

Statement of Accounts 2019/20

I. Introduction

- I.1 The 'Accounts and Audit Regulations 2015 stipulates a two stage approval process for the Statement of Accounts. The first statutory deadline usually requires that the responsible financial officer (Section 151 Officer), by the 31 May, should sign and certify that the Statement of Accounts presents a true and fair view of:
- a. the financial position of the council for the year to 31 March previous, and
 - b. its expenditure and income for the year to 31 March previous
- subject to the views of the external auditor.
- I.2 The second stage required that on or before 31 July approval needs to be given to the Statement of Accounts by resolution of a committee, which for Plymouth City Council is the Audit and Governance Committee. This approval will take account of the views of the external auditor. Once approved, the Statement of Accounts must be formally published on the Council's website.
- I.3 However, the statutory deadlines have been extended for this year only due to the impact of COVID-19 on local authorities. The key changes for the publication of the accounts are contained in 'The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020', the details are as follows:
- a. The deadline for the Council to publish its draft accounts is 31 August 2020 (not May 31); and
 - b. The deadline for publication of its final (audited) accounts has moved from 31 July to 30 November 2020.
- I.4 The accounts have to be produced in line with the relevant CIPFA Codes of Practice and with regard to relevant items of statute. Details of the changes in relation to the 2019/20 Codes and relevant legislation which need to be considered for the accounts are outlined in section 2.
- I.5 The pre-audited accounts were approved by the Service Director for Finance and published on the Council's website on the 28 August 2020 in line with the revised deadline due to the impact of COVID-19.
- I.6 Formal audit of the accounts for 2019/20 commenced on 7 September. The 30 working days period in which the Council has to make the draft accounts available for public inspection started on 1 September.
- I.7 The Code requires that the Council sets and discloses an 'authorised for issue' date, which reflects a cut-off date in terms of the post balance sheet period within which events have to be considered in relation to their impact on the 2019/20 accounts. The relevant date for the draft Statement of Accounts has been set as 30 November 2020.
- I.8 The Annual Governance Statement (AGS) is being presented separately to this Audit Committee for approval. This will be published alongside the Statement of Accounts on the Council's website as is required by the Code.
- I.9 To comply with International Auditing Standards, GTUK need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance

with law and regulation. GTUK presented their 'Letter to Management' at the last Audit and Governance Committee. The Council completed their 'Letter to Management' responses which are attached as Appendix B.

2. The CIPFA LASAAC Code of Practice 2019/20

- 2.1 The main Code of Practice relevant to the production of the Statement of Accounts, which CIPFA publish on an annual basis is the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 2.2 The Code is based on approved standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Committee (IFRIC) except where these are inconsistent with specific statutory requirements.
- 2.3 The 2019/20 edition of the Code introduces new, or amended accounting standards or reporting requirements in a number of areas including:
 - Amendments to IAS 28 Investments in Associates and Joint Ventures;
 - Annual improvements to IFRS Standards 2015-2017 Cycle;
 - Amendments to IAS 40 Investment Property

As well as changes to the Codes of Practice, Officers have also considered other documentation published by CIPFA which will have an impact on either 2019/20 or future years' accounts.

3. Issues arising since publication of the 2019/20 draft Accounts

3.1 Post Balance Sheet Events (PBSE)

- 3.1.1 Although the Statement of Accounts shows the financial outturn for 2019/20 and Balance Sheet position as at the 31 March 2020, the Council is required to report material events occurring after 31 March 2020.
- 3.1.2 In April 2020, the Council agreed an Interest Rate Swap with a bank for £75m for a period of 20 years. At the year ending 31 March 2020, the Council has £468m of short term borrowing and wants to reduce the Council's interest rate risk. The Council has therefore fixed the interest rate on £75m for a period of 20 years through an interest rate swap. The Treasury Management Strategy (previously approved by this committee and recommended to Council as part of the annual budget setting process) included the rationale for the use of such a facility.

