

<b>Report of:</b>	Director of Finance – Ian Wright Executive Member for Finance & Governance – Chris Hobson
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<b>Submitted to:</b>	Corporate Affairs and Audit Committee – 30 July 2020
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<b>Subject:</b>	Draft Statement of Accounts 2019/20
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**Summary**

<b>Proposed decision(s)</b>
<p>That the Corporate Affairs and Audit Committee note the draft statement of accounts published by the Director of Finance on the 20 July 2020, representing a true and fair view of the Council’s financial position as at the 31 March 2020.</p> <p>That Members consider any further training that may be necessary to fulfil their statutory role before the approval meeting on the audited statement of accounts scheduled for 24 September 2020.</p>

<b>Report for:</b>	<b>Key decision:</b>	<b>Confidential:</b>	<b>Is the report urgent?<sup>1</sup></b>
Information	No	No	No

<b>Contribution to delivery of the 2020-23 Strategic Plan</b>		
<b>People</b>	<b>Place</b>	<b>Business</b>
N/A	N/A	The preparation and publication of the Council’s Statement of Accounts is key to the good governance of the Council and is a fundamental business imperative.

<b>Ward(s) affected</b>
N/A

## **What is the purpose of this report?**

1. For Members of the Corporate Affairs and Audit Committee to note and review the draft Statement of Accounts for 2019/20.

## **Why does this report require a Member decision?**

2. It is best practice and good governance for the Committee to review the draft statement of accounts prior to approving the audited accounts under the Accounts and Audit Regulations 2015. It is also important that Members with responsibility for agreeing the Council's Statement of Accounts have access to the appropriate training to be able to fulfil this role.

## **Report Background**

3. Like all large organisations, Middlesbrough Council is required by law to publish and report on its financial position, performance and cash flows during the financial year. It does this by producing and publishing a statement of accounts each year.
4. The Accounts produced by the Council have some similarities to those produced by private companies under companies act legislation. However, local authorities have their own specific rules to follow in relation to financial reporting under various local government acts. They are also required to follow the main provisions of the Local Authority Accounting Code of Practice, which is issued each year by the Chartered Institute of Public Finance & Accountancy (CIPFA).
5. The draft Statement of Accounts (Appendix A) is a highly technical and complex document but is the main form of external financial reporting provided by local authorities. Its format and content is prescribed by the CIPFA Code of Practice with the aim of giving a high level of visibility and transparency over the Council's financial affairs.
6. The Statement of Accounts firstly consists of a Narrative Report from the Chief Finance Officer. This report gives an explanation on the financial position of the Council and also describes the key activities/highlights for the council during the year. The report also contains performance-based information that shows what has been achieved by the use of these funds during the financial year.
7. The second section includes the Council's financial statements. These are the core statements within the Accounts and include the movement in reserves statement, the income and expenditure statement, the balance sheet, the cash flow statement and the expenditure & funding statement for 2019/20.
8. The third section is the notes to the accounts and these include detailed narrative and figures that support the key totals within the financial statements and other issues that are of interest to local authority stakeholders.
9. The Statement of Accounts also include the collection fund, covering council tax and business rates activities, group accounts and the accounts of the teesside pension fund for which Middlesbrough Council is the administering authority.

10. The final section is the Annual Governance Statement that sets out how the Council has complied with best practice governance arrangements and any key issues that arise from that.

### Timetable for the statement of Accounts

11. The accounts are approved in two stages under the Accounts & Audit Regulations:

- *The draft accounts are signed and published by the Chief Finance Officer in line with statutory regulations:*

The accounts are then open for public inspection for a period of 30 working days. The accounts are also during this time audited by the Council's independent external auditors who are Ernst and Young. It is the auditor's role to review the financial statements and to certify that the accounts give a true and fair view of the financial position of the Council. Given the Council's use of public money, an additional responsibility of the auditor is to provide a view on whether the council has secured arrangements for achieving value for money in all across all of the Council's activities. If the Auditor is happy with the statements and the value for money arrangements, they will issue a 'clean' unqualified certificate for each of the measures. If it not satisfied then the auditors can 'qualify' either the financial statements themselves or the arrangements for value for money or both, which is an undesirable outcome for the Council.

- *The audited accounts are amended (where necessary) as a result of the external audit, signed again by the Chief Finance Officer as a true & fair view and then issued for approval to the Committee. Finally, they are published as the final record for the financial year on the Council's website.*

12. The Audit and Accounts regulations 2015 have been amended via the Coronavirus regulations for 2020. Normally the draft accounts need certification by 31<sup>st</sup> May and auditing by 31<sup>st</sup> July. The statutory timetable has been revised to reflect the impact on local authorities and their finance teams of the pandemic, delaying these dates until 31<sup>st</sup> August and 30<sup>th</sup> November if required.

13. Although Covid-19 has had a significant effect on both the Council and the preparation of the statement of accounts, not all of the additional time allowed under the regulations is required. The timetable for the approval of the 2019/20 accounts is set out in the table below.

<b>Action</b>	<b>Timeframe</b>
Publish the draft Accounts for 2019/20 signed by the Chief Finance Officer.	22 July 2020
Public Inspection Period	From 27 July to 4 September 2020
External Audit Period	22 June to Mid-September 2020
Publish Audited Accounts approved by Corporate Affairs and Audit Committee.	25 September 2020

## **Summary Statement of Accounts**

14. The Council has also produced a draft summary set of accounts. This is not a statutory requirement but their purpose is to provide a more easily understandable format and concise summary information, which a wider user of the accounts including the public may find easier to use. (Appendix B)

## **What decision(s) are being asked for?**

15. Corporate Affairs and Audit Committee are asked to note the Draft Statement Accounts published by the Director of Finance on the 22 June 2020, representing a true and fair view of the Council's financial position as at the 31 March 2020.
16. In addition, that Members discuss any further training that may be needed to fulfil their statutory role before the next meeting on 24<sup>th</sup> September.

## **Why is this being recommended?**

17. It is best practice and good governance for the Committee to review the draft accounts prior to approving the audited accounts. It is also important that Members of the Committee have some degree of financial literacy to be able to interpret and challenge the accounts and the conclusions reported by Officers.

## **Other potential decisions and why these have not been recommended**

18. n/a.

## **Impact(s) of recommended decision(s)**

19. n/a

## ***Legal***

20. The publications of the draft statement of accounts is a legal requirement under the Accounts & Audit Regulations 2015.

## ***Financial***

21. The draft statement of accounts agree with the Quarter 4 results report to Executive on 16 June 2020 which shows a £6.6m overspend and an equal use of usable reserves to cover that. The general fund balance is at £9.4 million as at the 31 March 2020 and is at the minimum level recommended by the Chief Finance Officer within the Council's medium term financial plan. There have been a number of significant changes in the balance sheet of the Council, mainly increases in pension liabilities and borrowing arrangements to support the investment strategy. Although the balance sheet now has more liabilities in total than assets, it is expected that the asset positions will recover in the medium to longer term and

there will be no immediate financial pressures on the Council's financial plans because of this position.

### ***Policy Framework***

22. The Statement of Accounts published in line with the Policy Framework.

### ***Equality and Diversity***

23. There are no protected groups who would be adversely affected by the publication of the Draft Statement of Accounts 2019/20.

### ***Risk***

24. There are no specific risk issues relating to the draft statement of accounts for 2019/20.

### **Actions to be taken to implement the decision(s)**

25. n/a.

### **Appendices**

26. Appendix A – Draft Statement of Accounts 2019/20  
Appendix B – Draft Summary of Accounts 2019/20

### **Background papers**

27. No background papers were used in the preparation of this report.

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