



**Reigate & Banstead**  
BOROUGH COUNCIL  
Banstead | Horley | Redhill | Reigate

<b>SIGNED OFF BY</b>	Interim Head of Finance
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<b>TO</b>	Audit Committee
<b>DATE</b>	Tuesday, 18 May 2021
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance

<b>KEY DECISION REQUIRED</b>	No
<b>WARDS AFFECTED</b>	ALL

<b>SUBJECT</b>	<b>STATEMENT OF ACCOUNTS 2019/20</b>
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#### **RECOMMENDATIONS:**

- (i) That the Statement of Accounts for the year ended 31 March 2020 be approved.

#### **REASONS FOR RECOMMENDATIONS**

The Code of Practice on Local Government Accounting requires that the Statement of Accounts is endorsed by the body within the Council that is responsible for overall corporate governance. Under the Council's Constitution this function has been delegated to the Audit Committee.

#### **AUDIT COMMITTEE SUMMARY**

The draft Statement of Accounts for the financial year 2019/20 were prepared and published on 5 October 2020.

The Accounts have now been audited by Deloitte LLP, the Council's external auditors.

The report of the external auditors, the ISA 260 Report, is reported separately on this agenda and includes an explanation of the outcome of the audit.

**Audit Committee has authority to approve the above recommendation.**

## STATUTORY POWERS

1. The Council is required to produce an annual Statement of Accounts by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2015*.
2. The *Accounts and Audit (Coronavirus)(Amendments) Regulations 2020*, came into force on 7 April 2020. This extended the statutory audit deadlines, taking into consideration the impact of the COVID-19 pandemic on council and audit team capacity.
3. In accordance with the *Local Authorities (Functions and Responsibilities) (England) Regulations 2000* and under the Council's Constitution responsibility for approving the accounts has been delegated to the Audit Committee.

## BACKGROUND

4. The 2019/20 Statement of Accounts has been prepared in accordance with the relevant *Code of Practice on Local Authority Accounting in the United Kingdom* and the *Service Reporting Code of Practice*.
5. The Statement of Accounts once approved are submitted into the Whole of Government Accounts (WGA) reporting tool, which allows Central Government to consolidate all Government Bodies Statement of Accounts, under the same accounting rules, as if it were a Company.

## KEY INFORMATION

6. The Council must comply with the provisions of the *Accounts and Audit Regulations 2015* which concern the signing, approval and publication of the Statement of Accounts. The deadlines for the 2019/20 financial year were extended by the *Accounts and Audit (Coronavirus)(Amendments) Regulations 2020*, whereby:
  - i) The draft Statement of Accounts must be published on the Council's website for Public Inspection from 1<sup>st</sup> September;
    - The draft Statement of Accounts and required Public Inspection Notice were published on the Council's website on 5<sup>th</sup> October.
  - ii) The responsible financial officer must, no later than 30<sup>th</sup> November 2020, sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Council at the end of the financial year and of the Council's income and expenditure for that year;
  - iii) The Council must, no later than 30<sup>th</sup> November consider and approve the Statement of Accounts by way of resolution;
  - iv) Following approval by Audit Committee, the Chair of the Audit Committee must sign and date the Statement of Accounts; and
  - v) No later than 30<sup>th</sup> November, the Council must publish its Statement of Accounts, including the Annual Governance Statement together with any certificate or opinion entered by the auditor.
    - The final audited Statement of Accounts is presented to this meeting of Audit Committee for consideration and approval

## **Statement of Accounts 2019/20 – Financial Position and Performance**

7. The key financial statements within the Annual Financial Report attached at Annex1 are:

### Narrative Report (pages 3 to 23)

- The Narrative Report seeks to provide information on the authority, its main objectives and strategies, the principal risks faced and commentary on how it has used its resources to achieve the desired outcomes.
- The structure of the Report can be determined by the authority but consideration in its preparation should be given to the following elements: Organisational review and external environment; governance; organisational model; risks and opportunities; strategy and resource allocation; performance, outlook and the basis of preparation.
- The report includes a section on the impact of the COVID-19 pandemic on the Council during 2019/20.
- The Narrative Report discusses the Council's performance in terms of the Statutorily defined revenue and capital outturn measures, which management tracks on a quarterly basis.

