

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

14 SEPTEMBER 2020

Title:

Statement of Account 2019/2020

Portfolio Holder: Cllr John Ward, Leader of the Council; Cllr Paul Follow, Deputy Leader of the Council

Head of Service: Peter Vickers, Head of Finance and Property

Key decision: No

Access: Public

1. Purpose and summary

1.1 The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31 March 2020.

2. Recommendation

It is recommended that the Audit Committee

1. approves the Statement of Accounts for the financial year ended 31 March 2020;
2. approves the Letter of Representation for 2019/2020; and
3. Confirms that the accounts have been prepared on a going concern basis.

3. Reason for the recommendation

3.1 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These Regulations incorporate a statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body by 31 July 2020. However, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 introduced a temporary change to the required dates, moving the statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body by 30 November 2020.

3.2 The Chief Finance Officer (Section 151 Officer) retains responsibility for the preparation of the Statement of Accounts and is required to certify that they give a true and fair view of the financial position of the Council for the year ended 31 March 2020. In February 2007, the Council formally delegated the authority for approving Waverley's annual accounts to the Audit Committee. The Members' role in approval is to demonstrate their ownership of the Statement of Accounts

and their confidence in both the Chief Finance Officer and the process by which the accounting records are maintained and the Statement of Accounts prepared. Given the complexity of the statements, members of the committee have received an officer briefing and the opportunity to ask detailed questions before the formal meeting.

Statement of Accounts 2019/2020

- 3.3 The Statement of Accounts for 2019/2020 is included as a separate document at Annexe 1. This Statement of Accounts is an amended version of the unaudited accounts presented for audit and published on the Council's website in July 2020 to reflect a small number changes identified during the audit, these are mostly presentational improvements. These changes are detailed in Annexe 2.
- 3.4 The Narrative Report to the Accounts highlights the key issues and shows the headline figures.
- 3.5 The format and content of the accounts is largely prescribed by regulation and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Local Authority Accounting (the Code). It is a requirement that the accounts are arranged with all core financial statements grouped together followed by all notes to these statements in a separate section. The supplementary statements, Housing Revenue Account (HRA) and Collection Fund, are grouped separately with their corresponding notes section.
- 3.6 The Unaudited Statement of Accounts is available on the Council's website. This will be replaced with the final version following this Audit Committee meeting.
- 3.7 The Audit Findings Report following the audit of the Council's accounts for 2019/2020 by Grant Thornton is included on this agenda.
- 3.8 It is a requirement that the Council issues a Letter of Representation to its external auditors at the conclusion of the audit and this is referred to in Grant Thornton's Audit Findings Report. The draft Letter of Representation is attached at Annexe 3.

Going Concern Report

- 3.9 International Audit Standards require the Audit Committee to provide confirmation that the 2019/2020 Statement of Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.
- 3.10 The main issues around the application of the 'going concern' concept are to consider the medium term financial plans and cash flow forecasts in existence to ensure the continuing operation of the Council. As explained in the Narrative report to the accounts, whilst the impact of Covid-19 on Waverley's finances was relatively minor in 2019/2020, the impact in 2020/2021 has been significant and this is likely to continue in to future years. This emerging position after the balance sheet date must influence the going concern statement.

- 3.11 CIPFA has issued specific guidance on how local authorities should report their going concern statement in the light of the Covid-19 impact. Whilst this guidance confirms that local authorities cannot cease to be a going concern, or be liquidated or cease to operate, it suggests areas that should be reported to give assurance to the Council about the organisation's current and future financial position.
- 3.12 Waverley's Medium-Term Financial Plan (MTFP) (2020/2021 to 2022/2023) was agreed by Council in February 2020. The MTFP forecasts the Council's financial performance and identifies budget pressures for the three years of the plan and demonstrates that the Council has sound plans to continue operating. In the period from end of March 2020 to end July 2020, the Covid-19 crisis has directly and indirectly affected the Council's operations and financial position. In July 2020, officers supported by councillors prepared a contingency revised General Fund budget for 2020/2021. This budget was thoroughly scrutinised ahead of being approved by Council on 8 August 2020. This budget set out a range of proposals for addressing the in-year forecast budget deficit of £6.6m, approximately half of which involved the one-off use of reserves. In terms of cashflow and HRA impact, the work done on the revised budget confirmed that these areas were manageable in the year and that no long lasting material impact was expected and flexibility in treasury operations is being utilised. Officers have implemented more robust and more frequent monitoring arrangements to ensure that the Council has early warning of adverse variations to the forecast so that it can take corrective action.
- 3.13 Alongside the contingency budget, the Council at its meeting on 8 August 2020 also approved a programme of work under the heading of Recovery, Change and Transformation. This is a series of projects and initiatives that will rebase Waverley's operations and finances over the coming eight months, locking in good practice and driving further efficiency. This work includes a fundamental review of the MTFP which will report back to Council by December 2020 seeking agreement to a sustainable resource plan for the medium term. Throughout this period, the Council has also continued to progress its efficiency, property and commercial strategies and these will continue to deliver long term savings to address the underlying projected budget deficit. The approved contingency budget plus the robust arrangements for ensuring continued financial sustainability lead the Council to conclude a positive going concern assessment.

4. Relationship to the Corporate Strategy and Service Plan

- 4.1 Waverley's published Accounts are a key document that helps to demonstrate the Council's accountability for public funds. The accounts support the Council's key objective of providing good value for money by showing how the Council's resources have been utilised.

5. Implications of decision

5.1 Resource (Finance, procurement, staffing, IT)

There are no additional resource implications resulting from the 2019/2020 Statement of Accounts. The Accounts set out Waverley's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

5.2 Risk management

The preparation of the Statement of Accounts and the audit scrutiny provide reassurance that the accounts give a true and fair view of the financial position of the Council for the year ended 31 March 2020.

5.3 Legal

The Accounts set out Waverley's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

5.4 Equality, diversity and inclusion

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

5.5 Climate emergency declaration

Sound financial management supports the Council in achieving its objectives with regard to the Climate emergency declaration.

6. Consultation and engagement

6.1 In August 2020 Members of the Audit Committee received the unaudited 2019/2020 Accounts and met with officers to receive detailed training and/or to respond to any questions.

7. Other options considered

7.1 There is a statutory requirement for the approval and publication of the annual Statement of Accounts.

8. Governance journey

8.1 Once approved the Statement of Accounts will be incorporated into the Annual Financial Report with the Annual Governance Statement and Audit Opinion and then published on the Council's website.

Annexes:

Annexe 1 – The Statement of Accounts for 2019/2020

Annexe 2 – Changes to the Unaudited Accounts 2019/2020

Annexe 2 – Letter of Representation 2019/2020

Background Papers

There are / are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

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Agreed and signed off by:

Legal Services: date

Head of Finance: date

Strategic Director: date

Portfolio Holder: date