



Doncaster Council

Report

Date: 23rd July, 2020

To the Chair and Members of the
AUDIT COMMITTEE

UNAUDITED STATEMENT OF ACCOUNTS 2019/20

EXECUTIVE SUMMARY

1. This report presents the Council's unaudited Statement of Accounts for the 2019/20 financial year. The report highlights the overall financial position for the year, a summary accounts closure timetable and information on performance including improvements achieved in accuracy and quality.
2. The Accounts and Audit (England) Regulations 2015 apply to the preparation, approval and audit of the Statements of Accounts and other financial statements. These regulations are based on International Financial Reporting Standards (IFRS) which attempt to standardise accounts in a consistent format across both the public and private sectors with the aim of achieving greater transparency.
3. Whilst there is no longer a requirement to present the unaudited accounts to Members before the external audit process commences, the Council has continued this practice as it gives Members early notification of the financial outcome of the previous financial year and is considered to be good practice.
4. There is a requirement to obtain certification of the accounts by the responsible financial officer, for the Council this is currently the Director of Corporate Resources, by the 31st May each year. The statutory deadline for the date of approval and publication of the final Statement of Accounts is 31st July.
5. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have amended the publication date for audited 2019/20 accounts from 31st July to 30th November 2020 for all local authority bodies.

EXEMPT REPORT

6. Not applicable.

RECOMMENDATIONS

7. Members are requested to note the 2019/20 Statement of Accounts.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

8. An unqualified audit opinion on the Council's financial statements and a good VfM conclusion resulting from the annual audit process would indicate that there is excellent internal control in place safeguarding Council resources.

BACKGROUND

9. The Council's 2019/20 accounts have been prepared in accordance with IFRS and the appropriate accounting codes of practice and were approved by the Council's responsible financial officer on the 7th July ahead of the revised statutory deadline.
10. To give local authorities more flexibility, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have removed the requirement for the public inspection period to include the first 10 working days of June. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020. This means that accounts that must be confirmed by the responsible finance officer (RFO) must be published by 31st August 2020 at the latest. They may be published earlier.
11. The accounts are available for public scrutiny from 8th July to 18th August. This was advertised on the Council's website on 7th July. The unaudited accounts were placed on the Council's website on 7th July in line with the Government's policy of increased transparency in the public sector with public scrutiny of the accounts being a key feature of the financial governance framework of local authorities.
12. The accounts will be subject to external audit beginning on the 6th July and it is expected that the audit opinion will be finalised (subject to the continuing work on the Whole of Government Accounts) in time for Audit Committee in October. Legislative requirements significantly reduce the timeframe allowed for the accounts closure process and Members of the Audit Committee will be aware that the Council would normally be required to produce the audited Statement of Accounts for the 2019/20 financial year by 31st July 2020, with the unaudited 2019/20 accounts being produced by 31st May 2020. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have amended those deadlines to 30th November 2020 and 31st August 2020 respectively.
13. The Council is planning to finalise its audited 2019/20 accounts by 19th October. The accounts and a report will be presented by Grant Thornton to this Committee on 19th October setting out the result of the external audit in the form of their 'Communication with those charged with governance' report (ISA 260 report), which formally sets out the findings of their audit of the financial statements.
14. Members of this Committee have a key role in scrutinising the accounts in order to maintain strong governance over financial reporting. Early production of the accounts enables the Members of this Committee sufficient time to review the statements and ask challenging and pertinent questions.

The 2019/20 Financial Statements and Supporting Disclosure Notes

15. The style and format of the accounts is largely prescribed by the CIPFA Code of Practice (The Code) and 2019/20 is similar to that used last year, the main changes are described in the following section.

Narrative Report

16. The Narrative Report is 'to' rather than 'in' the Statement of Accounts – the Narrative Report is not formally part of the Statement of Accounts. It contains key facts about Doncaster and about the Council's performance, an explanation of the Accounting Statements, a financial outlook and any significant changes in accounting policy.
17. Audit Committee should assure themselves that the Narrative Report is consistent with the core financial statements.
18. At the meeting on 16th June, Cabinet was presented with the final outturn positions for both revenue and capital for the 2019/20 financial year. On the normal day to day operating budget the Council underspent by £1.4m with underspends across all service directorates.

