

Rother District Council

Report to: Audit and Standards Committee

Date: 7 December 2020

Title: Statement of Accounts 2019/20

Report of: Robin Vennard, Assistant Director Resources

Purpose of Report: To consider and approve the Council's Statement of Accounts for the financial year ending 31 March 2020.

Officer

Recommendation(s): It be **RESOLVED:** That:

- 1) the Council's 2019/20 Statement of Accounts be approved; and
 - 2) delegated authority be granted to the Assistant Director Resources, in consultation with the Chairman of the Audit and Standards Committee to make minor non-consequential changes to the Statement.
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Introduction

1. The Accounts and Audit Regulations 2003 require the Council's accounts to be approved by the Council or, as in Rother's case, its delegated Committee each year. This report discusses the main issues affecting the Statement of Accounts and provides a commentary on the core financial statements. (The full Statement will be circulated separately to Members, when available).
2. At the time of writing this report, the Council's external auditors, Grant Thornton, had largely completed their work on the accounts for 2019/20. Grant Thornton's report is shown elsewhere on the agenda for this meeting and sets out their work and any issues that have arisen from it. Any further items identified will be verbally reported to the Committee at its meeting and a revised statement of accounts presented at the meeting for approval. The published accounts include a Narrative Report and the Annual Governance Statement approved by the Committee at its meeting on 18 May 2020 (Minute AS19/51 refers).

Changes to the Format of the Statement of Accounts

3. As reported to this Committee on 29 July 2020, the Code of Practice has required no major changes in the presentation of the accounts for this year.

Statement of Accounts B (circulated separately)

4. Detailed below is a brief description of the core financial statements and the issues relating to them.
5. 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.

6. 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.
7. 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).
8. 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.
9. 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.
10. 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.
11. 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

12. The accounts show that as of the Balance Sheet date, the overall the financial position of the Authority remained sound with an adequate amount of reserves in place to meet needs in the short term. As shown in financial monitoring reports, the COVID-19 pandemic is exacerbating the financial pressure on the Council in 2020/21 and beyond. The Medium Term Financial Plan reported to Cabinet on 2 November 2020, recognised this and the other financial pressures on the Council particularly around homelessness and the high ongoing cost of the waste and recycling contract.
13. The difficult financial environment the Council finds itself operating within means that the need to deliver target savings and income at the time envisaged is essential to the Council's ongoing financial stability. The scale of the challenge does however come with added risk of failure, and this committee needs to be aware of this and the Council's response in minimising the likelihood and impact.
14. It is recommended that delegated authority be granted to the Assistant Director Resources, in consultation with the Chairman of the Audit and Standards Committee to make minor non-consequential changes to the Statement.

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

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Appendices:	None
Relevant Previous Minutes:	AS19/51
Background Papers:	None
Reference Documents:	None