

Governance, Audit, Risk Management and Standards Committee Supplemental Agenda

Date: Thursday 22 October 2020

AGENDA - PART I

8. Statement of Accounts 2019-20 (Pages 3 - 4)

Appendix 3 to the Report of the Director of Finance and Assurance.

AGENDA - PART II - Nil

Note: In accordance with the Local Government (Access to Information) Act 1985, the following appendix 3 to agenda item 8 has been admitted late to the agenda by virtue of the special circumstances and urgency detailed below:-

| <u>Agenda item</u> | <u>Special Circumstances/Grounds for Urgency</u> |
|--|--|
| 8. Statement of Accounts 2019-20 – Appx 3 | Appendix 3 was not available at the time the agenda was printed and circulated due to the need to obtain detailed breakdown of information for the pie charts. Members are requested to consider this item, as a matter of urgency, in order to make an informed decision. |

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Summary Statement of Accounts 2019-2020

This document contains summarised information from the Council's 2019-20 Statement of Accounts, providing information on where the Council's money is spent, where the money comes from and the summary of the Council's assets and liabilities.

Financial Review

During the year the Council delivered its services within the approved budget of £167.1m, contained the pressures arising from the challenging financial environment and managed the risks around demand pressures.

The Council's General Fund Balances remains at £10.008m with £6.1m being taken to the balance of usable reserves. This gives the Council the capacity needed to implement future savings and organisational transformation, to manage risks arising in future years and will help absorb the financial impact of the global coronavirus pandemic. Given the size and scale of the potential financial impact of the pandemic it will remain a key focus for the Council going forward. Without adequate short and medium term financial support from the Government the impact on the Council's ability to deliver services in an ongoing way will be severely compromised.

Examples of the Council's key achievements over the last year are summarised below:

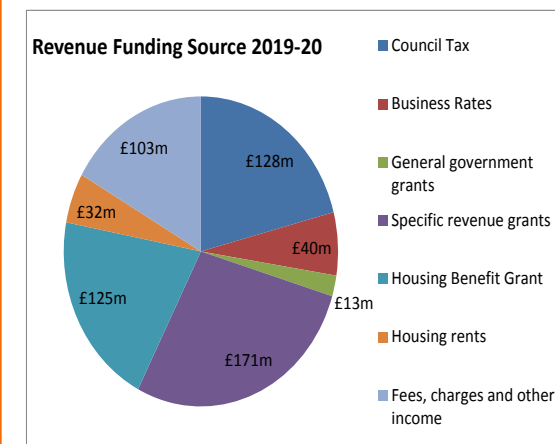
- The highest number (1,226) of housing completions in 30 years was achieved in 2019-20.
- Continued growth in demand for cultural services including those at the Harrow Arts Centre.
- Substantial improvements in waste collection, including the extension of food waste collections to flats.
- A Peer Review focusing on Adolescent Safeguarding identified a number of areas of strength for the Council, and a positive Ofsted report was published on Special Educational Needs and Disabilities provision.
- The all-ages disability services was successfully launched, and the health visitors and the infant feeding coordinator gained a Unicef Baby Friendly award.

The full Statement of Accounts has been prepared in accordance with accounting policies applicable to local authorities and is available on the Council's website (www.harrow.gov.uk). The Audit opinion will be issued on 30th November 2020.

Expenditure and Funding Analysis (EFA)

The EFA shows how expenditure in the year is applied and funded as per the outturn report, and compares this with the true economic cost valued in accordance with proper accounting practices shown in the Consolidated Income and Expenditure Statement (CIES). The true economic cost is different from the outturn report because amounts charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes are specified by regulations.

| 2018-19 | | 2019-20 | | |
|-----------------------------------|---|-----------------------------------|--|-------------------------|
| £000 | | £000 | £000 | £000 |
| Net Expenditure in Outturn Report | | Net Expenditure in Outturn Report | Adj between Funding and Accounting Basis | Net Expenditure in CIES |
| 65,618 | People - Adult Services & Public Health | 66,356 | 1,962 | 68,318 |
| 50,977 | People - Children & Families | 42,469 | 7,517 | 49,986 |
| 43,954 | Community | 49,095 | (3,274) | 45,821 |
| 20,467 | Resources & Commercial | 9,214 | 17,545 | 26,759 |
| 181,016 | Net Cost of Services | 167,134 | 23,750 | 190,884 |
| (118,640) | Other Income & Expenditure | (167,134) | 6,998 | (160,136) |
| 62,376 | (Surplus) or Deficit | 0 | 30,748 | 30,748 |
| (10,008) | Opening General Fund Balance | (10,008) | | |
| 0 | Plus Surplus on General Fund in Year | 0 | | |
| (10,008) | Closing General Fund Balance as at 31st March | (10,008) | | |



The graph shows the various sources of Council income. 27.5% of income comes from Council and Business Rates, 48% from grants for specific revenue purposes and other 24.2% from general grants, fees, charges, tenements and investments etc.

