statement of Accounts which accompanies this report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on International Reporting Standards (the Code) produced by CIPFA which sets out proper accounting practices.

Statement of Accounts

1.11 The draft Statement of Accounts were published on 28 August 2020. Following the completion of the external audit, the Statement of Accounts has been amended to reflect the outcome of this work. An updated set of accounts is presented on the Committee agenda and a commentary setting out the main findings from the audit and subsequent amendments is provided for members consideration and approval.

1.12 Audit Adjustments

The Finance team were required to amend the accounts as follows:

The value of Property, Plant and Equipment in the balance sheet has been amended in the accounts to reverse the in-year depreciation charge. This amendment ensures that the net book value is consistent with the external valuers report as the Council values property assets at 31 March. A third balance sheet dated 1 April 2018 has been included which re-states the value of the assets and then further adjustments have been processed in subsequent years. The value of an asset had been overstated by £250k as there was an error with the area (resulting from physical modifications that separated it into two separate assets). The accounts have been adjusted for this error. Table 1 details the changes to the balance sheet between the draft and final accounts:

Table 1 – changes to the Balance Sheet

2018/19		Balance Sheet	2019/20	
Draft £'000	Final £'000		Draft £'000	Final £'000
313,799	320,285	Property, Plant and Equipment	327,239	333,775
158,234	151,748	Unusable Reserves	181,369	174,833

These adjustments have also been included in the following statements and notes to the accounts:

Table 2 – Amended Statements and Notes

Page	Note	Description
2	N/A	Comprehensive Income and Expenditure Statement
3	N/A	Movement in Reserves Statement
5	N/A	Cashflow Statement
9	5	Prior Period Adjustment - New note to explain adjustments made to the accounts
10-12	6	Expenditure and Funding Analysis (Note 5 in the draft accounts)
13-15	7	Note to the Expenditure and Funding Analysis (Note 6 in the draft accounts)
16	8	Expenditure and Income Analysed by Nature (Note 7 in the draft accounts)
22-24	17	Adjustments Between Accounting Basis and Funding Basis Under Statute (Note 16 in the draft accounts)
26	19	Property, Plant and Equipment (Note 18 in the draft accounts)
54	37	Unusable Reserves (Note 36 in the draft accounts)
54	37a	Revaluation Reserve (Note 36a in the draft accounts)
55-56	37b	Capital Adjustment Account (Note 36b in the draft accounts)
60	38	Cashflow Statement (Note 37 in the draft accounts)
63	N/A	HRA Income and Expenditure Statement
64	N/A	HRA Movement on Housing Revenue Account Statement
66	2	Land, House and Other Property
67	3	HRA Revaluation Losses
69	7	Analysis of Reconciling Item in Movement on the Housing Revenue Account Statement
74	N/A	Group Movement in Reserves Statement
75	N/A	Group Comprehensive Income and Expenditure Statement
76	N/A	Group Balance Sheet
77	N/A	Group Cashflow Statement

1.13 The 2018/19 Comprehensive Income and Expenditure Statement (CIES) has been restated to reverse the allocation of support service charges. This adjustment enables comparisons to be made between 2018/19 and 2019/20 and ensures that the income and expenditure recorded in the CIES is consistent with in-year reporting. Table 3 details the changes made to the CIES between the draft and final accounts and note 8 has also been amended to reflect these changes:

Table 3 – changes to the Comprehensive Income and Expenditure Statement

2018/19		Comprehensive Income and Expenditure Statement	2019/20	
Draft £'000	Final £'000		Draft £'000	Final £'000
7,663	6,746	Commercial & Operations	8,405	8,405
(15,283)	(13,223)	Finance, Legal & Democratic	(20,313)	(20,313)
18,372	14,208	Growth	19,937	19,864
1,279	4,242	Transformation	4,604	4,604
12,031	11,973	*Total	12,633	12,560

*the difference in the net cost of service of £73k in 2019/20 (£58k in 2018/19) relates to revaluation loss associated with the reversal of the in-year depreciation which has been charged to Growth.

1.14 **Changes to the notes to the Accounts - Overview**

The auditors identified that a debtor for £2.056m had been recorded incorrectly against Other Entities rather than Government Departments in Note 38, this has been amended in the final version of the statement of accounts.

Audit recommended some minor wording changes to notes 3 and 4 which has been included in the final version of the statement of accounts.

2 Consultation and Feedback Received, Including Overview and Scrutiny

2.1 The Governance and Audit Committee is asked to approve the Statement of Accounts, note the outcome of the audit work and approve that the letter of representation be signed by management.

3 Available Options Considered

3.1 Not applicable

4 Preferred Option

4.1 Not applicable

5 Reasons for the Recommendation (s)

5.1 Section 21(2) of the Local Government Act 2003 requires that the Statement of Accounts is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2015 and that these accounts are published by 30 November 2020.

6 Next Steps – Communication and Implementation of the Decision

6.1 The statement of accounts will be made publicly available on the Council's website.

7 Financial Implications

7.1 These are included in the report.

Financial Implications reviewed by: Richard Wyles, Interim Director of Finance

8 Legal and Governance Implications

8.1 In accordance with the Accounts & Audit Regulations 2020 the Statement of Accounts must be approved by the Governance and Audit Committee by 30 November 2020. The Committee has the opportunity to review the audited Statements prior to the statutory deadline.

Legal Implications reviewed by: Shahin Ismail, Director of Law and Governance

9 Equality and Safeguarding Implications

9.1 Not applicable.

10 Risk and Mitigation

10.1 Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
Statutory Risk	Statement of Accounts and Annual Governance Statement compiled in accordance with statutory guidance.

11 Community Safety Implications

11.1 Not applicable.

12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

12.1 Not applicable.

13 Appendices

13.1 2019/20 Statement of Accounts

Report Timeline:	Date of Publication on Forward Plan (if required)	N/a
	Previously Considered by:	N/a
	Final Decision date	30 November 2020