

SUBJECT:	STATEMENT OF ACCOUNTS 2019/20
MEETING:	Audit Committee
DATE:	25th June 2020
DIVISIONS/WARD AFFECTED:	All

1. PURPOSE:

- 1.1 The purpose of this report is to:
- 1.2 Consider the draft statement of accounts for the Authority for 2019/20
- 1.3 Members are asked to note that the figures provided may be subject to change during our external audit process.

2. RECOMMENDATIONS:

- 2.1 That the draft Monmouthshire County Council Statement of Accounts for 2019/20, as presented for audit, be reviewed. (Appendix 1).

3. KEY ISSUES

- 3.1 Under current legislation for Wales, the draft statement of accounts are to be produced and published by the Authority by the 15th June following the financial year they relate to.
- 3.2 The Authority has always met this deadline and typically publishes the draft statement of accounts at the start of June in an effort to move towards the proposed legislation from the 2020/21 financial year which will require publication by the 31st May.
- 3.3 Considerable disruption has been caused to the 2019/20 closure process by the outbreak of the Covid19 pandemic with key staff diverted to the Authority's emergency response to the crisis.
- 3.4 The statutory deadline of 15th June was reviewed by Welsh Government in light of the decision in England to move the deadline for English Authorities back to the 31st August. It was concluded that regulations in Wales allow greater flexibility than in England and Welsh Authorities are permitted to publish after than the statutory deadline subject to providing a statutory notice 10(4) as per the regulations detailing the reasons for not meeting the deadline.
- 3.5 Despite the disruption faced from mid-March onwards the finance teams have used the first two weeks of June to accelerate accounts closure work and the Authority concluded the process on the 15th June and the draft statements were published.
- 3.6 Following the external audit process, the audited statement of accounts must be published by the Authority by 15th September.

3.7 The Statement of Accounts, shown in Appendix 1, is a highly technical document and its form and content are heavily regulated. The main regulations come through the:

- Code of Practice on Local Authority Accounting in the United Kingdom
- Service Reporting Code of Practice
- Supported by International Financial Reporting Standards (IFRS).

3.8 In complying with these Standards, the accounts do not always make easy reading. With this in mind the below explanatory notes have been prepared to assist with the scrutiny process of the primary statements.

Comprehensive Income & Expenditure Statement (CIES) (Sections 6 & 11 of the accounts)

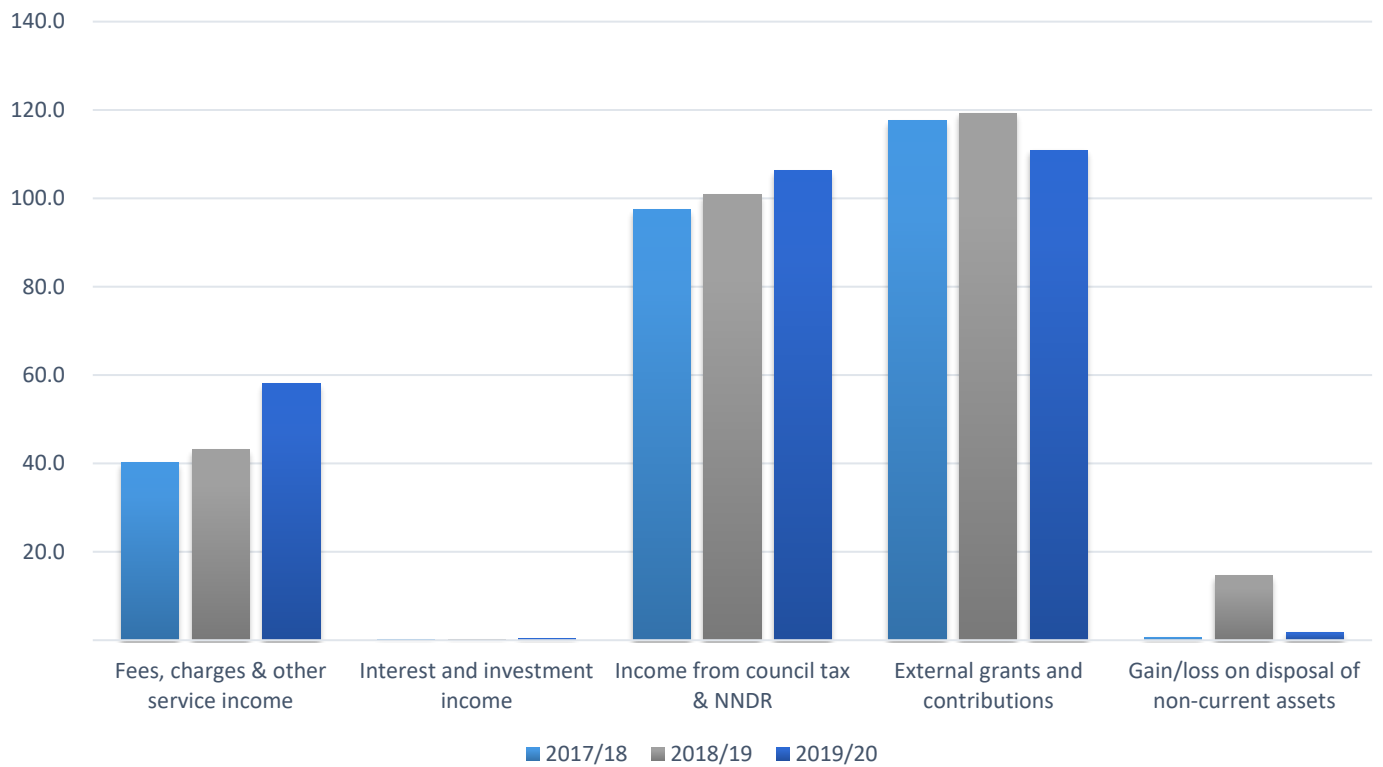
3.9 The CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This will be considerably different to the monitoring reports received by Cabinet during the year which are based on expenditure to be funded from taxation. The CIES introduces the following items which are not included within the monitoring reports to Cabinet:

