
**REPORT FOR: Governance, Audit, Risk
Management and
Standards Committee**

Date of Meeting:	8 September 2020
Subject:	Draft Statement of Accounts 2019-20
Responsible Officer:	Dawn Calvert, Director of Finance and Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Draft Statement of Accounts 2019-20 Draft Pension Fund Annual Report 2019-20

Section 1 – Summary and Recommendations

This report sets out the draft Statement of Accounts 2019-20 and draft Pension Fund Annual Report 2019-20.

Recommendations:

The Committee is asked to consider and note the draft Statement of Accounts 2019-20 and draft Pension Fund Annual Report 2019-20.

Section 2 – Report

Background

1. The Accounts and Audit (England) Regulations 2015, require Local Authorities to prepare Statement of Accounts in accordance with proper practices. Since 2017-18 the draft Statement of Accounts must be published by 31st May with the audited version being published by 31st July each year. Due to the Coronavirus the legislative requirements have been relaxed for the 2019-20 financial year by the Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404). The revised deadlines are 31st August 2020 for the draft accounts and 30th November 2020 for the audited accounts.
2. The 2015 Regulations require the audited accounts to be submitted to the 'relevant body' for approval. At Harrow, the relevant body nominated to receive and approve the accounts is the GARMS Committee. Whilst there is no legal requirement to submit draft accounts for consideration by the Committee, the Council is able to do this as the one off revised deadlines give the Committee the opportunity to review the draft Accounts in detail before being asked to approve the audited Statement of Accounts in October 2020.
3. The reporting of the Statement of Accounts is a major part of the strategic principle of providing proper management and stewardship of all the Council's resources. The Accounts have been prepared in accordance with proper accounting practices and relevant statutory requirements as set out in the following:-
 - a. The Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
 - b. All relevant International Financial Reporting Standards (IFRS).

Current Position

4. The Council's accounts for 2019-20 are now closed subject to any audit adjustments. The Authority met the one off relaxed statutory deadline of 31st August and published it's draft accounts on 14th July 2020. In addition the comprehensive schedule of required working papers has been provided to the External Auditor ahead of the arranged audit start date of 15th July 2020.
5. Members are reminded that a GARMS Committee meeting is scheduled for the 22nd October 2020 to consider and approve the audited Statement of Accounts. The audited accounts presented at this meeting will incorporate any amendments agreed by the external auditor and the Council. The auditor will attend the meeting and present their External Audit Report for 2019-20. The accounts are due to be signed off by the external auditor by the revised statutory deadline of 30th November 2020.

6. The Public Inspection of the accounts took place from 15th July 2020 to 25th August 2020.

Accounts Summary

7. The **Narrative Report** includes the performance of the Council and provides an outlook for the future which is summarised below:-
 - a. **Revenue:** the Council delivered its services within the approved budget of £167m. The General Fund balance has been kept at £10m. Earmarked reserves have decreased by £8.7m to £43.6m mainly due to use of the Budget Planning Reserve and accounting for the Dedicated Schools Grant reserve.
 - b. **Capital:** Actual spend was £90.6m. This was mainly funded from the use of borrowing (£66m) with the remaining £25m funded by grants, revenue contributions and capital receipts; and
 - c. **Outlook:** The Medium Term Financial Strategy 2020-21 to 2022-23 presented to Full Council earlier in the year identified the need to make savings of £22.6m over the coming three years. The Council continues to face additional demands and cost pressures on its services. In addition the Covid-19 pandemic is having a significant financial impact on the Council's financial position both for 2020-21 and future years.
8. The **Expenditure and Funding Analysis** compares the outturn shown in the Narration Report with true economic cost of providing services valued in accordance with proper accounting practices as shown in the Comprehensive Income and Expenditure Statement. The differences between the outturn and CIES are mainly capital items and IAS19 pension costs.
9. The **Comprehensive Income and Expenditure Account (CIES)** shows the true economic cost of providing Council services. The surplus reported for the year was £37.6m.
10. However, under the statutory regulations some CIES costs (e.g. depreciation, impairments, IAS 19 costs, etc.) are not taken into account when setting the Council Tax and Dwelling Rents as these are technical accounting adjustments. These are reversed in the **Movement in Reserves Statement** which summarises the Council's total usable and unusable reserves. The usable reserves balance has increased by £2.4m and the unusable reserves have increased by £35.2m due mainly to increases in the revaluation reserve (£35m) and Capital Adjustment Account (£23m) and a decrease in the Deferred Capital Receipts Reserve (-£23m).
11. The **Balance Sheet** sets out the financial position of the Council as at 31st March 2020. The overall increase in net assets of £37.6m is mainly due to the impact of rising property prices on the value of Council Dwellings and the Property Portfolio offset against an increase in long term borrowing. The short term borrowing balance decreased by £43m.

12. The **Cash Flow** statement shows how the Council generates and uses cash.
13. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus reported for the year is £6.4m.
14. The **Collection Fund** statement shows a net carry forward surplus of £3m made up of Council Tax £2.8m and Business Rates £0.2m. The surplus is paid out as additional precepts to the Council, Central Government and the Greater London Authority in future years.
15. The net assets of the **Pension Fund** at year end are £778m. This is a decrease of £73.6m against the previous year reflecting mainly the reduction in the market value of investments of £96m and an increase of £28m in cash held with investment managers.

Legal Implications

16. The legal comments are included in the body of the report.

Financial Implications

17. There are no direct financial implications arising from this report.

Risk Management Implications

18. There are no risk implications

Equalities implications / Public Sector Equality Duty

19. There are no equalities implications

Council Priorities

20. The Statement of Accounts provides assurance that the Council has managed and delivered its finances in accordance with its approved plans and budget.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Chief Financial Officer

Date: 27th August 2020

Name: Jessica Farmer on behalf of the
Monitoring Officer

Date: 26th August 2020

Name: Dawn Calvert on behalf of the
Corporate Director

Date: 27th August 2020

Ward Councillors notified: No

Section 4 - Contact Details and Background Papers

Contact: Paul Gower, Interim Technical Accounting Manager, e-mail
paul.gower@harrow.gov.uk

Background Papers: None