

Statement of Accounts 2019/20 – Explanatory Notes

1 Introduction

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit Committee for approval. It provides explanations and commentary on the main issues within the accounts.
- 1.2 The purpose of the Statement of Accounts is to give stakeholders clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
 - Where the money came from to pay for these services
 - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2019/20" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2 Narrative Statement

- 2.1 The Narrative Statement seeks to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
 - A summary of the Council's revenue income and expenditure for the year and variances against the previous year's figures.
 - A summary of capital expenditure and how this was financed.
 - Changes to accounting policies and practice.
 - Any other significant matters.

3 Statement of Responsibilities for the Statement of Accounts

- 3.1 This statement sets out the various responsibilities for the accounts:
- The Council's responsibilities under local government legislation.
 - The Chief Finance Officer's legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Chief Finance Officer.

4 Movement in Reserves Statement

- 4.1 This statement shows the movement in the year on the different reserves held by the Council analysed into "usable reserves" (those that can be applied to fund

expenditure or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

| Description | 2018/19 £'000 | 2019/20 £'000 | Variance £'000 | Comment |
|---|--------------------------|--------------------------|---------------------------|--|
| (Surplus) / Deficit on Provision of Services | (10,350) | (8,577) | 1,773 | See paragraph 5.2. |
| Other Comprehensive Income & Expenditure | (7,406) | (2,660) | 4,746 | The majority of the movement relates to the revaluation of fixed assets and remeasurement of pension liabilities. These revaluations and remeasurements do not create real cash gains, however under accounting guidance they need to be credited to the Income and Expenditure Account. |
| Total Comprehensive Income & Expenditure | (17,756) | (11,237) | 6,519 | |

| | | | | |
|--|-----------|-----------|----------|--|
| Balance on Total Authority Reserves at 31 March | (179,773) | (191,009) | (11,236) | This represents the increase in the net wealth or value of the Council over the year. See paragraph 6.2. |
|--|-----------|-----------|----------|--|

5 Comprehensive Income and Expenditure Statement

5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show the accounting cost in the year of providing services, rather than the amount to be funded from taxation (council tax) or dwelling rents.

- Expenditure and income directly related to the services provided by the Council (Net total cost of £5,960k).

- Expenditure and income not directly attributable to services but to the Council as a whole.
- Income received in respect of general government grants and local taxation (bringing the overall net total on provision of Services to a surplus of (£8,577k)
- Net surplus on revaluation of Non-Current Assets and Pension Liabilities of (£2,660k) (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £11,237k).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year.

5.2 The Comprehensive Income and Expenditure of the Council has moved from a surplus of £17,756k at the end of 2018/19 to a surplus of £11,237k at the end of 2019/20, a net decrease in surplus of £6,519k - the variances identified above relating to 'Other Comprehensive Income & Expenditure' make up the majority of this movement. The most significant items relating to asset valuations of £3.1m, whilst still seeing an overall surplus through revaluation, the movement is not as significant as the previous year, which is a reflection of the current markets. In addition, pension liability adjustments account for a further £1.6m movement between years. The reduction in Surplus on Provision of Services is a combination of various changes to income and expenditure between years, some of the most significant items relate to an increase in programme for growth project spend (£0.5m), increases in costs relating to works on Council Dwellings (£0.7m) and movements relating to asset valuations within services (£0.5m)

5.3 The movement in the balance on Total Authority Reserves takes in account the year end surpluses and deficits reported against the General Fund and HRA Management Accounts. The General Fund outturn position reported a deficit of £363k, which was funded by a reserve drawdown from the Business Rates Equalisation Reserve. The HRA generated a bigger surplus than anticipated, an additional £32k, which was transferred to the Major Repairs Reserve.

6 Balance Sheet

6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.

6.2 Explanations for key variances between 2018/19 and 2019/20 are set out in the table following.

APPENDIX B

| Description | 2018/19 £'000 | 2019/20 £'000 | Variance £'000 | Comment |
|----------------------------|--------------------------|--------------------------|---------------------------|---|
| Property Plant & Equipment | 187,146 | 191,389 | 4,243 | Increase of £6.2m arising from new asset additions, of which £3.6m relates to Council Dwellings and £1.4m relating to purchase of new bin, slightly offset by disposals and revaluations. |
| Investment Property | 4,352 | 4,060 | (292) | The reduction in balance sheet value primarily relates to the disposal of Selby Ex-bank premises |
| Long Term Investments | 4,906 | 4,683 | (223) | Movement in long term investments reflects the change in value of Property Fund investments. |
| Long Term Debtors | 2,422 | 3,213 | 791 | Movement mainly attributable to the issue of Loans to Selby District Housing Trust. |
| Short Term Debtors | 6,418 | 4,627 | (1,791) | The most significant movement relates to amounts due to be recovered from Central Government in relation to Business Rates. |
| Cash and Cash Equivalents | 51,797 | 67,111 | 15,314 | Increase in cash balances primarily relates to a further year of Renewable Business Rates receipts, coupled with delayed expenditure in the Capital programme. |
| Short Term | (6,747) | (12,030) | (5,283) | Increase relates to |