### Annual Governance Statement (page 24 to 30)

- The Annual Governance Statement sets out how the Council has complied with the Council's Code of Corporate Governance and also meets the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 which have revised the Accounts and Audit Regulations (England and Wales) 2015 this year.
- The Accounts and Audit Regulations require the Annual Governance Statement to be published at the same time as the Statement of Accounts. This is reported separately on this agenda for approval.

### Statement of Responsibilities (page 31)

- This sets out the responsibilities of the Council and the Chief Finance Officer in relation to the production of the Statement of Accounts.
- Following approval of the Statement of Accounts by the Audit Committee, the Audit Committee Chair and Chief Finance Officer are required to sign and date this section.

### Comprehensive Income and Expenditure Statement (pages 32)

- The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with generally accepted accounting practices (GAAP) which companies are required to use when reporting their results, as adopted by CIPFA under the Code of Practice.
- The Code of Practice on Local Government Accounting is issued by the Chartered Institute for Public Finance Accountants (CIPFA), and interprets GAAP, as it considers appropriate for adoption for Local Councils.
- This statement shows the accounting cost in the year of providing services, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations; this may be different from the

accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- Total Comprehensive Income and Expenditure for 2019/20 showed a surplus of £4.318 million. This is equal to the increase in overall reserves explained in the Movement on Reserves Statement. This comprises a Surplus on Provision of Services of £1.034 million, with other asset and pension liability movements generating a surplus of £3.284 million.

#### Movement in Reserves Statement (page 32 -34)

- The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with GAAP as adopted by the Code.
- However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services. The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.
- The Movement in Reserves Statement shows:
  - How the authority has generated and expended resources in the year; and
  - How the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.
- Unusable Reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.
- Overall, reserves increased by £1.792 million to £168.134 million. Of this, Usable Reserves increased by £9.314 million and other (Unusable) Reserves decreased by £7.522 million.

#### Balance Sheet (page 35)

- The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie. its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.
- For local authorities balance sheet presentation is split between the Usable Reserves and Unusable Reserves. Usable Reserves are those which the authority can utilise to support future service provision. Unusable Reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as 'unrealised'.
- Overall, the Council's net worth rose by £1.792 million to £168.134 million as already explained in the sections on the Movement in Reserves and the Comprehensive Income and Expenditure Statement above.

- Long term assets increased by £12.934 million compared to the previous year. The main cause was the loan of £10.988m made to Greensand Holdings Ltd for the purchase of Fishers Farm. Property holdings (PPE, heritage assets and investment property) decreased in total by £3.125 million as a result of the valuer's annual review of property values (£3.561million), offset by an increase of £0.436 million on value of the Council's art and civic regalia at its triennial review. Additionally, in the year the Finance team reclassified £49.483 million of property value from investment property to property plant and equipment (PPE) to align with the Council's Corporate Plan which places greater emphasis on using assets for community benefit. This also aligns the Council's classification of property better, with Central Governments criteria for access to funding via the PWLB (Public Works Loan Board).
- Current assets have decreased by £5.461 million represented by reductions in short-term investments (£4.583 million) and short-term debtors (£1.055 million) offset by a small increase in cash and cash equivalents and inventory (£0.177 million). This shows the application of funds held in short term investments to the Greensand Holdings Loan.
- Current liabilities have decreased by £1.997 million, represented by repayments of short term borrowing (£3.009 million) as the Council re-organises its borrowing portfolio to support its Capital Investment Strategy. This decrease was offset by an increase in short term creditors (£1.012 million) representing additional CIL/Section106 monies due to Surrey County Council as a result of Developer pay-overs relating to the North West Horley development.
- Long term liabilities have increased by £7.678 million with the primary reason being the increase in long term borrowing of £5 million required for the Greensand Holdings Loan and the Business Rates appeals provision increase (£1.805 million).