- **Capital charges** for depreciation, amortisation, impairment, revaluation movements and capital grants applied.
- **Pension service costs** - the financial statements need to reflect the fair value of the future pension liabilities relating to past employee service, and the extent to which assets have been set aside to fund them, rather than the actual payments and contributions made in the year.
- **Accumulated absences** – the CIES includes an adjustment for accrued employee holiday benefits so that the cost is charged to revenue in the financial year in which the holiday absence occurs.
- **Other** – regulations stipulate the format of the CIES and consequently some items of income of expenditure are shown within different classifications to the monitoring reports.

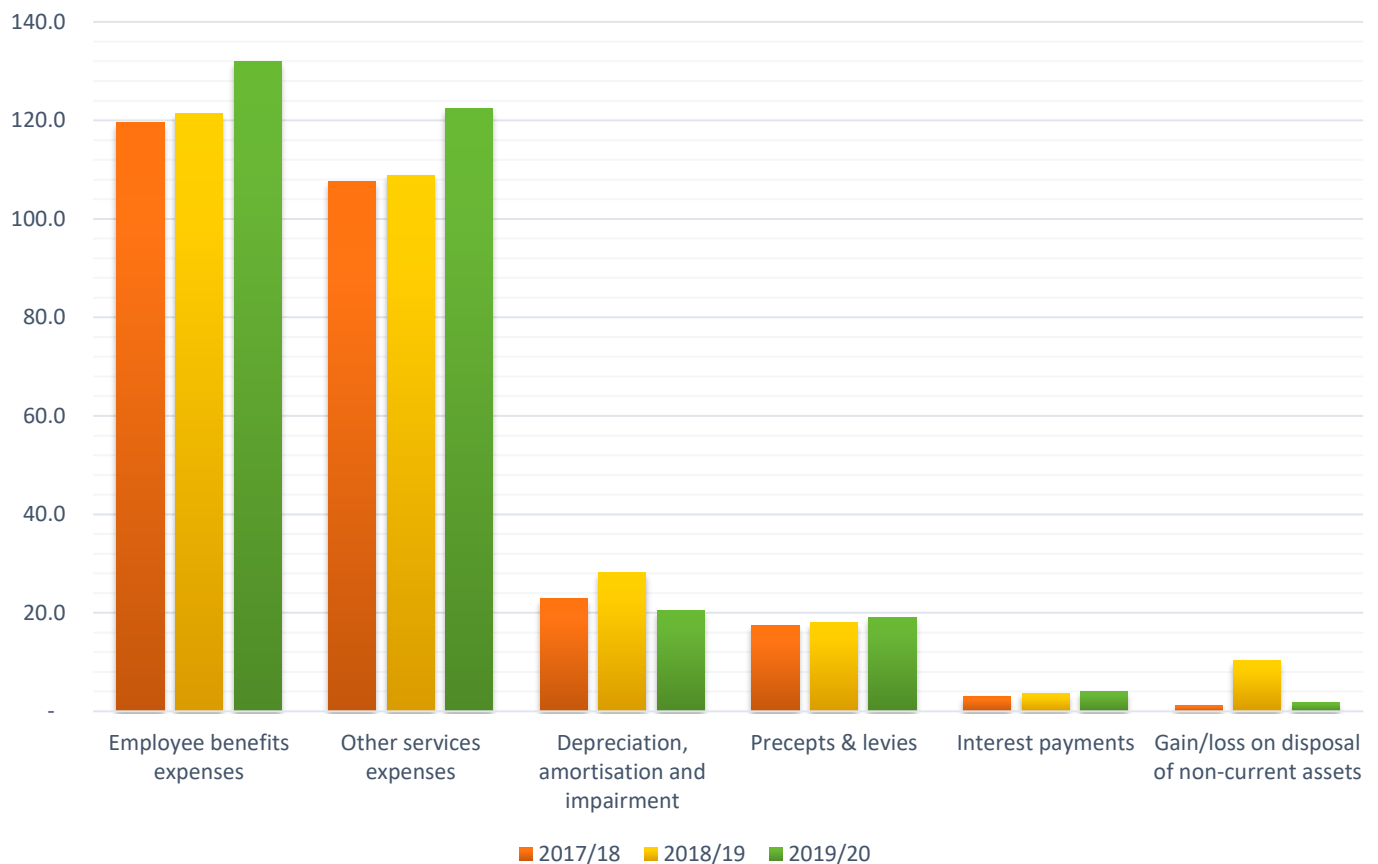
3.10 The following charts illustrate the movement in the “accounting” income and expenditure which make up the Surplus or deficit on the provision of services (SDPS) within the CIES. Further information can be found in note 11.1 of the accounts.