The Core Financial Statements

19. These are: -
 - a. Comprehensive Income and Expenditure Statement (CIES)
 - b. Movement in Reserves Statement (MiRS)
 - c. Balance Sheet
 - d. Cash Flow Statement

Comprehensive Income and Expenditure Statement (CIES)

20. The CIES follows accounting standards as per the CIPFA Code of Practice (the 'Code') and ensures all local authorities are reporting on a standardised and consistent basis.
21. There is no direct comparison from the CIES to budget and outturn position. The CIES is not a management account but rather a historical document recording past transactions. It includes costs that do not have to be "funded", e.g. depreciation and asset valuation movements.
22. The CIES shows the Council Structure – Directorates, Net cost of services and the Surplus or deficit on provision of services.
23. The CIES is shown in Appendix A with an explanation of what it shows. Some issues to note: -
 - a. Economy & Environment has moved above Learning & Opportunities: Children & Young People in the CI&ES following a name change in year from Regeneration & Environment.
 - b. There was an increase of £37.1m in the loss on disposal of non-current assets caused by a number of schools converting to academy status.
 - c. There was a reduction of £23.6m in the surplus on revaluation of non-current assets caused by an increase in schools valuations.
 - d. There was an increase of £128.1m in the actuarial gains on pension assets / liabilities caused mainly by a change in demographic assumptions. The details are contained in Note 39 Defined Benefit Pension Schemes.

Movement in Reserves Statement (MiRS)

24. For Members, probably the most important issue will be whether the Council has a surplus or deficit compared to its budget for the year. The (increase)/decrease in 2019/20 on the Movement in Reserves Statement (MiRS) gives this information for both the General Fund and the Housing Revenue Account (HRA). An extract of the MiRS is shown in Appendix B with an explanation of what it shows. Some issues to note: -
- a. The General Fund balance decreased by £4.2m due to a £1.4m underspend at outturn, £0.8m planned use of general reserves and a £6.4m decrease in earmarked reserves (Note 11) and the HRA reserves increased by £1.4m;
 - b. Statutory adjustments (shown in Note 10 and mainly capital related) convert the Council's movement in reserves performance from the £2.9m decrease to a deficit of £97.4m (General Fund £86.3m and the HRA £11.1m) shown in the Comprehensive Income and Expenditure Statement (CIES). This represents the position that would have been reported under 'commercial accounting' rules.

Balance Sheet

25. The Balance Sheet shows the value of assets and liabilities at the reporting date, 31st March 2020. The net assets are matched by reserves held by the Council. The largest asset is Property, Plant and Equipment which includes all the Council's property asset portfolio.
26. Long term assets / liabilities are those expected to provide benefits to / be settled by the Council beyond 12 months. Current assets / liabilities are those that are anticipated to be consumed / settled by the Council within the next 12 months.
27. The key questions to ask are: -
- How the balances have changed over the year?
 - Are the balances still adequate?
 - What the balances mean in terms of future budgets and services?
28. The Balance Sheet is shown in Appendix C with an explanation of what it shows. Some issues to note: -
- a. The Council's net worth has increased by £11.1m to £507.1m since the previous financial statements (see 'Balance Sheet' on page 18 of the accounts). This is mainly due to an decrease in the liability related to the defined benefit pension scheme (the pension liability is volatile from year to year as it is based on the Actuary's assumptions and performance of the fund), partially offset by a decrease in Property, Plant & Equipment;
 - b. Reserves are an indication of the temporary resources available to assist an authority to deliver services. Not all reserves can be used to deliver services and this is reflected by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves have increased by £2.9m or 2.5% from £117.2m to £120.1m (these are shown on page 17), largely due to capital financing.

Usable Reserves (see Movement in Reserves Statement)	31st March 2019	31st March 2020	Movement in year
	£m	£m	£m
General Fund (including Earmarked reserves)	67.7	63.4	(4.3)
Housing Revenue Account	8.3	9.7	1.4
Capital Receipts Reserve	15.6	17.3	1.7
Major Repairs Reserve	3.9	10.1	6.2
Capital Grants Unapplied	21.7	19.6	(2.1)
Total Usable Reserves	117.2	120.1	2.9

Unusable reserves are determined by technical accounting rules and are not available for use by the Council. These have increased by £8.0m to £386.8m mainly reflecting the changes in the Revaluation Reserve, Pension Reserve (due to changes in assumptions from the Actuary) and the Capital Adjustment Account (due to the disposal of academies).