#### Cash Flow Statement (page 36)

- This Statement summarises the cash inflows and outflows arising from transactions with third parties, arising from both revenue and capital transactions. It confirms that there has been a net cash inflow of £0.2 million in 2019/20. With the funds from the redemption of current assets and the additional £5.000 million loan being loaned to Greensand Holdings Ltd for the Fishers Farm acquisition.

#### Expenditure and Funding Analysis (page 37)

- The Expenditure and Funding Analysis brings together local authority 'management' performance (revenue outturn) alongside expenditure measured under generally accepted accounting practice (GAAP), which is used in the preparation of company accounts.
- Generally accepted accounting practice measures the resources that have been generated and consumed in the year, rather than just cash income and expenditure. It includes non-cash items such as the use of property (depreciation) and the value of pensions benefits earned by employees during the year.
- Statutory provisions determine how revenue outturn is measured, and how much of the authority's expenditure needs to be met from council tax each year and excludes non-cash adjustments such as depreciation and increased pension entitlement.

- The Expenditure and Funding Analysis shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax. An additional note to the Accounts (Note 6) provides further detail to explain significant differences between the two different measurement bases.

Notes to the Accounts (including Accounting Policies) (pages 38 to 97)

- The notes set out in more detail how the figures have been arrived at and give further supporting information. The Accounting Policies confirm the principles, bases, conventions, rules, and practices applied by the Council when preparing and presenting these statements. These policies are in line with CIPFA requirements under the Code of Practice on Local Government Accounting.

Collection Fund and notes (pages 98-99)

- The Council is required to maintain a separate fund to fulfil its obligations as a Billing Authority, collecting Council Tax and National Non-Domestic Rates on behalf of itself and the other precepting partners (Central Government, Surrey County Council, Surrey Police and Crime Commissioner, Horley Town Council and Salfords and Sidlow Parish Council.
- Overall there was an in year deficit of £5.325 million, resulting in a net year-end deficit balance carried forward on the Fund of £3.576 million.
- Deficits (or surpluses) arise from the difference between actual Council Tax and National Non-Domestic Rates collected in the year, and the pre-agreed sums paid out to all preceptors for the year, which are based on forecasts set in the January preceding the financial year beginning on the 1<sup>st</sup> of April.
- Deficits (or surpluses) on the Collection Fund are recovered by adjustments to the agreed payments to preceptors (precepts) in the following years.

Group Accounts (pages 100-111)

- The Group Accounts report the financial position and performance of the Council in combination with its wholly-owned subsidiaries (Greensand Holdings Limited and RBBC Limited); its joint venture (Horley Business Park Development LLP) and its associate (Pathway for Care Limited).

Glossary of Terms (pages 112 to 118)

- Provides a definition for terms used throughout the Accounts.

**OPTIONS**

8. Audit Committee can accept or reject the Statement of Accounts 2019/20.

**LEGAL IMPLICATIONS**

9. There are no additional legal implications arising from this report.

**FINANCIAL IMPLICATIONS**

10. There are no additional financial implications arising from this report.

**EQUALITIES IMPLICATIONS**

11. There are no equalities implications arising from this report.

**COMMUNICATION IMPLICATIONS**

12. There are no communications implications arising from this report. The auditor's report and the Statement of Accounts 2019/2020 will be published on the Council's website. These will replace the Draft Statement of Accounts 2019/2020 which was published on the website on 5th October 2020.

**RISK MANAGEMENT CONSIDERATIONS**

13. There are no risk management implications arising from this report.

**OTHER IMPLICATIONS**

14. There are no other implications arising from this report.

**CONSULTATION**

15. Audit Committee Members were invited to a briefing on 12 May 2021 where the Finance team provided an explanation of the contents of the Statement of Accounts and were available to answer questions raised on them by Members.

**POLICY FRAMEWORK**

16. There are no policy implications arising from this report.

**BACKGROUND PAPERS**

Audit Committee, 26 November 2020, *Statement of Accounts 2019/20*

Audit Committee, 18 May 2021, *Report of the External Auditor on the 2019/2020 Statement of Accounts*