Income & Expenditure analysed by nature

Income included in CIES



Expenditure included in CIES



Movement in Reserves (Sections 5 & 10 of the accounts)

3.11 This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable' and 'non-usable' reserves.

3.12 **Usable reserves** are those that represent resources which the authority might use to support service delivery subject to prudence and statutory limitations on use and include:

- Council fund balance
- Earmarked reserves
- Capital receipts reserve

3.13 **Unusable reserves** are not available to use to support service delivery at the reporting date. It includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences.

3.14 The below chart shows the movement in Usable and Unusable over the past seven financial years.



Balance Sheet (Sections 7, 12, 13 & 14 of the accounts)

3.15 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

- 3.16 There is a difference of £1.3m between the Council's assets (things we own e.g. property, investments, stocks and debtors) and its liabilities (what we owe to others).
- 3.17 This difference represents the surplus of assets over liabilities and is a measure of *Total Worth* – i.e. what the council would be worth if it could be bought / acquired by someone else.
- 3.18 The main driver in the change of total worth during 2019/20 comes from the significant remeasurement of pension fund liabilities which has reduced by £37.7m. Further explanation can be found in note 14.8 of the statement of accounts.
- 3.19 A summary of the Council's Balance sheet is shown below:

31st March 2019 £m		31st March 2020 £m	Change £m
<i>What we own and are owed (Assets):</i>			
392.4	Non-current assets	399.0	6.6
11.2	Investments	5.8	(5.4)
13.3	Cash & Cash equivalents	22.4	9.1
32.5	Debtors	31.5	(1.0)
2.1	Assets held for sale	2.1	0.0
0.4	Inventories & other assets	0.4	0.0
451.9	Total Assets	461.2	9.3
<i>What we owe (Liabilities):</i>			
105.8	Borrowing – to finance capital expenditure	92.6	(13.2)
73.6	Short term borrowing – to support day to day cash flow	95.1	21.5
33.8	Creditors & provisions	32.0	(1.8)
268.2	Liability for meeting future pension costs	230.5	(37.7)
7.6	Other liabilities	9.7	2.1
489.0	Total Liabilities	459.9	(29.1)
(37.1)	Net Assets (Assets less Liabilities)	1.3	38.4
<i>Usable Reserves (available to support service delivery)</i>			
6.9	Council Fund Balance	8.5	1.6
6.6	Earmarked Reserves	6.4	(0.2)
4.6	Capital Receipts Reserve	3.2	(1.4)
0.2	Joint Arrangements	0.4	0.2
18.3	Total Usable Reserves	18.5	0.2
<i>Unusable Reserves (not available to support service delivery)</i>			
38.9	Revaluation Reserve	41.5	2.6
(268.2)	Pensions Reserve	(230.5)	37.7
167.0	Capital Adjustment Account	168.0	1.0
8.2	Deferred Capital Receipts Reserve	5.5	(2.7)
(0.6)	Financial Instrument Adjustment Account	(0.5)	0.1
0.0	Financial Instrument Revaluation Reserve	(0.4)	(0.4)
(2.9)	Accumulating Absence Adjustment Account	(3.0)	(0.1)
2.2	Joint Arrangements	2.2	0.0
(55.4)	Total Unusable Reserves	(17.2)	38.2
(37.1)	Total Reserves	1.3	(0.5)

- 3.20 The formal Statement of Accounts at Appendix 1 include the following statutory primary statements:

- Movement in Reserves Statement
- Income & Expenditure Statement
- Balance Sheet
- Cashflow Statement

3.21 Supporting explanatory notes are also included in sections 10 to 17 which aim to give further information on the amounts included in the primary statements.

4. OPTIONS APPRAISAL

4.1 Not applicable.

5. EVALUATION CRITERIA

5.1 Not applicable.

6. REASONS

6.1 To review the Council's accounts as presented to external audit, enabling the external audit process to be undertaken and reported in due course.

7. RESOURCE IMPLICATIONS

7.1 As outlined in the respective accounts to be found in the Appendices.

8. WELLBEING OF FUTURE GENERATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):

8.1 There are no implications directly arising from the recommendations and decisions highlighted in this report.

9. CONSULTEES

Strategic Leadership Team
 Cabinet Members
 Chief Officer, Resources (Acting Section 151 officer)

10. BACKGROUND PAPERS

Appendix 1 - Draft Statement of Accounts (prior to audit) 2019/20

11. AUTHORS:

Jonathan Davies – Finance Manager

12. CONTACT DETAILS

email: jonathandavies2@monmouthshire.gov.uk