

Committee(s): Audit and Scrutiny Committee	Date: 28 th July 2020
Subject: Unaudited Statement of Accounts 2019/20	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Director of Corporate Resources	Public
Report Author/s: Name: Margaret Donaldson, Interim Corporate Finance Manager Telephone: 01277 312500 E-mail: margaret.donaldson@brentwood.gov.uk Name: Jacqueline Van Mellaerts Director of Corporate Resources Telephone: 01277 312500 E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk	For Decision

Summary

This report presents the Council's unaudited Statement of Accounts for 2019/20. These accounts will be signed by the Director of Corporate Resources by 31st August 2020 – the extended deadline; in line with requirements of the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 and the 2015 Accounts and Audit Regulations. They will be published on our website, including the annual governance statement and subject to the relevant inspection notice under section 26 of the Local Audit and Accountability Act 2014.

Recommendation(s)

Members are asked to:

- R1 The Annual Governance Statement 2019/20 attached in Appendix A is approved and signed by the Chief Executive and Leader of the Council.**
- R2 The Unaudited Statement of Accounts 2019/20 attached in Appendix A is considered and approved and signed by the Chair of the Audit and Scrutiny Committee.**

Main Report

Introduction and Background

1. On the 22nd April 2020, in response to the Covid-19 pandemic, the government extended the deadline for the publication of Local Authorities unaudited accounts for 2019/20 to 31st August 2020 - the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020. Local Authorities can publish the 2019/20 Accounts prior to this date and are encouraged to do so.
2. Under the revised regulations, the deadline for the audit of the Accounts by the Council's external auditors - Ernest & Young LLP (EY LLP), is the 30th November 2020.
3. EY LLP are scheduled to commence the audit on 21st September 2020, and complete on the 31st October 2020.
4. Unaudited statement of Accounts 2019/20

The Statements in line with the CIPFA Code of Practice 2019/20 comprise the following sections:

a) Narrative Report

The purpose of the narrative report is to provide an easily understandable guide to the most significant matters reported in the accounts.

b) Group Accounts

These statements and notes show the consolidated financial position of the Council with its wholly owned company, Seven Arches Investments Ltd.

c) Movement in Reserves Statement

This is a summary of the movements in the financial year within the different reserves held by the Council. The reserves are analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

d) Comprehensive Income and Expenditure Statement

This account brings together the expenditure and income relating to all the services for which the Council is responsible and demonstrates how the net cost for the year has been financed. The services shown are in accordance with generally accepted accounting practices.

e) Balance Sheet

This sets out the financial position of the Authority as the 31 March 2020. The Balance Sheet reflects the balances and reserves, and net current assets employed in all its operations, together with summarised information on any fixed assets held.

f) Cash Flow Statement

This summarises the Council's cash transactions throughout the year.

g) Notes to the Core Financial Statements including Accounting Policies

These provide supporting analysis to the Core Financial Statements. The significant Accounting Policies outline the legislation and principles upon which the Statement of Accounts has been prepared.

h) Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost for the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. Councils charge rents to cover expenditure in accordance with regulations - this may be different from the accounting cost.

i) Collection Fund

This reflects the Council's statutory obligation to maintain a separate Collection Fund. It shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic rates (NDR)

j) Accounting Policies and the basis of any Judgements and Estimates in the Accounts

This section explains the rules around the preparation of the Accounts, as well as the assumptions/estimates applied.

5. Annual Governance Statement (AGS)

The proposed AGS, included In Appendix A, is incorporated into the Statement of Accounts for 2019/20. The AGS explains how the Council follows a code of Corporate Governance, which is consistent with the principles of CIPFA/SOLACE 'Delivering Good Governance in Local Government – Framework (2016)'. Members are asked to approve the AGS included in Appendix A, which Is still subject to external audit.

6. External Audit Liaison

The Council's Finance Team have been liaising with the auditor since February 2020 in relation to material areas for consideration in preparing the 2019/20 Statement of Accounts. The following items have been considered early to ensure the smooth completion of the ongoing audit:

- *the valuation of the Town Hall redevelopment* - as previously reported in the Auditor's engagement letter this was to be a key area of focus for EY. Early challenge and discussions with the Council's valuers and EY, have resulted

in an early indication that the correct approach has been taken for inclusion of the asset in the Accounts.

- *preparation of the Accounts on a Going Concern basis* – This is an assessment undertaken up to and from the 12-month period after the sign off of the Accounts. Due to the economic impact of the COVID-19 pandemic on Local Authority finances, this disclosure has needed to be extended and will be refreshed in discussions with the auditors prior to the sign off of the Accounts.
- *Group Accounts* – as the scale of SAIL's activities increase, the audit of the Group Accounts becomes increasingly important, as does EY's approach. Council Officers continue to liaise with EY on the information required to audit the Group Accounts.
- *COVID-19 Disclosures* – although the national actions to address the pandemic occurred towards the end of the Council's financial year, the operational and financial response to the pandemic are required to be disclosed in various areas of the Accounts. For example, the Council's valuers are satisfied that the valuation of the Council's assets is robust as at 31st March 2020. However, they have issued an assessment of 'material uncertainty' with their opinion. Up to the signing off of the Accounts by EY, the impact of COVID-19 on the property market will be considered and maybe needed to be factored into the Accounts.

Issue, Options and Analysis of Options

7. The publication of the unaudited Accounts is a statutory requirement, as is their format. No other options are therefore out forward.

Reasons for Recommendation

8. The approval of the unaudited Accounts contributes to effective financial management and governance.

Consultation

9. No consultation required.

References to Corporate Strategy

10. The Accounts narrative, the statement of Comprehensive Income and Expenditure and the Annual Governance Statement all refer to the recourse and governance arrangements required in the delivery of the Council's Corporate Strategy.

Implications

Financial Implications

Name/Title: Jacqueline Van Mellaerts, Director of Corporate Resources

Tel/Email: 01277 312500/jacqueline.vanmellaerts@brentwood.gov.uk

11. The financial implications are set out within the report and the Appendices accompanying the reports.

Legal Implications

Name & Title: Amanda Julian, Director of Law & Governance

Tel & Email: 01277 312500/amanda.julian@brentwood.gov.uk

12. All relevant legal considerations have been taken fully into account in compiling this report.

Economic Implications

Name/Title: Phil Drane, Director of Economy & Planning

Tel/Email: 01277 312500/philip.drane@brentwood.gov.uk

13. The economic implications are set out within the report and the appendices accompanying the report.

Background Papers

14. Statement of Accounts working papers 2019/20.

Appendices to this report

Appendix A: Unaudited Statement of Accounts 2019/20 and Annual Governance Statement 2019/20