

<b>DECISION-MAKER:</b>	<b>GOVERNANCE COMMITTEE</b>		
<b>SUBJECT:</b>	<b>DRAFT STATEMENT OF ACCOUNTS 2019/20</b>		
<b>DATE OF DECISION:</b>	<b>27 JULY 2020</b>		
<b>REPORT OF:</b>	<b>EXECUTIVE DIRECTOR FINANCE &amp; COMMERCIALISATION (S151 Officer)</b>		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Stephanie Skivington</b>	<b>Tel:</b> <b>023 80832692</b>
	<b>E-mail:</b>	<a href="mailto:Stephanie.Skivington@southampton.gov.uk">Stephanie.Skivington@southampton.gov.uk</a>	
<b>DIRECTOR:</b>	<b>Name:</b>	<b>John Harrison</b>	<b>Tel:</b> <b>023 80834897</b>
	<b>E-mail:</b>	<a href="mailto:John.Harrison@southampton.gov.uk">John.Harrison@southampton.gov.uk</a>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
NOT APPLICABLE			
<b>BRIEF SUMMARY</b>			
<p>The Government amended the statutory timetable for completing and publishing the 2019/20 financial statements in response to the coronavirus outbreak. The Draft Financial Statements 2019/20 were signed by the Executive Director – Finance &amp; Commercialisation (Section 151 Officer) on 1 July 2020. This is earlier than the revised statutory requirement to have the statements signed by the 31 August 2020. A copy of the draft unaudited Financial Statements is available in the Members Room.</p>			
<p>The annual audit, carried out by our auditors Ernst &amp; Young LLP, commenced on 29 June 2020 and is due to be completed in September 2020. Any major changes to the Financial Statements arising from the annual audit will be reported to the 28 September 2020 Governance Committee after the completion of the audit.</p>			
<b>RECOMMENDATIONS:</b>			
	(i)	Notes that the Draft Financial Statements 2019/20 have been signed by the Section 151 (S151) Officer and are now brought to Committee for comment.	
	(ii)	Notes that the audited Financial Statements 2019/20 will be presented to the Committee on 28 September 2020 for approval.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	It is a legal requirement that the S151 Officer signs the Financial Statements by 31 August 2020 and certifies that they present ‘a true and fair view of the financial position of the authority at the end of the year to which it relates and of that authority’s income and expenditure for that year’.		
2.	The draft statements have been brought to the July committee in order to give members plenty of opportunity and time to comment on them before final approval in September. It is envisaged that the September report will detail any non-trivial amendments made as a result of the audit along with an amended set of statements (if necessary). A full report on the 2019/20 outturn position was presented to Cabinet on 14 July 2020.		

<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
3.	The Financial Statements have been prepared in accordance with statutory requirements. No other options have been considered as it is a legal requirement that the Financial Statements are prepared and signed by the S151 Officer no later than 31 August 2020.
<b>DETAIL (Including consultation carried out)</b>	
	<b>REVISED STATUTORY TIMETABLE</b>
4.	<p>The Accounts and Audit Regulations 2015 set out detailed requirements in relation to local authority annual audit and accounting processes.</p> <p>In anticipation of the potential disruption caused by the spread of coronavirus, the Government implemented The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, amending the 2015 Regulations to extend the deadlines for local authorities to publish and make available for public inspection, their annual accounts and supporting documents in relation to the financial year beginning on 1 April 2019.</p> <p>These amendments extend the deadline for publishing the audited 2019/20 statement of accounts to 30 November 2020. The period for the exercise of public rights must commence on or before the first working day of September in 2020, in relation to the financial year beginning on 1 April 2019. This effectively means the accounts have to be prepared and signed by the S151 officer by 31 August 2020. The requirement for the public inspection period to include the first 10 working days of June has also been removed for the annual accounts for the year beginning on 1 April 2019.</p>
	<b>FINANCIAL STATEMENTS</b>
5.	The Financial Statements are a complex document and the layout and information provided are defined by statutory requirements. The key issues that should be drawn to the attention of Committee are detailed below.
	<b>ACCOUNTING AND OTHER POLICIES</b>
6.	The Council's accounts are prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK, which is recognised by statute as representing proper accounting practice and meets the requirements of the Accounts and Audit Regulations 2015.
7.	Proposals had been put forward by CIPFA to simplify the requirements for the 2019/20 accounts to ease the burden on accounts production. However agreement could not be reached with the regulators and the auditors and therefore the full requirements of the Code of Practice apply.
8.	<p>The Accounting Policies are described in detail on pages 33 to 45 of the Financial Statements and cover such items as:</p> <ul style="list-style-type: none"> <li>• Property, Plant and Equipment</li> <li>• Employee Benefits</li> <li>• Financial Instruments</li> <li>• PFI contracts</li> </ul> <p>There have been no significant changes to the Accounting Policies in 2019/20.</p>

