

London Borough of Enfield

General Purpose Committee

23 July 2020

Subject: Draft Statement of Accounts

Cabinet Member: Cllr Mary Maguire

Executive Director: Fay Hammond

Key Decision: No

Purpose of Report

1. To brief the Committee on the Draft Statement of Accounts ahead of submission to the external auditor.

Proposal

2. Recommendation for the Committee to note the report.

Reason for Proposal(s)

3. It is good practice to brief Committee on the draft accounts at the time of submission to BDO to commence their external audit. Committee will be required to approve the Statement of Accounts later in the year when the audit is concluded and the opinion issued.

Relevance to the Council's Corporate Plan

4. Sound finances contribute to all of the objectives in the Corporate Plan.

Background

5. The Audit and Accounts Regulations require local authorities to prepare their annual accounts to 31 March each year. The regulations have been amended in light of the Covid-19 crisis and the requirement for the S151 Officer to sign off the draft accounts for audit has been relaxed from 31 May to 31 August for the 2019/20 accounts only. Similarly the deadline for sign off of the final Statement of Accounts and issuing of the opinion by the external auditor has been put back from 31 July to 30 November, again for 2019/20.
6. The draft Statement of Accounts are required to be certified by the s151 Officer and the Final Accounts by the s151 of the Chair of the Committee following approval by the Committee.

7. The Audit and Accounts Regulations also stipulate the way in which the Statement of Accounts should be presented, both format and content. In order to achieve this on a consistent basis across all local authorities, the Chartered Institute of Public Finance and Accountancy produces a Code of Practice which defines proper accounting practices for local authorities, the Code, which has legal force, is based on International Financial Reporting Standards.
8. The Council has been undertaking significant improvement work on the its accounting arrangements, which have reported on a regular basis at Audit and Risk Management Committee and also to the members of the committee outside of the formal meetings.
9. The improvement programme has been extensive and has included:
 - i. Earlier and more extensive valuation of the Council's assets;
 - ii. Implementation of a new asset register;
 - iii. Restatement of 2018/19 asset values on the balance sheet;
 - iv. Extensive balance sheet review;
 - v. Revised methodology for bad debt provisions; and
 - vi. Implementation of a new comprehensive trial balance
10. There is further improvement in the new financial year with a move to quarterly financial reporting which as well as improving financial management will contribute to more streamlined arrangements at year end to produce the Statement of Accounts. There is a likelihood that there will be a return to the former 31 May deadline for draft accounts and 31 July for the final Statement of Accounts despite continued debate following performance across local government in 2018/19.

Main Considerations for the Council

11. The Council's overall reserves have improved marginally in value and the Council's General Fund Balance is maintained at its policy level of £13.950m.
12. The restatement work has led to a significant reduction in the opening balances for Property Plant and Equipment (PPE) which are down £142m. A key issue has been on unrealistic asset lives, especially Infrastructure Fixed Assets where the restatement has led to a £73m reduction. However, Heritage Assets are up £1.4m and Investment Properties up £41m. Consequently a £100m reduction in the Council's Non Current Assets. The restatement has not adversely impacted the Council's useable reserves.

Table 1 - 2018/19 Asset Restatement

| Categories | Previously Reported £'000s | Restated £'000s | Difference £'000s |
|-----------------------------|---------------------------------------|----------------------------|------------------------------|
| Council Dwellings | 681,700 | 672,691 | (9,009) |
| Other Land & Buildings | 588,700 | 580,124 | (8,576) |
| Plant, Vehicles & Equipment | 20,100 | 16,302 | (3,798) |
| Infrastructure Assets | 254,100 | 181,418 | (72,682) |
| Community Assets | 64,800 | 59,490 | (5,310) |
| Surplus Assets | 218,600 | 202,026 | (16,574) |
| Assets Under Construction | 103,600 | 77,197 | (26,403) |
| PPE Sub Total | 1,931,600 | 1,789,248 | (142,352) |
| Heritage Assets | 3,600 | 5,031 | 1,431 |
| Investment Properties | 128,900 | 170,034 | 41,134 |
| Intangible Assets | 27,100 | 26,709 | (391) |
| Total | 2,091,200 | 1,991,022 | (100,178) |

13. There has been a decrease of £4.3m in the overall value of assets at year. The growth through of £186m through capital investments being offset by £44m depreciation, £42m disposals (primarily academisation) and £10m through Revenue Funded Capital Under Statute, i.e. and £94m impairments. The early impact of Covid-19 has been felt with assets generally down between 5% and 7% in value which is the driver for the impairments.
14. Covid-19 has also impacted on the Pension Fund valuation with the downturn in markets in the third quarter of the year. The movement on interest rates has also increased the liabilities of the fund. This has given rise to an overall downward movement £206m
15. Bad debt provisions have increased following the review in the methodology undertaken as part of the improvement work. It is expected that these will need to be reviewed during the Audit in light of the impact of Covid-19 on collection and recovery rates.
16. There has been a £142m increase in borrowing which is naturally in response to the Council's ambitious Capital Programme including regeneration across the Borough. There was a £72m increase in cash and cash equivalents at year which was largely due to the timing of borrowing for the HRA with very favourable rates, average 1.45%, in March.
17. Officers will take the Committee through the Statement of Accounts in detail at the meeting and address any points of clarification and questions.
18. The accounts will be available for inspection for the statutory six week period Monday 27 July through to Sunday 6 September 2020.

Safeguarding Implications

19. None arising directly from this report.

Public Health Implications

20. None arising directly from this report.

Equalities Impact of the Proposal

21. None arising directly from this report.

Environmental and Climate Change Considerations

22. None arising directly from this report.

Risks that may arise if the proposed decision and related work is not taken

23. The Statement of Accounts have been prepared in accordance with the statutory requirements.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

24. There is a risk of misstatement in Statement of Accounts. This is been mitigated by the extensive improvement that has been undertaken.

Financial Implications

25. The financial implications are set out above.

Legal Implications

26. The council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to the taxpayers with regards to the use and accounting for public monies. This report contributes to the discharge of these duties.

Workforce Implications

27. None arising directly from this report.

Property Implications

28. None arising directly form the report but it should be noted there have been significant accounting restatements of the Council's assets in the draft Statement of Accounts.

Other Implications

29. None

Options Considered

30. None

Conclusions

31. There has been extensive improvement undertaken in the preparation of the Council's accounts. There has been significant restatement of the Council's assets but this has not had an impact on the Council's reserves and the General Fund Reserve is maintained at £13.950m

Report Author: Matt Bowmer
Director of Finance & Commercial
matt.bowmer@enfield.gov.uk
020 8379 5580

Date of report 15 July 2020

Appendices

Draft Statement of Accounts 2019/20

Background Papers