

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 27 September 2021

Report of: Deputy Chief Executive Officer

Subject: STATEMENT OF ACCOUNTS

SUMMARY

Local Authorities have a duty to prepare and publish an annual Statement of Accounts in accordance with regulations issued by the Secretary of State. Due to resource issues the external audit of the accounts will take place during October. For the Council to meet the statutory publication date, the unaudited Statement of Accounts will be approved and published by 30 September without the external auditor's opinion. Members are requested to formally approve the unaudited Statement of Accounts for 2020/21 that is attached to this report.

Following the audit during October, the audited Statement of Accounts will be presented to the Audit and Governance Committee along with the Audit Results Report on 22 November 2021.

The Audit and Governance Committee's areas of responsibility for the Council's Financial Reporting are: -

- a) to review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council;*
- b) to consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.*

RECOMMENDATION

It is recommended that the Audit and Governance Committee approves the unaudited Statement of Accounts for 2020/21, attached as Appendix A, for publication by 30 September 2021.

INTRODUCTION

1. The Accounts and Audit Regulations 2015 require every local authority to produce and publish an annual Statement of Accounts in accordance with “proper practice” and prescribes the procedures to be followed preceding the publication of the accounts and sets out the dates by which the accounts must be approved and published.
2. The Local Government Act 2003 (Section 21) defines proper accounting practices for this purpose to be the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) for the relevant year. The unaudited Statement of Accounts 2020/21 set out in Appendix A has been prepared in accordance with the Code.
3. Due to the Covid-19 pandemic, the Accounts and Audit Regulations 2015 have been amended to extend the statutory publication date for audited accounts from 31 July to 30 September 2021.

THE PURPOSE OF THE STATEMENT OF ACCOUNTS

4. The Code is based on approved accounting standards so that an authority’s accounts present a “true and fair view” of the financial position and transactions of the authority. It has been prepared on the basis that the purpose of a local authority’s published Statement of Accounts is to give electors, Members and other interested parties clear information about the authority’s finances.

THE AUDIT PROCESS

5. The Council’s external auditors, Ernst & Young LLP, are responsible for forming an opinion on the Statement of Accounts and certifying that it is a “true and fair” view of the financial position of Fareham Borough Council as at 31 March 2021.
6. The auditors usually carry out a detailed audit during the summer but due to resource issues, this will take place during October.
7. In order for the Council to meet the statutory publication date the unaudited Statement of Accounts will be approved and published by 30 September without the external auditor’s opinion.
8. Following the audit during October, the audited Statement of Accounts will be presented to the Audit and Governance Committee along with the Audit Results Report on 22 November 2021.

KEY ISSUES AND MATTERS OF INTEREST

9. The Statement of Accounts includes a Narrative Report which highlights the Council’s performance and achievements during 2020/21. Key issues and matters of interest are:
 - **Overall Revenue Position** – Due to the impact of Covid-19 on the Council’s income and expenditure the General Fund actual net revenue expenditure for 2020/21 totalled £2.6million more than was originally budgeted for the year.

However, the final net budget outturn position is £1.2million less than the final revised budget agreed by the Executive in February 2021. This has meant that the potential need to draw from reserves, forecast in the emergency budget, has not materialised. The largest contributing factor has been the £3.8million in Covid related Government support.