9.	The accounting policies adopted by the Council are in line with the CIPFA Code of Practice on Local Authority Accounting and the Governance Committee would therefore be more likely to be interested if the Council were to depart from the recognised practice.
10.	The accounts include estimates and assumptions as at 31 March 2020. As with every year, there is a risk of material adjustment to the carrying amounts of some assets and liabilities within the next financial year, however with the uncertainties surrounding the impact of the COVID-19 pandemic the risk is heightened this year. Further details are provided in Note 4 of the accounts (page 48).
	<b>RETIREMENT BENEFITS</b>
11.	In 2019/20 the Council paid an employer's contribution of £32.18M into the Hampshire County Council Pension Fund. The employer's rate set for 2019/20 was 16.1% of employees' pay plus a fixed payment. This fixed payment was calculated by the actuary for the Hampshire County Council Pension Fund and was equivalent to 6.0% of the value of the payroll as at 31 March 2010 adjusted for schools transfers and inflation.
12.	The Council's share of the assets of the Hampshire County Council Pension Fund at 31 March 2020 was £850.42M, compared to its estimated liabilities of £1,342.57M, giving an estimated deficit on the Fund of £492.15M (£459.64M in 2018/19). The increase is due to a reduction in the value of assets, together with changes in the actuarial assumptions used in relation to demographics, financial and experience. The liabilities have been assessed based on the latest actuarial valuation which took place as at 31 March 2019.
13.	The deficit will be made good by taking into account anticipated changes in market conditions, levels of anticipated employee contributions and future employer contributions.
	<b>2019/20 OUTTURN</b>
14.	The Narrative Statement provides a summary of the revenue and capital financial performance for the year on pages 11 to 18. Full details of the outturn position are available in the Revenue and Capital Outturn 2019/20 report to Cabinet on 14 July 2020.
	<b>RESOURCE IMPLICATIONS</b>
	<b><u>Capital/Revenue</u></b>
15.	The capital and revenue implications are considered as part of the outturn report that was presented to Cabinet on 14 July 2020.
	<b><u>Property/Other</u></b>
16.	There are no specific property implications arising from this report.
	<b>LEGAL IMPLICATIONS</b>
	<b><u>Statutory power to undertake proposals in the report:</u></b>
17.	Accounts and Audit Regulations 2015 and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.
	<b><u>Other Legal Implications:</u></b>
18.	None

<b>RISK MANAGEMENT IMPLICATIONS</b>	
19.	Not Applicable
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
20.	Not applicable. It should be noted that the Financial Statements are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2019/20.
<b>KEY DECISION?</b>	<b>Yes/No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	All
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
1.	None
<b>Documents In Members' Rooms</b>	
1.	Draft Unaudited Financial Statements 2019/20.
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>Yes/No</b>
<b>Data Protection Impact Assessment</b>	
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>Yes/No</b>
<b>Other Background Documents</b>	
<b>Other Background documents available for inspection at:</b>	
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	None