



# Report to Audit & Governance Committee

**Date:** 29/07/20

**Reference number:** N/a

**Title:** Chiltern District Council Statement of Accounts 19/20 & 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 Chiltern 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 31<sup>st</sup> May 2020 to 31<sup>st</sup> August 2020. The publication of the audited statement has been postponed from 31<sup>st</sup> July 2020 to 30<sup>th</sup> 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 29<sup>th</sup> of June well in advance of the revised statutory deadline. The public inspection period for the accounts is from 29<sup>th</sup> June 2020 to 7<sup>th</sup> August 2020.
- 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. The adverse impact of £342k has had an impact on the General Fund reserves. Any further adjustment above the materiality for reporting threshold of £63k 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 completion of public inspection period on 7<sup>th</sup> August 2020.
- 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 full Draft Statement of Accounts are appended to this report. The key points to note are as follows.

### Revenue Outturn

	Budget £'000	Outturn £'000	Variance £'000
Net Cost of Services	10,108	9,792	-316
Capital Financing Costs	601	234	-367
Contribution to Unitary Transition	0	1,995	1,995
Transfer to/from Earmarked Reserves	201	931	730
<b>Budget Requirement</b>	<b>10,910</b>	<b>12,952</b>	<b>2,042</b>

In terms of the Financial Outturn the most significant feature is the £1,995k contribution to the Unitary Transition budget. Excluding this the revenue budget showed an underspend of £101k. The main other points to note in the outturn are as follows:

- There was significantly higher parking income than budgeted (£274k), this includes Amersham Multi Storey Car Park where growth in occupancy exceeded expectations.
- Waste client costs exceeded budget (£260k) due to lower green waste income and additional temporary staff costs in the Waste Admin team.
- Staff vacancies in Revenues & Benefits and Customer Services (£166k), which included the Head of Service and the Customer Services Manager.
- Savings in temporary accommodation costs (£150k)
- Savings from rephasing of the project to develop the redundant Chiltern Pool site once the Lifestyle Centre opens. These savings were partially offset by the costs of retendering the Leisure Operator contract. Net saving was £269k.
- Additional costs in Human Resources, Finance and Legal teams as a result of transition work and supporting the insourcing of Bucks County Council's legal services (£160k).
- Additional staffing costs in Planning Services, including agency cover for Head of Service, and reduced planning and building control income (£185k).
- Investment income exceeded target and interest costs were lower due to the decision to internally finance the capital expenditure on the Chiltern Lifestyle Centre U367k)

## Usable Reserves

At the end of the year reserves were as follows.

	<b>General Fund £000</b>	<b>Earmarked £000</b>	<b>Capital Grants £000</b>	<b>Total £000</b>
Balance b/fwd	6,432	11,525	609	18,566
Use of Reserves	-1,894	-815	-133	-2,842
<b>Balance c/fwd</b>	<b>4,538</b>	<b>10,710</b>	<b>476</b>	<b>15,724</b>

The movement in the General Reserve is primarily the result of the £1,995k contribution to Unitary Transition costs.

The movement in Earmarked Reserves mainly related to funding for the Local Plan Development and contributions to Capital Expenditure.



## Capital Outturn

The total capital expenditure for the year was £6,260k. The main expenditure was on the Chiltern Lifestyle Centre (£4,286k) and Housing Grants (£949k).

Capital programme utilised £4,203k of internal borrowing as part of an agreed strategy to minimise external borrowing to allow the new Council maximum flexibility on its treasury management decisions.

### 1.8 Other Matters to note:

- There is a significant increase of £559k in the debtor provision for non-recovery of housing benefit overpayment. This reflects an assessment of the increased risk arising from the economic impact from Covid-19 on housing benefit claimants ability to make repayments.
- Investments, cash and bank reduced significantly £5.1m largely as a consequence of internal funding the capital programme. Financial assets in total reduced significantly as a result of the strategy to convert financial investments to cash held in bank accounts to ease the transition to the new Council.
- Revaluation of Council assets resulted in no changes
- The deficit on the Pension Reserve reduced by £3.3m to £40.4m.
- The Officer Remuneration Table and Exit Packages reflects the significant changes to the costs of senior management during the year related to the transition to the Buckinghamshire Authority.
- The Collection Fund shows an overall surplus for the year of £811k. Council tax collection rate was 99.4% and Business Rates collection was 98.6%.

The key issues going forward into the new Council are shown in the Annual Governance Statement which was agreed by the Chiltern Audit Committee. These are shown below.

ISSUE	ACTION
In the transition to the Buckinghamshire Council the identification and understanding of the material service risks currently being managed by the Council	Initial risk registers in service plans for the new Council informed by legacy authorities managers.  Day one key authority wide risk register in place co-ordinated by the Corporate Risk Manager and agreed by the Corporate Management Team
The loss of organisational knowledge and capacity over the last year in a number of teams	Service Directors of the new Council assess the key knowledge needed and identify

ISSUE	ACTION
will potentially impact on the initial operation of the new Council. This would include the task of closing the accounts of the legacy organisations to the required timescales..	any gaps in the teams transferring and put in place in the initial months plans to address knowledge and resourcing gaps and how to transfer key knowledge from staff leaving, or other actions to fill knowledge gaps.
There needs to be an effective and sufficiently comprehensive scheme of delegations as part of the new Constitutional arrangements for the new Council to ensure any actions are properly authorised and risk of procedural challenge minimised (e.g. Environmental Health, Planning etc.)	The Constitution for the new Council contains provision to put in place all the appropriate delegations, and these are appended to the formal document and made publicly accessible.
The business continuity arrangements for district services moving to new systems (e.g. SAP) and new operational service arrangements and management. Existing business continuity plans in many areas will no longer be effective	Review of business continuity plans, with prioritisation: <ul style="list-style-type: none"> <li>• Services to vulnerable people</li> <li>• Essential organisational infrastructure elements (e.g. ICT )</li> </ul>

## Other options considered

1.9 Not applicable.

## Legal and financial implications

1.10 There have been some adjustments to the Statement of Accounts during the course of the audit (details in paragraph 1.4). These have impacted on outturn position and therefore change to the General Fund Reserves as compared to that previously reported to the Cabinet.

1.11 Legal Implications : The Accounts and Audit Regulations 2015 (pursuant to the Local Audit and Accountability Act 2014) require “larger relevant bodies”, (of which Chiltern 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**

1.12 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**

1.13 None.

## **Next steps and review**

1.14 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

