

## Rother District Council

<b>Report to:</b>	Audit and Standards
<b>Date:</b>	29 July 2020
<b>Title:</b>	Statement of Accounts 2019/20
<b>Report of:</b>	Anthony Baden – Finance Manager
<b>Purpose of Report:</b>	This report asks Members to note the draft Statement of Accounts ahead of the external audit and discusses the main issues affecting the Statement and provides a commentary on the core financial statements.
<b>Officer</b>	
<b>Recommendation(s):</b>	It be <b>RESOLVED</b> : That the Council's draft 2019/20 Statement of Accounts be noted.

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### Introduction

1. This report discusses the main issues affecting the Council's draft Statement of Accounts 2019/20 and provides a commentary on the core financial statements. (The full Statement will be circulated separately to Members, when available.) At the time of writing this report, the Council's external auditors, Grant Thornton, were in the early stages of their work on the accounts for 2019/20. Grant Thornton will report on the outcome of their work later in the year in line with the revised national timescales. The draft accounts include the Annual Governance Statement approved by the Committee at its meeting on 18 May 2020 (Minute AS AS19/51 refers), which in accordance with the Committee resolution has been updated for the impact of COVID-19 on the Council's finances.

### **Changes to the Format of the Statement of Accounts**

2. The Code of Practice has required no major changes in the presentation of the accounts.

### **Statement of Accounts (circulated separately)**

3. Detailed below is a brief description of the core financial statements and the issues relating to them.
4. **Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority, analysed into “useable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and un-useable reserves such as the revaluation reserve for land and property. The deficit of

£2.428m on the provision of services line shows the true economic cost of providing the authority's services, and these are shown in greater detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net change of £2.392m before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to earmarked reserves is made by the Council.

5. **Comprehensive Income and Expenditure Statement** – this shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. It therefore does not show the "cash" position for the Council and is intended to reflect private sector accounting practice in presenting a profit and loss account.
6. **Balance Sheet** – this is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, the net current assets employed in its operations and summarised information on the fixed assets held. The net worth of the Council has increased by £15.2m (as shown in the total reserves line).
7. The Balance Sheet also highlights that the overall amount of useable cash resources of the Council have increased by £0.6m. However useable reserves have reduced by £2.4m. A detailed analysis of the Council's earmarked reserves is shown in the notes to the accounts.
8. The Pension Fund liability of £17.85m shown in the Balance Sheet is a long term financial assessment of a possible shortfall on the Fund, based on the current situation and performance. As such, no immediate action is required to manage the deficit.
9. **Cash Flow Statement** – this brings together in a single statement the inflows and outflows of cash arising from the Council's transactions with third parties for revenue, investment and capital purposes. Under International Financial Reporting Standards the statement only reflects those flows of funds directly related to the Council. Where the Council acts as an agent, as in the case of collecting the Council Tax on behalf of precepting authorities, these inflows and outflows of cash are excluded.
10. **Collection Fund Income and Expenditure Account** – this reflects a statutory requirement for the Council, which collects the local taxes, to maintain a separate account in relation to Business Rates and the Council Tax and their distribution. Overall the Collection Fund balance was in surplus for the year by (£1.9m). With the introduction of the Business Rate Retention Scheme in April 2013, this balance is now made up of both Council Tax and Business Rates. For Council Tax the Fund was in surplus by (£0.471m) as at 31 March 2020, with East Sussex County Council entitled to the majority of this amount. For business rates the Fund was in surplus by (£1.452m), with the Government receiving the highest amount followed by this Council.

## Conclusion

11. The Balance Sheet shows that overall the financial position of the Authority remains sound with an adequate amount of reserves in place to meet short term needs. The COVID-19 pandemic looks likely to exacerbate the financial pressure on the Council in the current financial year. It is therefore essential that in the medium term, the Council continues to deliver the target savings set out in the Medium Term Financial Strategy in order for the Council to continue to balance its budget.

## Implications

### Financial Implications

12. None arising from this report.

### Legal Implications

13. None arising from this report.

### Human Resources Implications

14. None arising from this report.

## Other Implications

Other Implications	Applies?	Other Implications	Applies?
Human Rights	Yes/No	Equalities and Diversity	Yes/No
Crime and Disorder	Yes/No	Consultation	Yes/No
Environmental	Yes/No	Access to Information	Yes/No
Sustainability	Yes/No	Exempt from publication	Yes/No
Risk Management	Yes/No		

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Appendices:	A – Statement of Accounts
Relevant Previous Minutes:	
Background Papers:	None
Reference Documents:	Local Government Accounting Code of Practice 2019/20 and associated guidance