

Additional papers 1



Audit, Governance & Standards Committee

Mon 1 Mar
2021
7.00 pm

Microsoft Teams



www.redditchbc.gov.uk

**If you have any queries on this Agenda please contact
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Audit, Governance & Standards

Monday, 1st March, 2021

7.00 pm

Microsoft Teams

Agenda

Membership:

Cllrs:

John Fisher (Chair)
Mark Shurmer (Vice-
Chair)
Salman Akbar
Tom Baker-Price
Juliet Brunner

Peter Fleming
Yvonne Smith
David Thain
Craig Warhurst

- 7.** External Audit - Audit Findings Report 2019/20 (Pages 1 - 4)
- 8.** Statement of Accounts 2019/2020 (Pages 5 - 12)

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Audit Findings Addendum for Redditch Borough Council

Year ended 31 March 2020

1 March 2021



Headlines

We finalised our Audit Findings Report for the 1 March 2021 Audit, Governance & Standards Committee on 18 February. In our Audit Findings Report we reported a number of areas where our audit procedures were still yet to be fully concluded.

In undertaking further work in those areas we have identified the following additional adjustments that we are required to bring to your attention prior to concluding our audit:

- We were unable to reconcile the Comprehensive Income and Expenditure Statement (CIES) to Note 8 - Expenditure and Income Analysed by Nature. Officers have confirmed that, while Note 8 is correctly stated, the CIES incorrectly included £546k of both income and expenditure that related to internal recharges. While there is no net impact on the Net Cost of Services, 14 figures in the Council CIES and 14 figures in the Group CIES will need to be amended to the total of £546k.
- We were unable to reconcile the prior year CIES to Note 8 - Expenditure and Income Analysed by Nature. Officers have confirmed that, while the prior year CIES is fairly stated, the prior year Note 8 had not been updated to reflect three audit adjustments which were reported in our 2018/19 Audit Findings Report. These three adjustments total £1,087k and relate to:
 - Increase in pension costs arising from the “McCloud ruling” - £974k
 - Overstatement of operational assets - £33k
 - Transfer of two general fund properties from HRA to General Fund - £80k

Both of these issues will be corrected in the final version of the financial statements.

These additional errors and changes mean that we now cannot contain the fee within the extra £10,000 previously estimated and reported in respect of the quality of the financial statements and working papers. We will agree a final fee with the Acting S.151 Officer once the audit is completed.



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**Audit, Governance and Standards
2021**1st March**Statement of Accounts 2019-2020**

Relevant Portfolio Holder	Councillor David Thain - Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester – Head of Finance and Customer Services
Report Author	Job Title: Head of Finance and Customer Services Contact email: chris.forrester@bromsgroveandredditch.gov.uk Contact Tel: 01527 64252 1673
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	
This report contains exempt information as defined in Paragraph(s) of Part I of Schedule 12A to the Local Government Act 1972, as amended	

1. RECOMMENDATIONS

The Audit, Governance and Standards Committee **APPROVES** the Statement of Accounts at Appendix 1 subject to final auditor certification.

2. BACKGROUND**3. FINANCIAL IMPLICATIONS**

3.1 None other than those included in this report.

4. LEGAL IMPLICATIONS

4.1 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

5.1 The Statement of Accounts have been audited by Grant Thornton and their audit opinion is included as an agenda item to this meeting. A copy of the Statement of Accounts are provided as Appendix 1.

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2021**1st March

5.2 Included within the Statement of Accounts there are a number of core financial statements that provide a summary of the financial position of the Council. These are:

5.3 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

5.4 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the economic 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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

5.5 The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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5.6 The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. 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 outflows 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.

5.7 The Collection Fund

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors (the police, fire authority, county council and parishes). It is a statutory requirement for billing authorities to maintain this account.

