

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	4 November 2020
Subject:	Statement of Accounts 2019-2020
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	One

Executive Summary:

The Statement of Accounts for 2019-20 shows the financial position of the Council as at 31 March 2020 as well as the performance during the year. This year the statutory deadline for producing the accounts was extended to 30 November as a result of the COVID-19 pandemic. In view of the deadline the external audit may not be complete when the Committee approves the accounts and therefore a delegation is sought to make any amendments based on the advice of the External Auditor.

Recommendation:

The Committee is asked to RESOLVE:

- 1) That the 2019/2020 Statement of Accounts be APPROVED, subject to 2) below; and**
- 2) That authority be delegated to the Head of Finance and Asset Management, in consultation with the Chair of the Audit and Governance Committee, to amend the approved 2019/2020 Statement of Accounts upon receipt of advice from the External Auditor.**

Reasons for Recommendation:

It is a statutory duty for the Council to adopt the Statement of Accounts.

Resource Implications:

Revenue and capital balances as detailed within the report.

Legal Implications:

The process and schedule for approval of the Statement of Accounts are regulated this year by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015.

Risk Management Implications:

None.

Performance Management Follow-up:

None.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 For 2019/20 the requirements and timeline for the approval of a Local Authority's Statement of Accounts as set out in the Accounts and Audit Regulations 2015 have been revised. It was recognised by the government that the COVID-19 pandemic would have an impact on the ability of Councils to comply with the statutory deadlines. Therefore, after consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015. The regulations implementing these measures were laid on 7 April and came into force on 30 April 2020.

1.2 The impact on deadlines and timescales was as follows:

- the publication date for final, audited, accounts moved from 31 July for Category 1 Authorities and 30 September for Category 2 Authorities to 30 November 2020 for all Local Authority bodies (Tewkesbury Borough Council is a Category 1 body).
- to give local authorities more flexibility, the requirement for the public inspection period had to include the first 10 working days of June (for Category 1 Authorities) and July (for Category 2 Authorities) has been removed. Instead Local Authorities must commence the public inspection period on or before the first working day of September 2020.

1.3 The Committee is asked to review the content of the Statement of Accounts, in line with the information contained in the Audit Report and confirm that they approve them for publication, subject to any amendments advised by the External Auditor which will be dealt with by delegation to the Head of Finance and Asset Management in consultation with the Chair of the Audit and Governance Committee.

2.0 REVIEW OF THE STATEMENT OF ACCOUNTS**2.1 Income and Expenditure**

Working balances remained at £800,000 because of the following activity during the year (see table below). The Council managed a surplus of £2.7million against its net budget which can be seen below:

	Full Year Budget £	Outturn Position £	Savings /(deficit) £
Employees	9,864,860	9,728,415	136,445
Premises	640,349	610,438	29,911
Transport	157,779	139,379	18,400
Supplies & Services	1,985,608	2,200,945	-215,337

Payments to Third Parties	5,497,115	6,127,850	-630,735
Transfer Payments	13,611,266	13,823,415	-212,149
Income	-20,478,721	-22,249,078	1,770,357
Service Total	11,278,256	10,381,364	896,892
Treasury activity	255,678	4,811	250,867
Commercial activity	-2,753,605	-2,369,432	-384,173
New Homes Bonus	-3,273,399	-3,273,399	0
Business Rates Income	-2,497,557	-2,166,328	-331,229
Other adjustments	-3,584,373	-3,668,868	84,495
Council Total / Transfer to reserves	-575,000	-1,091,851	516,851

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2.2 Variance analysis

Direct Service Expenditure

The outturn position for direct service expenditure and income shows a positive variance of £896,892 and is mainly attributable to the major items outlined below:

- The employees' full year budget is underspent, largely as a result of staff turnover and vacancies in a number of service groupings;
- Premises is underspent as a result of savings on business rates at the public offices and the release of New Homes Bonus monies to support the asset maintenance programme in future years;
- An overspend on supplies and services is mainly generated through expenditure on holding elections during the year. This expenditure is reimbursed by the government;
- Payments to third parties is showing a significant overspend and is as a result of a number of issues:
 - Disbursement expenditure by One Legal which is recovered directly from Clients;
 - Expenditure in Development Services which is reimbursed by government grant e.g. the Garden Town project;
 - An overspend on the Ubico contract of £320,000 although £148,000 was a known cost relating to depot charges and additional grounds maintenance resources. As reported at Q3, there has also been an overspend on the corporate element of the operation;
 - The increased cost of disposing of recycle collected.
- Council income is showing additional income levels of £1.77million over the budgeted position. The majority of fees and charges budgets, with the exception of planning fees, have been delivered on budget during the year with a few areas, such as garden waste and cemeteries, being beyond expected levels. The large variance is therefore as a result of substantial external grant income being received during the year. The Council has received a number of new burdens grants, particularly with regards to Revenues and Benefits, from the government but has also attracted significant service specific grants such as Garden Towns and housing and homeless activity grants as well as substantial elections expenditure reimbursement.
- Although we made a £1.09million surplus against our budget, the surplus on the provision of services shown in the Expenditure and Funding analysis (Note 6) is £2.5million. This is because it includes income and expenditure against earmarked reserves and planning obligations which we do not budget for.