- **Reserves** – The General Fund reserve increased by £1.2 million in the year. Council reserves now total £155.3 million, £53.3 million of which are in ‘usable’ reserves which can be used to fund Council services; subject to certain limitations and the need to maintain prudent reserves for financial stability. However, we are currently forecasting the need to use them to help fund the budget for 2021/22 as the impact of the pandemic continues and the level of Government support is not expected to cover the predicted shortfall.
- **New Community, Arts and Entertainment Venue** – During 2020/21 the new venue was given the new name of “Fareham Live” following a public vote. In November 2020 members paused the project, and put spending on hold, to allow for the implications of the pandemic to be assessed. Capital expenditure of £248,000 was spent in the year for ongoing consultancy fees.
- **Solent Airport at Daedalus** – Developments at the airport continued in 2020/21 with further investment in assets and infrastructure across the site of £1.6 million.
- **Community Infrastructure Levy (CIL)** – The Council raised £173,000 from CIL during 2020/21 (£1.3 million in 2019/20). This has been transferred to the Council’s capital reserves. £259,000 of CIL reserves were used to fund the new community, arts and entertainment venue and the Holly Hill cemetery extension.
- **Housing Stock** – During the year, 6 homes were sold under the right to buy scheme (16 in 2019/20) and 7 homes were bought back using housing capital receipts (8 in 2019/20). £0.4 million has been spent on new housing developments with the help from funding from Homes England.
- **Capital Receipts** – The Council generated capital receipts of £1.8 million (£1.9 million in 2019/20) from the sale of Council dwellings (£1.1 million) and land and buildings (£0.7 million).
- **Borrowing and Investments** – The Council’s investments increased from £15.9 million to £19 million at the year end and short-term borrowing decreased from £17.7 million to £16 million.
- **Housing Revenue Account** – The Housing Revenue Account decreased in year by £219,000 (decrease of £503,000 in 2019/20) and overall Housing Reserves decreased by £0.7 million to £12.1 million.
- **Pension Fund** – The Council’s pension fund liability increased by £9.2 million to £71.6 million (£3.1 million increase in 2019/20). The main reasons for the change are due to increases in financial assumptions offset slightly by increases in the return on assets.

10. The Statement includes sections on the financial outlook for the future and position of the Council as a Going Concern as at the end of March 2021 and projecting forward to 2022 taking into consideration the impacts of the Covid-19 pandemic. Details are provided of the actions that have been taken and which are in progress to protect the Council's financial standing.

THE CONTENT OF THE STATEMENT OF ACCOUNTS

11. The following paragraphs give a brief outline of the various sections included within the Statement of Accounts.

Narrative Report

12. The Narrative Report provides information about the Council's main objectives and strategies and the principal challenges that it faces. It also provides a commentary on how the Council has used its resources to achieve its desired outcomes.
13. The Narrative Report is not formally part of the Statement of Accounts and is not covered directly by the statutory requirements for an audit opinion.

Statement of Responsibilities for the Statement of Accounts

14. The statement sets out the responsibilities of the Council, the Audit and Governance Committee and the Deputy Chief Executive Officer for the production and approval of the accounts and is signed by the Deputy Chief Executive Officer. It also carries the signature of the Chairman of the Audit and Governance Committee to confirm the approval of the Statement of Accounts by the Audit and Governance Committee.

Core Statements

15. The following core accounting statements are included:

Comprehensive Income and Expenditure Statement - This statement brings together all of the Council's day to day (revenue) income and expenditure, including the Housing Revenue Account (HRA), as well as transactions relating to the value of long-term assets and pension costs.

Balance Sheet - The Balance Sheet shows the assets that the Council owns, how much the Council owes or is owed, and the Council's net assets (sometimes referred to as net worth).

Movement in Reserves Statement - This statement shows the movement between the Council's reserves (which are split between usable and unusable) and the total adjustments needed (in respect of revaluations, capital items and notional pension costs) to the reported surplus and deficit on the Comprehensive Income and Expenditure Account, to arrive at the actual movement in the General Fund Balance.

Cash Flow Statement - This statement shows the amount of cash received and paid out during the year and the net inflow and outflow of cash and cash equivalents.

Notes to the Core Financial Statements - This section includes the accounting

policies and explanatory information relating to the core statements.

16. The following supplementary statements are also included:
 - HRA Income and Expenditure Account
 - Statement of Movement on the HRA Balance
 - Collection Fund (Council Tax and Business Rates)

Glossary

17. This section of the Statement of Accounts sets out a detailed explanation of the various accounting terms that are used in the document.

Independent Auditor's Report

18. The external auditor's opinion on the accounts and their view as to whether the accounts are a true and fair view of the Council's financial position and performance for the year. This will be included within the final published document.

RISK ASSESSMENT

19. There are no significant risk considerations in relation to this report.

CONCLUSION

20. Members are asked to approve the unaudited Statement of Accounts for 2020/21, attached as Appendix A. The Statement will be audited by Ernst and Young during October and the audited Statement of Accounts for 2020/21 will be presented to the Audit and Governance Committee along with the Audit Results Report on 22 November 2021.

Background Papers: None

Reference Papers: The Accounts and Audit (Amendments) Regulations 2021
(SI 2021/263)
Code of Practice on Local Authority Accounting 2020/21

Appendices: Appendix A – Unaudited Statement of Accounts 2020/21

Enquiries: For further information on this report please contact Caroline Hancock.
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