

**Rother District Council**

<b>Report to:</b>	Audit and Standards
<b>Date:</b>	28 July 2021
<b>Title:</b>	Statement of Accounts 2020/21
<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 2020/21 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 2020/21 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 yet to commence their work on the accounts for 2020/21. Grant Thornton will report on the outcome of their work later in the year in line with the revised national timescales, if possible. Extra dates for this Committee have been earmarked in case Grant Thornton are unable to meet the 30 September deadline. The draft accounts include the Annual Governance Statement as amended and approved by the Committee at its meeting on 21 June 2021 (Minute AS21/09 refers).

**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 £1.174m 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 £3.293m 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 decreased by £7.651m (as shown in the total reserves line). This is largely due to an increase in the Pension Fund liability (£4.8m), Collection Fund deficit (£3.6m) and Revaluation Reserve (£3.4m) partially offset by an increase in usable reserves (£4.9m). A detailed analysis of the Council's earmarked reserves is shown in the notes to the accounts.
7. The Pension Fund liability of (£22.648m) 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.
8. **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.
9. **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 deficit for the year by just over (£13m). This balance is made up of both Council Tax and Business Rates. For Council Tax the Fund was in deficit by (£1.256m) as at 31 March 2021, with East Sussex County Council entitled to the majority of this amount. For business rates the Fund was in deficit by (£11.8m), with the Government paying the highest amount followed by this Council. The majority of the deficit relates to the additional rate relief for businesses provided by the Government due to the COVID-19 Pandemic, which halved the amount collectable. The deficit on the Collection Fund will be spread over three financial years and will form part of the 2022/23 budget setting process. It is hoped the impact will be minimised through the additional Government grants received in 2020/21 which have been accounted for through the General Fund.

## Conclusion

10. 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 has exacerbated the financial pressure on the Council both in 2020/21 and continuing into 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 Plan in order for the Council to balance its budget.

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:	A – Statement of Accounts
Relevant Previous Minutes:	AS 21/09
Background Papers:	None
Reference Documents:	Local Government Accounting Code of Practice 2020/21 and associated guidance