Non Service Expenditure

- Treasury performance has again been strong in 2019/20 with both investment and borrowing decisions contributing towards an overall surplus of £250,867. Of the surplus, circa £58,858 has been generated from investments. An underspend on borrowing of £192,035 has occurred during the year as a result of the failure to acquire new commercial properties.
- The Council failed to acquire a further commercial investment property in the year which has resulted in a deficit of rental generation against budget of £384,173. This loss of income is offset by the savings on borrowing highlighted in the previous paragraph and also savings of £91,992 against our expected Minimum Revenue Provision for the year, which is shown under 'Other Adjustments.'
- The overall position on the retained business rates scheme shows a deficit of £331,229 for the full year. The underlying position of both the Council and the Gloucestershire Business Rates Pool is good with a surplus reported on both, of particular note being Tewkesbury's share of the Pool standing at £841,786. However, the accounting impacts of the release of provisions within the scheme mean that the position is reduced to a deficit in 2019/20.
- Tewkesbury has been able to recalculate its requirements for provisions against successful business rates appeals in the year after the withdrawal of several, potentially substantial, appeals. As a result of the release of these provisions, some dating back to 2010, a significant surplus is generated from which the Council will benefit after a levy to the government is paid. The accounting requirements are slightly perverse in requiring the levy payment to be made in-year but the release of the gross surplus happens through the collection fund a year in arrears. This means that at this year-end our business rates position is impacted and therefore there is a negative effect on our reserves but the Council will enjoy the release of circa £3.5million of a collection fund surplus in 2020/21.
- Other adjustments pick up all of the remaining items within the base budget to reconcile back to the budgeted transfer to reserves. This row mainly contains the precepts on the taxpayer for both the Borough Council and Parish Councils but also contains other items such as the Minimum Revenue Provision.
- Overall, the Council is able to transfer to reserves a gross total of £1.09million.

2.3 Balance Sheet

The total net worth of the Council, the aggregate value of all the assets and liabilities in the balance sheet, has increased to £24.966million.

The change in net worth is summarised in the Movement in Reserves Statement and there are a number of movements which contribute to this, including:

- an increase of £12million on cash and cash equivalents due to us borrowing just before year-end as uncertainty around liquidity arose once the national COVID-19 lockdown started and we had to repay £6million just after year-end plus the COVID-19 Business Grants had been announced (and no upfront funding mentioned).
- Short and long term investments increased by £12million and correspondingly an increase of £17million in long and short term borrowing needed for our liquidity (seen above in cash and cash equivalents) and planned property purchase.

- The pension deficit has decreased by over £5million due to the formal triennial actuarial valuation carried out as at 31 March 2019. This has meant that substantial remeasurements regarding financial assumptions and demographic assumptions has taken place lowering the present value of funded liabilities.

2.4 Collection Fund Balances

The balance on the Collection Fund for Council Tax at the year-end was a surplus of £1.2million.

Any balance on the Council Tax Fund will be redistributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police and ourselves, based on a proportion of the total precept demand from each body. £790,000 has already been allocated, based on an estimate of the outturn position in January 2020. The remaining balance of £368,000 will be incorporated in to the 2019/20 estimate of outturn in January 2021.

The balance on the Collection Fund for Business Rates at the year-end was a surplus of £8.65million which is a large increase from last year (2018/19 was £951,000).

The main reason for this was a £5million release in a provision for the Virgin Media appeal from the 2010 rating list.

2.5 Capital Resources

The total balance of capital resources at 31 March 2020 is £1.1million including capital grants.

Expenditure on capital projects was £1.08million in 2019/20 and included £108,000 on IT equipment, £152,000 on new grounds maintenance vehicles and £572,000 on Disabled Facilities Grants.

These capital projects were funded using £156,280 of capital reserves, £571,561 of capital grants and £349,481 of revenue contributions.

3.0 OTHER OPTIONS CONSIDERED

- 3.1** The Committee can amend the accounts if required or not approve them (which would contravene the Accounts and Audit (England) Regulations 2015 and the amended Accounts and Audit (Coronavirus) (Amendment) Regulations 2020).

4.0 CONSULTATION

- 4.1** The accounts and supporting documents were available for inspection by any person interested between 10 August 2020 and 21 August 2020 however no one exercised these rights.

Between 10 August 2020 and 21 August 2020, the Auditor has been available to receive questions and objections relating to the accounts from local electors.

Both these opportunities were placed on the Council's website.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 5.1** The control and good management of financial resources is essential in order to effectively deliver the Council's priorities.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 The Statement of Accounts is available in several different formats depending on the users' needs.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Executive Committee on 8 July 2020 approved the inclusion of Earmarked Reserves and the financing of capital expenditure.

Background Papers: None.

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Appendices: Appendix A – Statement of Accounts (circulated separately).