3.2 Agreed Audit Amendments

- 3.2.1 GTUK are in the process of auditing the Statement of Accounts and until this work has been completed we are unable to report on any agreed amendments. The agreed amendments to the final published Statement of Accounts will be reported when Grant Thornton publish their ISA260 Audit Findings Report.

4. Statement of Accounts 2019/20

- 4.1 The Council's outturn position was reported to Cabinet on the 9th June 2020. This showed a small overspend of £0.005m (before any adjustments). The outturn position needs to be considered in the context of a challenging financial climate and the continuation of the Government's austerity programme with respect to public finances. However, as reported it

should be noted that to ensure that the council's working balance was not reduced, the Council has managed a £17.000m savings programme in addition to increasing service demands and customer expectations.

- 4.2 The General Fund Balance (also known as the Working Balance) as at 31 March 2020 is £8.045m. The Working Balance has a recommended minimum set at 5% of the net revenue budget. This minimum requirement has been approved by Council. However, due to the continued budget pressures in 2019/20, the Council has had to make further use of its Working Balance reducing it to 4.3% of the net revenue budget.
- 4.3 The Balance Sheet shows our assets, liabilities and reserves. The reserves are split in to usable and unusable reserves. The unusable reserves are not available to the Council but are part of technical accounting requirements. The unusable reserves include, for example, the pension reserve, the capital adjustment account and the revaluation reserve. These reserves are not available to use for service delivery at the reporting date. These reserves arise from either :
- a. statutory adjustments required to reconcile to the amounts chargeable to council tax in order to comply with legislation, or
 - b. accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services.

The Council has a negative Balance Sheet as at 31 March 2020, which means that the Council's liabilities are £63.274 million greater than its assets.

- 4.4 The main movements on the Balance Sheet between 31 March 2019 and 31 March 2020 are summarised below:

4.4.1 Non-current Assets

- Property, Plant and Equipment has increased by £63.149 million partly due to the revaluation of a number of assets and also due to the addition of assets through the capital programme.
- Investment Property has increased by £56.708 million due to the Council's Asset Investment Fund. The Council's Capital Programme includes the provision for the purchase of Investment Properties. Investing more in these types of properties allows the Council to deliver wider benefits to the residents and economy of Plymouth whilst also ensuring the Council is able to support the local economy and help deliver the outcomes of the Joint Local Plan.
- Long Term Investments have increased by £10.540 million reflecting a movement from short to long term investment on the advice of the Council's Treasury Management consultants Arlingclose.

4.4.2 Current Assets

- Short Term Debtors have decreased by £12.971 million due to a variety of reasons:
 - Reduction in central government grants outstanding
 - Capital debtors for a variety of capital schemes
- Cash and Cash Equivalents have increased by £6.927 million to £38.790 million to reflect an increase in our cash investments.

4.4.3 Current Liabilities

- Short Term Borrowing has increased by £186.957 million. This is to finance the Capital Programme in accordance with the 2019/20 approved budget and Treasury Management Strategy.
- Short Term Creditors (£64.522m) are at a similar level to the previous year, decreasing by £174k.

4.4.4 Long Term Liabilities

- Long Term Creditors have decreased by £1.190 million. Most of the movement is reflected in the slight reduction in the liability for unfunded pension liabilities relating to pre Local Government Reorganisation (pre 1 April 1998).
- Long Term Provisions have decreased by £2.976 million which relates to a decrease in the provision for business rate appeals and landfill site provision
- Long Term Borrowing has decreased by £48.247 million, some of which relates to the increase in short term borrowing.
- Long Term Liabilities Pensions have reduced by £103.772 million. The Council's net liability has reduced due to a reduction in the present value of the defined benefit and an increase in the fair value of the plan assets. Further detailed explanation on this movement is contained within note 34 of the Statement of Accounts. The Council, through the acquisition of a share in an investment company, purchased assets worth £73.375m in the Local Government Pension Scheme (LGPS). The decrease in the net liability through this capital investment will reduce the Council's costs significantly over the next 50 years.