



Report to Audit & Governance Committee

Date: 29/07/20

Reference number: N/a

Title: South Bucks District Council Statement of Accounts 2019/20 & 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 South Bucks 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 audited Statement of Accounts for 2019/20 which are required to be considered by the Committee and approve.

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 29th of June well in advance of the revised statutory deadline. The public inspection period for the accounts is from 29th June 2020 to 7th August 2020.
- 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 £54k has had an impact on the General Fund reserves. Any further adjustment above the materiality for reporting threshold of £48k 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 completion of public inspection period on 7th August 2020.
- 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 full Draft Statement of Accounts are appended to this report at Appendix 1. The key points to note are as follows.

Revenue Outturn

	Budget £'000	Outturn £'000	Variance £'000
Net Cost of Services	7722	8305	583
Capital Financing Costs	74	-88	-163
Payment to BCC Unitary Reserve	0	1,552	1,552
Transfer from Revenue Reserves	-155	0	155
Budget Requirement	7,641	9,769	2,127

In terms of the Financial Outturn the most significant feature is the £1,552k contribution to the Unitary Transition budget. Excluding this the revenue budget showed an underspend of £322k. The main other points to note in the outturn are as follows:

- Additional Waste contract costs and the authority's share of the joint procurement costs (£129k).
- Staff vacancies in Revenues & Benefits and Customer Services, which included the Head of Service and the Customer Services Manager, offset by the costs in increasing the bad debt provision for housing benefit overpayment recovery (£398k).
- Savings in temporary accommodation costs (£150k)
- Rephasing of the costs of the South Bucks Country Park project and income now being received for soil importation (£108k).
- 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 mainly due to interest received from Consilio

Usable Reserves

At the end of the year reserves were as follows.

	General Fund £000	Earmarked £000	Capital Grants £000	Capital £000	Total £000
Balance b/fwd	3,193	1,602	395	4,350	9,540
Use of Reserves	-1,230	630	12	166	-366
Balance c/fwd	1,963	2,232	407	4,516	9,174

The movement in the General Reserve is primarily the result of the £1,552k contribution to Unitary Transition costs.

The net movement in Earmarked Reserves mainly related to funding for the Local Plan Development and s106 contributions received.

Capital Outturn

The total capital expenditure for the year was £8,120k. The main expenditure was on the Tatling End housing project (£6553k), Bath Road housing project (£760k), and Housing Grants (£679k).

Capital programme utilised £7,360k 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.

1.5 Other Matters to note:

A significant increase of £518k in the debtor provision for non-recovery of housing benefit overpayment has been made). This reflects an assessment of the increased risk arising from the economic impact from Covid-19 on housing benefit claimants ability to make repayments.

- Financial assets in total reduced as a result of the strategy to convert financial investments to cash held in bank accounts to ease the transition to the new Council.
- The deficit on the Pension Reserve reduced by £6.4m to £22.3m.
- 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 £1,022k. Council tax collection rate was 97.1% and Business Rates collection was 98.7%.
- Farnham Park Trust, for which the Council is the corporate trustee, is highlighted as a contingent liability due to its operating deficit which will be increased by the effect of Covid-19, making it more likely the Council will need to provide financial support at some stage in the future.
- Consilio Property Limited is wholly owned by the Council, and as such its accounts have to be shown consolidated with the Council's in the section "Group Accounts". In 2019/20 it acquired a second property financed by a loan from the Council of £19.4m. The council has used PWLB borrowing facilities to fund the loans to Consilio. Consilio increases the overall consolidated balance sheet value by £399k.

The key issues going forward into the new Council are shown in the Annual Governance Statement which was agreed by the South Bucks 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
There needs to be an effective and sufficiently comprehensive scheme of delegations as part of	The Constitution for the new Council contains provision to put in place all the

ISSUE	ACTION
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.)	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"> • Services to vulnerable people • Essential organisational infrastructure elements (e.g. ICT)

Other options considered

1.6 Not applicable.

Legal and financial implications

1.7 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.

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

1.9 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

1.10 None.

Next steps and review

- 1.11 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

