

# STATEMENT OF ACCOUNTS

<b>Governance and Audit Committee</b>	3 March 2021
<b>Report Author</b>	Chris Blundell, Director of Finance and Deputy Section 151 Officer
<b>Portfolio Holder</b>	Cllr Rob Yates, Cabinet Member for Finance, Administration and Community Wealth Building
<b>Status</b>	For Decision
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No
<b>Ward:</b>	All Wards

## **Executive Summary:**

*In accordance with the Accounts and Audit Regulations 2015 and the Council's constitution the Committee is required to approve the Statement of Accounts for 2019-20*

## **Recommendation(s):**

1. *That the Committee approves the Statement of Accounts for 2019-20.*
2. *That the Committee notes the Letter of Representation to Grant Thornton issued by the Deputy Chief Executive and s151 Officer*

## **Corporate Implications**

### **Financial and Value for Money**

*There are no direct financial implications arising from this report.*

### **Legal**

*This is a statutory requirement.*

### **Corporate**

*This is part of the external audit process.*

### **Equality Act 2010 & Public Sector Equality Duty**

*Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment,*

*victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.*

*Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.*

## **CORPORATE PRIORITIES**

This report relates to the following corporate priorities: -

- *Growth*
- *Environment*
- *Communities*

### **1. Introduction and Background**

- 1.1. The Accounts and Audit (England) Regulations 2015 require the council (through this Committee) to approve and publish its annual statement of accounts by 31 July. Furthermore, local authorities are required to approve their draft accounts by 31st May, with draft accounts being made available for public inspection for 30 working days, inclusive of the first 10 working days of June.
- 1.2. Under these regulations, the statement of accounts would have been presented to the 24 July Governance and Audit Committee meeting for approval.
- 1.3. However, in response to the coronavirus pandemic these requirements were eased under the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020, in recognition of the impact of COVID-19 on councils' ability to meet this statutory deadline.
- 1.4. The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 enacted the following changes to the statutory deadlines:
  - The publication date for final, audited, accounts will move from 31 July to 30 November 2020 for all local authority bodies.
  - To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed.
  - Instead local authorities must commence the public inspection period on or before the first working day of September 2020.
- 1.5. In accordance with the extended deadlines the draft 2019-20 accounts were signed by the Deputy Chief Executive and Chief Financial Officer on 28 August 2020 and published on the Council's website.
- 1.6. Committee Members will recall that the 2019-20 accounts were included on the Agenda of the meeting on 25 November 2020 for approval. However, an issue arose very late in the audit, which could not be resolved in time for the meeting, as such the item was removed from the agenda and deferred for approval at this meeting. Further details on this issue and the subsequent changes to the draft account is explained below.
- 1.7. This deferral meant the accounts were not approved by the end of November in accordance with the statutory deadline. However, it is important to confirm that an

authority missing the 30 November target date has not broken any laws. Regulation 10 of the 2015 Accounts and Audit Regulations says that where an audit has not been concluded before 30 November, an authority must proceed to:

- publish on its website a notice stating that it has not been able to issue the audited statement of accounts, and the reasons for this
- when the auditor's final findings from the audit have been received, follow the procedures for publication that would have applied before 30 November.

- 1.8. It can be confirmed that this notice was placed on the council's website following the G&A meeting on 25 November 2020.
- 1.9. It should also be noted TDC is not alone in this situation, as more than half (55%) of all local authority audits were not completed by the 30 November deadline.

## 2. The 2019-20 Accounts

- 2.1. The purpose of the Accounts is to present the financial performance for the year 2019-20 and the overall financial position of the Council. The key messages to draw to the committee's attention are:

- Net Cost of Service of £42m, however almost half of this £19.5m relates to a downward valuation of Dreamland due to a change in asset classification, this is explained further below. See the **Comprehensive Income and Expenditure Statement** for more details.
- A £25m Deficit on provision of services (Cost of Services plus other operating costs less Financing etc.), however, almost all of the net expenditure total is adjusted to "non-usable" reserves, resulting in a £678,000 increase in the council's total usable reserves. This takes our total usable reserves to £48m at the end of March 2020. See the **Movement in Reserves Statement** for more details.
- Overall, usable General Fund reserves and balances increased by almost £1.0m in 2019-20, resulting in total reserves and balances now sitting at £13.5m.
- This is an improvement on previous years, but our General Fund reserves are still relatively low compared to historical levels, other district Councils and the risks the Council faces. The committee will also note that in September 2020 Council agreed to allocate £3m of reserves to address the financial impact caused by the covid pandemic.
- The HRA revenue account closed at £9.7m and the Major Repairs reserve at £15.5m. It should be noted that much of the Major Repairs reserve is committed for structural, safety and other works on the Council's high rise properties over the medium term. Again see the Movement in Reserves Statement, plus additional info at Note 29.
- Our overall net worth (total assets less total liabilities) decreased by £18m during 2019-20, reducing from £196m to £178m. Mainly as a result of the reclassification and subsequent downward revaluation of Dreamland from a Heritage Asset to a Current Asset Held for Sale (£19m), which was sold in December 2020. See the

**Balance Sheet** for our overall financial position at the year end and Note 18 and 19 for more details on our Property Plant and Equipment and Heritage Assets.