Climate Change Implications

5.8 None arising as a result of this report.

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

6.1 None arising as a result of this report.

Operational Implications

6.2 None.

7. RISK MANAGEMENT

**Audit, Governance and Standards
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- 7.1 The risks associated with the effective and timely delivery of the Statement of Accounts are to be developed further to ensure that a robust plan is in place to address the concerns raised during this Audit.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 – Statement of Accounts

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor David Thain - Portfolio Holder for Finance and Enabling	Various
Lead Director / Head of Service	Chris Forrester – Head of Finance and Customer Services	Various
Financial Services	Yes	Various
Legal Services		
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2020

Statement of the Authority's and Chief Financial Officer's Responsibilities for the Statement of Accounts

The Authority's Responsibilities

Redditch Borough Council is required to:

- make arrangements for the proper administration of its financial affairs
- secure that one of its officers has the responsibility for the administration of those affairs
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

In this Authority, that officer is the Executive Director of Finance and Resources;

The Executive Director of Finance and Resources is responsible for the preparation of Redditch Borough Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') and in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this

In preparing this Statement of Accounts, the Executive Director of Finance and Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Executive Director of Finance and Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounts present a true and fair view of the financial position of Redditch Borough Council at 31 March 2020 and its income and expenditure for the year ended on that date.

SIGNED **Date:**

Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2020 has been prepared in the form directed by the Code and under the accounting policies set out on pages 29 to 39.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....
Chief Financial Officer

.....
Date

Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Council on _____.

.....
Chairman

.....
Date

Redditch Borough Council

Balance Sheet as at 31 March 2020

	Notes	31st March 2020 £000	31st March 2019 £000
Property, Plant & Equipment	14/14a	349,424	337,235
Heritage Assets		57	60
Intangible Assets	15	652	173
Long Term Debtors	16	952	964
Long Term Assets		351,085	338,432
Short Term Investments	16	9,750	4,500
Inventories	17	277	326
Short Term Debtors	18	9,211	8,756
Cash and Cash Equivalents	19	1,511	1,138
Current Assets		20,749	14,720
Short Term Borrowing	16	0	(6,000)
Short Term Creditors	21	(14,031)	(7,385)
Provisions	22	(556)	(3,286)
Revenue Grants received in advance	33	0	0
Current Liabilities		(14,587)	(16,671)
Long Term Borrowing	16	(104,063)	(104,063)
Other Long Term Liabilities	37	(74,095)	(72,930)
Capital Grants received in advance	33	(727)	(551)
Long Term Liabilities		(178,885)	(177,544)
Net Assets		178,362	158,937
Usable reserves	24	42,335	40,251
Unusable Reserves	25	136,027	118,686
Total Reserves		178,362	158,937

Redditch Borough Council

Group Balance Sheet as at 31 March 2020

Information relating to the Group Balance Sheet is included in Note 23 - Group Accounts

	Notes	31st March 2020 £000	31st March 2019 £000
Property, Plant & Equipment	14/14a & 23	349,436	337,235
Heritage Assets		57	60
Intangible Assets	15	652	173
Long Term Debtors	16	952	964
Long Term Assets		351,097	338,432
Short Term Investments	16	9,750	4,500
Inventories	17 & 23	296	343
Short Term Debtors	18 & 23	9,050	7,625
Cash and Cash Equivalents	19 & 23	1,865	1,349
Current Assets		20,961	13,817
Short Term Borrowing	16	0	(6,000)
Short Term Creditors	21 & 23	(14,225)	(6,452)
Provisions	22	(556)	(3,286)
Revenue Grants received in advance	33	0	0
Current Liabilities		(14,781)	(15,738)
Long Term Borrowing	16	(104,063)	(104,063)
Other Long Term Liabilities	23 & 37	(76,696)	(72,930)
Capital Grants received in advance	33	(727)	(551)
Long Term Liabilities		(181,486)	(177,544)
Net Assets		175,791	158,967
Usable reserves	23 & 24	42,365	40,281
Unusable Reserves	23 & 25	133,426	118,686
Total Reserves		175,791	158,967