APPENDIX B

| | | | | |
|--------------------------------|----------|----------|-------|---|
| Creditors | | | | transfer of PWLB loan from Long term creditors, due for repayment in May 20. Offset by smaller reductions. |
| Provisions | (1,808) | (2,561) | (753) | Increase in provisions due to increased provision for NNDR appeals. |
| Long Term Borrowing | (59,300) | (52,833) | 6,467 | Reduction relates to PWLB loan due to be repaid in May 20, therefore moved to Short term Creditors. |
| Defined Benefit Pension Scheme | (9,544) | (10,395) | (851) | The year-end actuarial valuation of the Council's pension liabilities. Whilst the Council paid off its historic pension deficit in 2016/17, based on the actuarial assessment at that time. A net liability is presented in the accounts as regulation requires a much lower return on assets to be used for financial accounts, rather than the actual returns expected when estimating fund requirements. |

| Description | 2018/19 | 2019/20 | Variance | Comment |
|-------------|---------|---------|----------|---------|
|-------------|---------|---------|----------|---------|

| | £'000 | £'000 | £'000 | |
|-------------------|-----------|-----------|---------|---|
| Usable Reserves | (43,649) | (52,171) | (8,522) | Net increase in earmarked reserves during 2019/20 is mainly attributable to renewables business rates income being allocated to reserves as planned, in addition to net increase in affordable housing commuted sums of £2.5m. The remainder is through planned contributions. |
| Unusable Reserves | (136,124) | (138,838) | (2,714) | Significant movements in Unusable Reserves include: adjustments to the Capital Adjustment Account & Revaluation Reserve for the revaluation of Council Land & Buildings (£2.1m), along with charges for depreciation and amounts written out on disposal (£4.4m); Capital Financing Applied in year (£6.5m); movements in the pensions reserve (£0.85m) following the annual year-end actuarial valuation of the Council's Pension Fund assets and liabilities. |

7 Cash Flow Statement

- 7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.
- 7.2 Councillors may wish to note the following explanations for key variances when compared with 2018/19:

APPENDIX B

| Description | 2018/19 £'000 | 2019/20 £'000 | Variance £'000 | Comment |
|--|------------------|------------------|-------------------|---|
| Net (Surplus)/ Deficit on the provision of services | (10,350) | (8,577) | 1,773 | See paragraph 5.2. |
| Adjustments to net (surplus)/deficit on the provision of services for non-cash movements | (4,567) | (12,936) | 8,369 | Comprises a number of non-cash movements including depreciation, revaluations for Council Dwellings. The adjustment also includes various movements in balance sheet headings such as creditors, debtors, inventories, provisions and pension fund liability changes. |
| Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities | 1,745 | 1,703 | 42 | Includes the movement in capital grants, capital receipts and contributions used to fund capital expenditure. |
| Investing Activities | 8,905 | 5,491 | (3,414) | Relates to activities such as the purchase of fixed assets, proceeds from sale of assets and other investment activity proceeds. The main variance relates to the Investment in Property Funds £4.9m, which took place in 18/19 |
| Financing Activities | 6,474 | (995) | 7,469 | Reflects movement in net debtors/creditors on council tax and NNDR. In 18/19 cash outgoings included a reduction in Central Government creditor balances of £5.4m. |

8 Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement and Note to the Movement on the Housing Revenue Account Statement

8.1 The Housing Revenue Account (HRA) is a statutory ring-fenced account, to be accounted for completely separately to the General Fund. The purpose of the HRA Income and Expenditure Account, Movement on the HRA Statement and Note to the Movement on the HRA Statement is the same as for the General Fund.

8.2 The information from the HRA statements are combined (known as consolidated) with the General Fund to give the overall position of the Council's financial health.

8.3 The consolidated financial statements include year-end surpluses and deficits generated by the HRA. At the end of 2019/20, the HRA reported a revenue surplus of £32k, which increased the transfer to the Major Repairs Reserve to a total of £3.54m.

9 Collection Fund

9.1 The Collection Fund reflects the statutory responsibilities for billing authorities to maintain a separate account for the transactions relating to the collection of Council Tax and National Non-domestic Rates and the distribution of these monies to precepting authorities and central Government. The costs of administering collection are accounted for in the General Fund.

10 Glossary

10.1 This explains the technical terminology used throughout the Statement of Accounts.

11 Annual Governance Statement

11.1 The Annual Governance Statement reviews the effectiveness of the Council's internal control systems for the year of account and, in accordance with the Accounts and Audit Regulations 2015 forms part of the Council's statutory Statement of Accounts. The statement is covered by a separate report on the Committee's agenda.

12 Conclusions

12.1 The Council budgeted to breakeven in 2019/20 including a planned contribution to the Business Equalisation reserve of £3.3m reflecting the remaining resources available after balancing the General Fund budget. The actual position for the year resulted in a deficit position of £363k after planned contributions to and from reserves, along with revenue funded carry forward budget requests of £272k.

The deficit was funded with a drawdown from Business Equalisation Reserve. The main reasons for the saving are covered in page 8 of the Narrative Statement.

- 12.2 The budget for the Housing Revenue Account (HRA) was set to contribute £3.22m to the Major Repairs Reserve (MRR). The actual out-turn was a surplus of £3.54m. The surplus was wholly allocated to the MRR. The reasons for the variations are set out in the Narrative Statement (page 10) but mainly related to in year savings in the capital programme, reducing required revenue contributions and savings on anticipated borrowing costs through the use of internal borrowing, offset by shortfall in savings target delivery and increased costs relating to works to void properties
- 12.3 Capital expenditure for the General Fund and HRA totalled £7.84m, which includes £0.759m Loans to Selby & District Housing Trust to support Housing delivery. Further details can be found on page 10 and 11 of the Narrative Statement.