

# **Cherwell District Council**

## **Accounts, Audit and Risk Committee**

**21 June 2021**

### **2020/21 Statement of Accounts Review**

#### **Report of Director of Finance**

This report is public

#### **Purpose of report**

To provide an opportunity for review of the draft 2020/21 Statement of Accounts.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the report and raise any queries on the draft statement of accounts (Appendix 1).
- 1.2 To approve the accounting policies as approved by the Chief Finance Officer (Appendix 2).
- 1.2 To approve the draft Annual Governance Statement for 2020/21 (Appendix 3).

#### **2.0 Introduction**

2.1 All local authorities must produce a statement of accounts annually to help ensure that there is appropriate stewardship of public finances. Statements of accounts are produced according to accounting standards to ensure that they are produced on a consistent standard and are comparable with other statements of accounts. Local Authority statements of accounts are produced by following the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code occasionally overrides accounting standards where statute takes precedence over accounting standards.

2.2 The Statement of Accounts is made up of the following elements:

- An introduction to Cherwell District Council (CDC) and what it has achieved over the year;
- The main financial statements:
  - Expenditure and Funding Analysis
  - Comprehensive Income and Expenditure Statement
  - Movement in Reserves Statement
  - Balance Sheet
  - Cashflow Statement
- Supporting Notes to the Accounts

- Supporting Notes (including the accounting policies)

2.3 The draft statement of accounts for 2020/21 must be published by 30 June 2021.

### **3.0 Report Details**

3.1 CDC has produced its draft statement of accounts for 2020/21, attached at Appendix 1. This report will provide an overview of what the CDC's draft statement of accounts says about the Council.

### **3.2 Introduction**

3.2.1 The Introduction to the Statement of Accounts provides an overview of Cherwell, its population and geography, as well as the Council's aims and objectives. An overview of what the Council has achieved throughout the year has also been included.

### **3.3 Expenditure and Funding Analysis**

3.3.1 The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

3.3.2 The EFA also shows how this expenditure is allocated for decision making purposes between CDC's directorates within the General Fund. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

3.3.3 All figures shown in the EFA are net expenditure or (income) figures. Therefore, a figure without brackets shows a net cost and a figure with brackets is a net income item (see Appendix 4 for a guide to the use of brackets in the accounts).

3.3.4 Overall there is a deficit on the General Fund for the provision of services for the year of £19.7m. Whilst the net cost of services was a net income of (£23m), there was £42.7m of accounting adjustments. These primarily relate to the deficit on the business rates collection fund and asset revaluations.

### **3.4 Comprehensive Income and Expenditure Statement**

3.4.1 The CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the EFA and the Movement in Reserves Statement (MIRS).

3.4.2 All figures shown in the CIES with brackets are income and without brackets are expenditure.

3.4.3 The CIES shows that the total expenditure on services in 2020/21 was £91.3m, whilst total income generated by services was (£49.2m), resulting in a net cost of

services of £42.1m. Other costs and income (including taxation) resulted in the Council having total expenditure of £121.5m, total income of (£101.8m) and net expenditure of £19.7m.

### **3.5 Movement in Reserves Statement**

- 3.5.1 The MIRS shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves' (e.g. the Revaluation Reserve which holds unrealised gains and losses from the revaluation of assets or the Capital Adjustment Account which holds adjustments between the accounting basis and funding basis under regulations).
- 3.5.2 This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net (Increase)/Decrease line shows the statutory General Fund Balance in the year following those adjustments.
- 3.5.3 The MIRS combines both levels of reserves held (balances) and changes in the level of reserves that have happened through the year. Where the Council holds a reserve with a (balance) at the end of the year this is shown with brackets. If the Council held a negative reserve, this would be shown without brackets, though no negative reserves are shown in the MIRS.
- 3.5.4 Where there is a change in the year that contributes to - (increases) - a reserve this is shown with brackets. Where there is a use of - decreases - a reserve this is shown without brackets.
- 3.5.5 The Council's general reserve has increased by (£3.1m) to (£5.1m). Other usable reserves have increased by (£27.1m) to (£53.6m), meaning total usable reserves as at 31 March 2021 are (£58.7m). The increase relates primarily to business rates S31 grants which will be used to offset the business rates collection fund deficit in 2021/22.
- 3.5.6 Total unusable reserves have decreased by £75.4m to £53.6m as at 31 March 2021. The decrease relates primarily to the business rates collection fund deficit, asset revaluations.