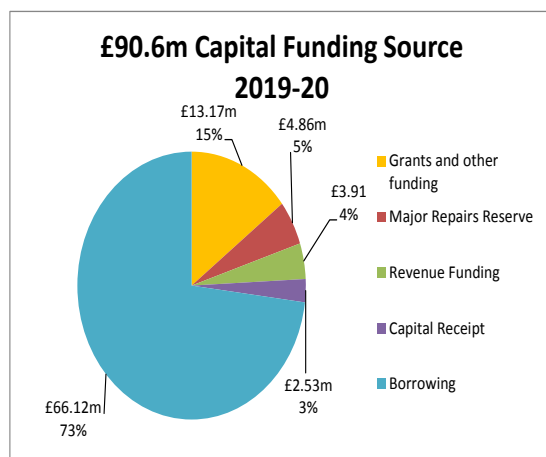
Balance Sheet

| | 2019-20 | 2018-19 |
|------------------------------------|-----------|-----------|
| | £000 | £000 |
| Land, Buildings and Other Assets * | 1,303,600 | 1,197,646 |
| Other Long Term Assets | 16,017 | 39,075 |
| Cash & Cash Equivalents | 38,606 | 12,652 |
| Current Assets | 61,274 | 44,504 |
| Current Liabilities | (90,031) | (127,642) |
| Long term Liabilities ** | (859,928) | (734,325) |
| Net Assets | 469,538 | 431,910 |
| Usable Reserves | (136,517) | (134,109) |
| Unusable Reserves | (333,021) | (297,801) |
| Total Reserves | (469,538) | (431,910) |

* **Land, Buildings and Other Assets:** This includes assets owned by the Council such as housing stock, schools, office buildings, roads, bridges, etc.

** **Long term Liabilities:** This includes borrowing (£422m) to fund investments in buildings and other assets and Pensions liability of (£407m) for the accrued cost of retirement benefits. This liability will be funded from future pension contributions and pension investment returns.

Capital Expenditure



Capital expenditure is expenditure that provides long term benefit to the council such as the buying, improvement or construction of buildings, road improvements, IT equipment purchases etc. During 2019-20, the Council invested £90.6m in new Council housing stock, improvements to existing housing stock, the new vehicle fleet, new technology, a new investment property, schools, highways and street lighting etc.

The capital programme is mainly funded from borrowing, government grants, revenue contributions and sale proceeds from disposal of assets.

Housing Revenue Account

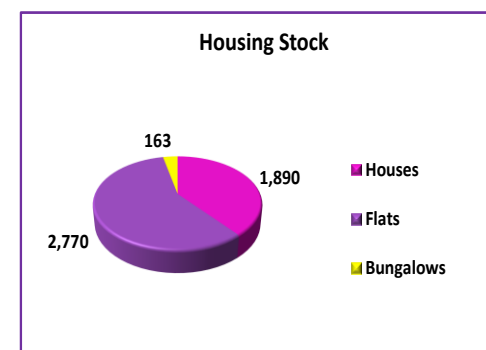
The Council owns and manages 4,823 properties which it lets for the purpose of social housing. The income and expenditure relating to these properties is required by legislation to be accounted for separately in a ring-fenced Housing Revenue Account.

| | 2019-20 | 2018-19 |
|----------------------------|-----------------|-----------------|
| | £000 | £000 |
| HRA Income | | |
| Council House Rents | (28,002) | (27,650) |
| Other Income | (14,639) | (4,125) |
| | (42,641) | (31,775) |
| Expenditure | | |
| Repairs & Maintenance | 8,428 | 8,351 |
| Supervision & Management | 9,289 | 9,057 |
| Capital Charges | 7,647 | 7,634 |
| Financing Expenditure | 6,380 | 8,126 |
| Other Costs | 4,467 | 2,893 |
| | 36,211 | 36,061 |
| Surplus for the year | (6,430) | 4,286 |
| Transfers to/from reserves | 6,378 | (4,286) |
| HRA balance b/f | (7,474) | (7,474) |
| Balance c/f | (7,526) | (7,474) |

What happens to the rents paid by council tenants?

Tenant rents can only be used to manage, repair and maintain the properties and pay interest on the borrowings taken out to build and improve them.

Unused income is carried forward to future years as the Housing Revenue Account balance.



- At 31st March 2020 0.88% of available properties were vacant.
- There was a net increase of 61 properties during the year. 25 properties were sold to tenants during the year while 86 properties were built or acquired.
- Average weekly rents were £110.46 per week in 2019-20.