- The reduction in net worth also includes a £4m increase in the net pension liability to £90.4m, as calculated by the actuary to the Kent County Council Pension Fund. This represents an assessment of the Council's proportion of the net assets and liabilities within the fund that is matched by a pension reserve in the balance sheet and therefore has no immediate effect on the financial position of the Council as at 31 March 2020. Further details are included in Note 38.

### **3. Changes to the draft accounts**

- 3.1. The main change to the draft accounts relate to accounting adjustments associated with Dreamland.
- 3.2. Firstly the asset has been reclassified from a Heritage Asset to an Asset Held for Sale at the 31st March 2019 balance sheet date. The impact of this is a significant downwards movement in the asset's valuation.
- 3.3. As a Heritage Asset it site was previously recognised in the balance sheet at its historic cost of £26.5m, effectively the aggregate of the money that had been spent to acquire the site under a Compulsory Purchase Order (CPO) and subsequently invest in to bring it up to its existing and improved condition. It should be noted that much of this investment was externally funded by government departments and the National Lottery Heritage Fund. However, as an Asset Held for Sale the site has to be valued as its fair market value of £7m, representing the sale price that was agreed for the site. As a consequence of this downwards movement a revaluation loss of £19.5m has been recognised in the Comprehensive Income and Expenditure Statement. However, it should be noted that this is an accounting expense and there is no impact on the council's usable reserves.
- 3.4. The second major change is the inclusion of a provision for the Dreamland CPO settlement and associated legal costs. As such the accounts have been updated to reflect this change, this is disclosed at Note 28 with a provision of £3.6m for the CPO settlement and 0.9m for associated legal costs. Again there is no impact on the council's usable reserves in 2019-20 as a result of this change, and these costs will be financed in full from the disposal receipt.

### **4. Audit of the Accounts**

- 4.1. Grant Thornton (GT) is required to report to those charged with governance, for TDC's this committee, whether the council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared.
- 4.2. The Audit Findings Report is presented as a separate report to this Committee elsewhere on the agenda, setting out their observations from the audit, their opinion on the statements of accounts.

- 4.3. At the time of writing, the audit of the draft Statement of Accounts for 2019-20 by GT was nearing completion. There are only a few minor outstanding issues left to resolve and it is anticipated that the audit will be completed by the date of the committee meeting on the 3 March 2021.
- 4.4. Should the audit not be completed by the 3 March, the committee are recommended to delegate authority to the chair of the committee and the Chief Financial Officer, or their deputies, to approve the accounts and enable the accounts to be published at the soonest practical opportunity. The alternative option would be to bring the accounts back to the committee for approval at a later date.
- 4.5. The committee will be updated on any subsequent changes to the draft accounts that arise whilst the audit is being finalised either before or after 3 March.
- 4.6. The Committee is now asked to approve the audited accounts. These are provided at Annex 1.

## **5. Value for Money Assessment**

- 5.1. The auditors are also required to reach a formal conclusion on whether the council has put in place proper arrangements to secure value for money.
- 5.2. The council this year received one objection to the accounts on the grounds of the council's arrangements to secure value for money. The auditors are examining the issues that have been raised. The auditors have made progress with consideration of all four objections raised last year and this is detailed in the Audit Findings Report.

## **6. Publication of Statement of Accounts**

- 6.1. Once GT has completed their work, a Letter of Representation (Annex 2) needs to be signed by the Chief Finance Officer prior to GT issuing an unqualified opinion. This will enable the 2019-20 Statement of Accounts to be published on the Council's website, which fulfils the legal requirement.

Contact Officer: *Chris Blundell (Director of Finance)*

Reporting to: *Tim Willis (Deputy Chief Executive)*

### **Annex List**

*Annex 1: Statement of Accounts*

*Annex 2: Letter of Representation*

### **Background Papers**

*Title: N/A*

### **Corporate Consultation**

**Finance:** N/A

**Legal:** *Tim Howes (Corporate Director - Governance)*