### **3.6 Balance Sheet**

- 3.6.1 The balance sheet shows the values as at 31 March 2021 of the assets and (liabilities) recognised by the authority. The net assets of the authority - assets less (liabilities) - are matched by the reserves held by the authority, analysed between 'useable' and 'unusable' reserves, shown in the bottom portion of the Balance Sheet.
- 3.6.2 Assets are shown without brackets, whilst (liabilities) are shown with brackets. As with the MIRS, reserve (balances) are shown with brackets.
- 3.6.3 The Balance Sheet is split between long-term and short-term items. Long-term items are expected to last or mature after a period of more than 1 year. Short-term items are expected to last or mature for less than 1 year.

3.6.3 The Council holds long-term assets of £303.4m and short-term assets of £81m, resulting in total assets of £384.4m. Additionally, the Council has long-term (liabilities) of (£229.8m) and short-term (liabilities) of (£149.5m), resulting in total (liabilities) of (£379.3m). Therefore, the Council has net assets of £5.1m which have been funded by the (£5.1m) of reserves held by the Council.

### **3.7 Cash Flow Statement**

3.7.1 The Cash Flow Statement summarises the changes in cash and cash equivalents during 2020/21. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

3.7.2 Increases in cash - (inflows) - are shown with brackets. Reductions in cash – outflows – are shown without brackets.

3.7.3 Operating activities for the year resulted in decrease in cash of £7.7m. Investing activities resulted in net reductions in cash of £60m. Financing activities resulted in net increases in cash of (£67.4m). Overall, the Council saw an increase of the cash and cash equivalent assets it held for the year of (£2.9m).

### **3.8 Notes to the Accounts**

3.8.1 The notes to the accounts provide supporting information and additional detail for the main financial statements. Note 1 sets out the Council's accounting policies (set out in Appendix 2). The Council is required to set accounting policies which set out the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements. The accounting policies describe how the Council has interpreted and applied the Code of Practice on Local Authority Accounting.

3.8.3 The code states that The Chief Finance Officer is responsible for selecting 'suitable' accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The 2020/21 accounting policies, as set out in Appendix 2, have been approved by the Chief Finance Officer. All significant accounting policies have been selected with reference to the Code.

3.8.2 There have been no material changes to the accounting policies for 2020/21.

### **3.9 Annual Governance Statement**

3.9.1 Local authorities are required to prepare an Annual Governance Statement (AGS) to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year and setting out any planned changes in the coming period.

3.9.2 During 2020/21, the coronavirus pandemic affected all authorities and the AGS comments upon the extent to which this impacted on the delivery of the Council's governance, both generally and as regards the response to COVID-19 itself. The AGS follows the principles and best practice advocated by CIPFA, the body which advises on good governance. CIPFA also advised that the AGS for 2020/21 should make reference to the Council's actions in complying with the Financial Management Code of Practice.

3.9.3 The format of the AGS reflects the good practice guidance from CIPFA, including their new guidance arising from the coronavirus outbreak. The AGS includes:

- An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
- A review of the *effectiveness* of the Council's governance arrangements
- A *conclusion* in relation to the effectiveness
- A review of the *action plan* from last year's statement
- An *action plan* for 2021/22
- An *annex* summarising our governance framework

3.9.4 Based on the position outlined in the AGS, the 'Opinion' expressed in the AGS is:

"It is our opinion that the Council's governance arrangements in 2020/21 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2021/22. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective."

## 4.0 Conclusion and Reasons for Recommendations

4.1 Accounts, Audit and Risk Committee is invited to review the draft statement of accounts and discuss these with officers to get an understanding of the statements and to ratify the Accounting Policies and Annual Governance Statement.

## 5.0 Implications

### Financial and Resource Implications

5.1 There are no financial implications as a result of this report.

Comments checked by:

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### Legal Implications

5.2 The accounting policies in this report have been approved by the Council's Chief Financial Officer (Director of Finance). Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements.

Comments checked by:  
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### **Risk Implications**

5.3 There are no risk management implications arising directly from this report

Comments checked by:  
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## **6.0 Decision Information**

**Key Decision** N/A

**Financial Threshold Met:** N/A

**Community Impact Threshold Met:** N/A

### **Wards Affected**

N/A

### **Links to Corporate Plan and Policy Framework**

All

### **Lead Councillor**

N/A

## **Document Information**

<b>Appendix No and</b>	<b>Title</b>
1	Draft 2020/21 Statement of Accounts
2	Note 1 'Accounting Policies'
3	Annual Governance Statement
4	Summary of when brackets are used

### **Background Papers**

None

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