



Report to Audit and Governance Committee

Date: 29th July 2020

Reference number:

Title: Aylesbury Vale District Council (AVDC) 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 the Wards in the Aylesbury Vale 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 8th of June well in advance of the revised statutory deadline. The public inspection period for the accounts was from 8th June 2020 to 17 July 2020 and has now ended.
- 1.4 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 which has resulted into favourable variance of £150k and this has been transferred to the Earmarked Reserve. Any further adjustment above the materiality for reporting threshold of £106k will be circulated to the Audit Committee members.
- 1.5 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.
- 1.6 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

- 1.7 The Statement of Accounts outlines the Council's financial performance for the year under the Narrative Section of the Statement. 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.

- 1.8 **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 AVDC Statement of Accounts.

Significant movement between years

- 1.9 **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 £18.0m (credit) compared to £7.0m (credit) in 2018/19. The movement of £11.0m is summarised below:

- i. **Cost of Services** increased by £6.3m resulting from Unitary transition costs of £5.2m, increased bad debt provision £0.6m, reduced income from the garden waste services £0.6m as a result of changes to the income collection policy, increased salary costs £0.6m, increased waste collection costs £0.4m, one-off contribution to Connected Counties £0.4m, reduced car parking income £0.4m and lower property rental income of £0.3m, offset by lower capital accounting entries of £2.3m.
- ii. **Other Operating Income and Expenditure** showed an increase in income of £0.7m, mainly as a result of increased capital receipts.
- iii. **Financing and Investment Income and Expenditure** increased costs by £2.1m. The reclassification of some assets as investment properties has resulted in fair value adjustments of £3.6m offset by net rental income of £0.9m. There was also Increased dividend income £0.5m
- iv. **Taxation and Non-Specific Grant Income** – increased by £2.2m resulting from accounting adjustment of collection fund account £4.6m offset by decrease government grants £0.4m and capital contributions £2.0m
- v. **Other Comprehensive Income and Expenditure** for the year moved by £16.4m to £26.0 credit in 2019/20. The main movements were due to IAS 19 pensions liability reduction adjustment of £17.9m offset by lower revaluation adjustments £1.5m.

- 1.10 **Movement in Reserve Statement (MiRS):** This is a summary of changes to the Council's reserves 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 £5.1m as they were used to fund the unitary

transition cost of £5.2m and capital programme £3.4m offset by increase in capital receipt reserve by £2.6m due to receipts from sale of ex-council houses and repayment of capital loans and contributions to capital grants reserve £0.4m for affordable housing, and contributions to earmarked reserves £0.4m.

- ii. **Unusable reserves** which are mainly held under the regulatory requirement for specific purposes. These increased by £23.0m mainly due to increases in the pension reserve £19.6m, and capital adjustment account £3.3m.

1.11 **Balance Sheet:** This statement provides a snapshot of the Council's assets and liabilities. The Council's net worth was £124.8m as at 31 March 2020, which represents an increase of £18.0m on the previous financial year. The key movements are:

- i. **Long-Term Assets** grew by £5.1m with key components including capital investment of £7.1m offset by decreases in the fair values of capital assets of £2.1m.
- ii. **Current Assets** decreased by £5.2m from last year. Short term investments reduced by £14.0m and cash balances increased by £9.9m in line with the strategy to ease the transition to the new Council. Short term loans decreased by £2.2m, £0.4m of which was as a result of the write-off of subsidiary loans. Other short term debtors increased by £1.1m.
- iii. **Current Liabilities** increased by £0.3m.
- iv. **Non-Current Liabilities** have fallen by £18.4m mainly due to reduction in pension liability resulting from changes in financial and demographic assumptions determined by the actuary.

1.12 **Cash Flow Statement:** The net increase of £9.9m is in compliance with the strategy to hold cash to ease the transition to the new Council.

Other options considered

1.13 N/A

Legal and financial implications

1.14 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.

1.15 Legal Implications: The Accounts and Audit Regulations 2015 (pursuant to the Local Audit and Accountability Act 2014) require "larger relevant bodies", (of which Aylesbury Vale 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

1.16 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

1.17 None.

Next steps and review

1.18 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 []

