



Report to Audit and Governance Committee

Date: 29th July 2020

Reference number:

Title: Wycombe District Council (WDC) Approval of 2019/20 Statement of Accounts & Audit Report

Relevant councillor(s): N/A

Author and/or contact officer: Richard Ambrose (S151)/Ernst & Young (External Auditor)

Ward(s) affected: All Wards in the Wycombe area

Recommendations: Members are requested to:

- (i) Review the Statement of Accounts 2019/20 (Appendix 1) and raise any issues which will provide the assurance needed to approve the Statement of Accounts.
- (ii) Consider and note the audit progress and findings report from Ernst & Young (the ISA 260 Report) (Appendix 2).
- (iii) Approve the Letter of Representation (Appendix B on ISA260 Report page 38) in the capacity of those charged with Governance.
- (iv) Subject to (ii) above, approve the Statement of Accounts for 2019/20.
- (v) Authorise the Service Director – Corporate Finance & S151 Officer, following consultation with the Chair, to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor.

Reason for decision:

This report presents the draft Statement of Accounts for 2019/20 which are required to be considered by the Committee and approved.

Executive summary

- 1.1 The Accounts and Audit Regulations 2015 require Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice and are required to be approved and signed by the Council's Audit & Governance.
- 1.2 Due to Covid-19, the statutory deadline for completion of draft Statement of Accounts has been postponed from 31st May 2020 to 31st August 2020. The publication of the audited statement has been postponed from 31st July 2020 to 30th November 2020.
- 1.3 Closing the 2019/20 Statement of Accounts and audit has been done under the challenging circumstances of lockdown due to Covid-19. The draft statement of accounts was published on the Council's website on 1st of June well in advance of the revised statutory deadline. The public inspection period for the accounts was from 4th June 2020 to 16 July 2020 and has now ended.
- 1.1 Since the draft accounts, the final National Non-Domestic Rates 3 (NNDR) has been completed and has had an impact on outturn along with other minor adjustments. The adverse impact of £174k has had an impact on reduced contribution to the Earmarked Reserve. Any further adjustment above the materiality for reporting threshold of £86k will be circulated to the Audit Committee members.
- 1.2 The audit of the accounts commenced in June and at the time of writing this report, the plan is that the audit fieldwork will be substantially complete followed by closing procedures and final reviews with a view to sign off the audit soon after the Audit Committee meeting on 29th July.
- 1.3 In accordance with the International Standard on Auditing (ISA) 260, the External Auditor (EY LLP) prepares a detailed record of all matters arising from the audit of the Statement of Accounts. This Report is attached as Appendix 2. As you will note on page 17, the Auditors opinion on the financial statements is yet to be confirmed at the time of writing this report and therefore not included in the Statement of Accounts.

Content of report

- 1.4 The Statement of Accounts outlines the Council's financial performance for the year under the Narrative Section paragraph 6. The accounts provide public information on the Council's financial performance and are a key element of this performance review process by which the Council is held accountable to the public for the proper management and stewardship of financial resources. The key financial sections within these accounts are summarised below.

- 1.5 **Accounting Policies:** There were minor changes to the CIPFA Code and International Financial Reporting standards. The Council was either already in compliance with these changes or some of the changes were not applicable to WDC Statement of Accounts.

Significant movement between years

- 1.6 **Comprehensive Income and Expenditure Account (CIES):** This statement reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. Total Comprehensive Income and Expenditure for 2019/20 was £43.5m (credit) compared to £26.9m in 2018/19. The movement of £16.9m is summarised below:

- i. **Cost of Services** increased by £6.2m resulting from Capital accounting entries £780k, Unitary transition cost £3.5m, increase in Provisions £1m, increase in Waste collection £400k costs, Feasibility cost £700k offset by increase in car parking income £300k.
- ii. **Financing and Investment Income and Expenditure** decreased by £5.3m resulting from Fair value adjustment of investment property portfolio £4.8m, Fair value adjustment to Property Pooled funds £1.4m offset by increase in investment income £300k and net rental income £500k.
- iii. **Taxation and Non-Specific Grant Income** – year-on-year income has increased by £2.6m resulting from accounting adjustment of collection fund account £5.4m offset by decrease in CIL income £1.9m and Government grants £1m.
- iv. **Other Comprehensive Income and Expenditure** for the year moved by £25.5m to £42.867 credit in 2019/20. The main movements were due to IAS 19 Pensions liability reduction adjustment of £15.3m and Revaluation of assets £10.2m due to car parks and leisure centre.

- 1.7 **Movement in Reserve Statement (MIRS):** This is a summary of changes to the Council's reserve over the course of the year. These are broken down into two main categories :

- i. **Usable reserves** which can be used for capital investments or service improvements. These decreased by £8.6m as they were used to fund the unitary transition cost of £3.5m and capital programme £11m offset by increase in capital receipt reserve by £4.5m due to sale of asset and contribution to earmarked reserve of £1.8m.

- ii. **Unusable reserves** which are mainly held under the regulatory requirement for specific purposes. These increased by £52m mainly due to decrease in pension reserve £16.7m, increase in revaluation reserve £21.2m and capital adjustment account £11m.
- 1.8 **Balance Sheet:** This statement provides a snapshot of Council's assets and liabilities. The Council's net worth was £296.2m as at 31 March 2020, which represents an increase of £43.5m on the previous financial year. The key movements are:
- i. **Long-Term Assets** grew by £26.2m with key components including increases in the fair values of capital assets amounting to £26m, increase in capital investment of £8.7m, reduced investment in long-term deposit balances of £5m and a decrease in Long-Term Debtors of £3.1m due to repayment of debt.
 - ii. **Current Assets** decreased by £1.5m on last year. Key factors – Sale of investment property £3m, Short term investments reduced by £5.6m, investment in property pooled fund £6.4m and increase in cash £1.5m in line with the strategy to ease the transition to the new Council.
 - iii. **Current Liabilities** fell by £2.6m due to reduction in Sundry creditors £1.5m and reduction in Provisions £600k mainly in respect of Business Rates Appeals.
 - iv. **Non-Current Liabilities** have fallen by £16m mainly due to reduction in pension liability resulting from changes in financial and demographic assumptions determined by the actuary.
- 1.9 **Cash Flow Statement:** The net increase of £1.5m is in compliance with the strategy to hold cash to ease the transition to the new Council.

Other options considered

1.10 N/A

Legal and financial implications

- 1.11 There have been some adjustments to the Statement of Accounts during the course of the audit (details in paragraph 1.4). None of these have impacted on outturn position and therefore no change to the General Fund Reserves as compared to that previously reported to the Cabinet.
- 1.12 **Legal Implications:** The Accounts and Audit Regulations 2015 (pursuant to the Local Audit and Accountability Act 2014) require "larger relevant bodies", (of which Wycombe District Council is classed), to produce a Statement of Accounts for each financial year. The relevant provisions for late filing under Regulation 10 paragraph 2(a) have been met

Corporate implications

1.13 The Statement of Accounts once approved enable the new Council to have certainty on its opening financial position, which is important for its budget management and financial planning. Issues related to the impact of Covid-19, and Going Concern matters are referred to in the Statement of Accounts, but they essentially are issue for the successor authority, Buckinghamshire Council.

Consultation and Communication

1.14 None.

Next steps and review

1.15 The outstanding work on audit will be finalised over the coming week and any amendments resulting from this work will be actioned before the accounts are signed by the Chair of the Committee and S151 Officer.

Background papers

Appendix 1: Statement of Accounts

Appendix 2: Auditors Report ISA 260

Your questions and views (for key decisions)

If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone [] or email []