Unusable Reserves (Note 24)	31st March 2019	31st March 2020	Movemen t in year
	£m	£m	£m
Revaluation Reserve	279.7	265.3	(14.4)
Capital Adjustment Account	585.3	548.3	(37.0)
Financial Instruments Adjustment Account	(0.8)	(0.7)	0.1
Pension Reserve	(490.9)	(430.3)	60.6
Deferred Capital Receipts Reserve	4.8	4.8	0.0
Collection Fund Adjustment	2.0	1.2	(0.8)
Accumulated Absences Account	(2.2)	(2.3)	(0.1)
Financial Instruments Revaluation Reserve	0.9	0.5	(0.4)
Total Unusable Reserves	378.8	386.8	8.0

Cash Flow Statement

29. The Cash Flow Statement details the in and out movements of cash during the year and links to the opening and closing balances presented in the Balance Sheet. It is very important for private sector companies but less so for local government bodies.
30. Cash shown in the Balance Sheet tends to move around from year to year due to timing. The optimum position is circa. £20m. When salaries fall due on a date before the 15th of the month, i.e. when the 15th falls on a weekend, the Council has to pay out of cash on Friday before the main grant funding is received on the Monday. Salaries cost circa. £13m per month.

Notes to the Statement of Accounts

31. The style and format of the accounts used for 2019/20 is similar to that used last year, the main changes and issues to note are covered in the following paragraphs: -
 - a. Removal of Note A Prior Period Adjustment as there isn't one in 2019/20;

- b. Note 1 The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used / funded from resources by local authorities in comparison with those resources consumed / earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates / services / departments. There was a deficit in 2019/20 of £2.868m which consists of £1.434m underspend on General Fund services, £5.709m contribution to Ear-marked Reserves and £1.407m increase in Housing Revenue Account reserves.
- c. Additional disclosure table for Fair Value of Financial Assets in Note 16 Financial Instruments and the Nature and Extent of Risks.
- d. Debtors in Note 17 have seen a slight rise of £3.2m from £69.5m in 2018/19 to £72.7m in 2019/20.
- e. Creditors in Note 21 have seen a slight fall of £1.8m from £54.1m in 2018/19 to £52.3m in 2019/20.
- f. Removal of Note 24i Available for Sale Financial Assets as there are none in 2019/20 or 2018/19;
- g. Removal of Note 28 Trading Operations as this is no longer required by The Code;
- h. Addition of Doncaster Children's Services Trust (DCST) to Note 34 Related Parties following their inclusion in Group Accounts; and
- i. Inclusion of DCST in Group Accounts following their conversion to an Arms Length Management Organisation (ALMO) fully controlled by the Council. The DCST accounts are deemed to be material.

OPTIONS CONSIDERED

32. Not applicable.

REASONS FOR RECOMMENDED OPTION

33. The main content and format of the Statement of Accounts is set out in the Code of Practice on Local Authority Accounting for 2019/20. The Council has a statutory obligation to submit its unaudited 2019/20 Statement of Accounts to the External Auditor by 31st August. Failure to do so could result in an audit qualification and consequential reputational damage.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

34. These are detailed in the table below: -

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish 	<p>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p>

	<ul style="list-style-type: none"> • Inward Investment 	
	<p>Doncaster Living: Our vision is for Doncaster’s people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	<p>An unqualified audit opinion from Grant Thornton on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.</p>
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	

RISKS AND ASSUMPTIONS

35. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them: -

Risks / Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included an increase in senior officer quality assurance review and control; and internal verification and checks by finance and technical officers.
The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with Grant Thornton throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings

LEGAL IMPLICATIONS [Officer Initials...SRF... Date...15/07/20]

36. The Statement of Accounts is prepared in accordance with the appropriate Regulations and the Council is subject to statutory external audit and performance evaluation by Grant Thornton.

FINANCIAL IMPLICATIONS [Officer Initials...RI... Date...13/07/20]

37. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.

HUMAN RESOURCES IMPLICATIONS [Officer Initials...KG... Date...15/07/20]

38. There are no specific HR implications relating to the content of this report.

TECHNOLOGY IMPLICATIONS [Officer Initials...PW...Date...14/07/20]

39. There are no direct technology implications in relation to this report.

HEALTH IMPLICATIONS [Officer Initials...RS...Date...14/07/20]

40. Good Governance is important for good health and wellbeing. However there are no obvious direct health impls.

EQUALITY IMPLICATIONS

41. This report has no specific equality implications.

CONSULTATION

42. Not applicable.

BACKGROUND PAPERS

43. Following background papers: -

- Unaudited Statement of Accounts 2019/20 published on the Council website: - <http://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
- Accounts and Audit Regulations 2015
- Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
- The Code of Practice on Local Authority Accounting 2019/20 ('The Code') - based on IFRS

REPORT AUTHOR & CONTRIBUTORS

Robert Isaac, Financial Planning & Control Manager

☎ 01302 737983

✉ robert.isaac@doncaster.gov.uk

Debbie Hogg
Director of Corporate Resources