

Local Members Interest
N/A

Audit and Standards Committee - Tuesday 08 December 2020

Statement of Accounts 2019/20

Recommendations

I recommend that the Committee:

- a. Approve the 2019/20 Statement of Accounts as attached to this report.
- b. Approve the letter of representation from the County Treasurer.
- c. Delegate authority to the County Treasurer and the Chairman to make any final amendments to the Accounts as deemed necessary by the external auditors.

Report of the County Treasurer

Report

Background

1. The 2019/2020 Statement of Accounts is attached as **Appendix 1** to this report and covers the County Council and Staffordshire Pension Fund. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).
2. The Code of Practice is updated annually and for 2019/2020 there were no major changes.
3. As part of normal year end processes I am required to make written representation to the auditors expressing an opinion as to whether the accounts give a true and fair view of the financial position of the Council and the Staffordshire Pension Fund in accordance with the appropriate rules and regulations. My letter for the County Council is attached as **Appendix 2** to this report and I would welcome discussion regarding any matters covered by the letter. The committee members are asked to approve the letter.

Revenue Outturn

4. We spent £53,000 less than the budget for our day to day activities, this is 0.01% less than the revised budget of £513.4 million. This underspend is an example of our excellent financial management and despite the requirement to deliver savings, services have stayed within their budgets.
5. Towards the end of the financial year, the global coronavirus pandemic stuck the country and a national lockdown was implemented just over a week before the 31 March. Due to this timing, the 2019/2020 accounts do not include much of the

financial impact of the pandemic, there is £680,000 of additional expenditure incurred prior to 31 March which was funded from the government grant paid out to local authorities in late March.

6. The Health and Care Directorate has seen increasing pressures over recent years due to rising demographic pressures and challenging market conditions. There have been additional government grants for this service area in recent years and the Adult Social Care precept. Combined with preventative measures and savings initiatives this has brought spending on adult social care under control, resulting in an overall saving against the budget of the Directorate. Whilst the Older Peoples service has still overspent, the process of block booking beds has resulted in lower costs per bed. Despite these measures, managing the continuing trend of increasing prices in the provider market and developing alternative cost-effective strategies continues to prove particularly difficult. The ongoing associated cost-reduction measures outlined above will continue to carry a high level of risk. Staffing restructures and vacancies have resulted in savings, along with the renegotiation of contracts and a reduction in the number of Learning Disability placements required in residential or nursing homes.
7. During the year, Children's Services has forecast an overspend due to increasing numbers of Looked After Children and increasing costs of placements. At the end of March 2020, there were 1,218 Looked After Children, a reduction from the peak of 1,257 in autumn 2019 but still an increase from the number at the beginning of the year which was 1,175 in April 2019. The service was allocated the Adults and Children's Social Care Support Grant of £6.051m during the year and this partly mitigated the overspend, however the final outturn was an overspend of £5.732 million. Children's social care is coming under increasing financial pressure and a business plan is in place to transform the system. Investment has been made in the service in the MTFs for 2020/2021 to facilitate this transformation.
8. In addition, there are significant transport costs in Education Services which has resulted in an overspend and this is an area of continuing pressure going forward. Whilst Cultural and Rural services reached a breakeven position, Community Safety made a saving as a result of some one-off gains.
9. In the Economy, Infrastructure and Skills Directorate, the service achieved an overall underspend mainly arising from the Transport, Connectivity and Waste service. There is a saving in concessionary fares as a result of a recent successful defence of an English National Concessionary Transport Scheme claim made by an operator which has finally been settled by a Department for Transport adjudication. There has been investment in new equipment and vehicles for Household Waste Recycling Centres and additional income from the Waste to Resources plant which has generated a saving in this area.
10. Corporate Services has achieved a small underspend by the end of the year and has managed to make a contribution to the IT reserve in order to recognise the importance of cyber security and mitigate against the risk of an attack.
11. The centrally controlled budgets had small underspends at the end of the year, including some additional grant received at the end of the year. There are pressures

on insurances due to increasing premiums and increasing numbers of claims. The Contingency budget of £4 million remained unspent at the end of the year and this can now be transferred to reserves to be available for future investment requirements.

12. The final position is an underspend of £53,000 and this amount will transfer into general balances. The revenue outturn is shown in more detail in the table below:

The table compares the budget with the final outturn (spending) for 2019/2020				
	Budget	Outturn	Carry Forward	Over/(Under) spend
	£m	£m	£m	£m
Health and Care				
Public Health and Prevention	2.245	2.245		0.000
Adult Social Care & Safeguarding	38.227	36.497		(1.730)
Care Commissioning	174.171	171.764		(2.407)
Health and Care Total	214.643	210.506		(4.137)
Families and Communities				
Children's Services	109.115	114.847		5.732
Children's Public Health	(1.565)	(1.565)		0.000
Education Services	27.067	28.804		1.737
Culture and Communities	5.787	5.787		0.000
Rural	2.151	2.156		0.005
Community Safety	8.108	7.556		(0.552)
Families and Communities Total	150.663	157.585		6.922
Economy, Infrastructure and Skills				
Business and Enterprise	1.144	1.026		(0.118)
Infrastructure and Highways	25.518	26.229		0.711
Transport, Connectivity and Waste	39.228	36.564		(2.664)
Skills	2.312	2.240		(0.072)
EI&S Business Support	1.064	0.870		(0.194)
Economy, Infrastructure and Skills Total	69.266	66.929		(2.337)
Corporate Services	36.339	36.037		(0.302)
Covid-19 Expenditure	0.000	0.680		0.680
Trading Services	(1.030)	(1.030)		0.000
Total Portfolio Budgets	469.881	470.707		0.826
Centrally Controlled Items				
Interest on Balances and Debt Charges	31.590	31.590		0.000
Pooled Buildings and Insurances	13.627	13.767		0.140
Contingency	4.000	0.000	4.000	0.000
Covid-19 Funding	0.000	(0.680)		(0.680)

Transformational Spend	(5.719)	(5.719)		0.000
Local Services Support Grant	0.000	(0.339)		(0.339)
Centrally Controlled Total	43.498	38.619	4.000	(0.879)
Net Revenue Budget / Expenditure	513.379	509.326	4.000	(0.053)

Capital Outturn

13. In 2019/2020, our final capital spend was £106.7 million, compared to £108.5 million in 2018/2019. This investment was funded from a variety of sources including grants from the Government totalling £46.5 million and borrowing of £17.8 million.
14. The capital spend of £106.7 million includes £5.7 million of revenue transformational spend which has been capitalised and funded from capital receipts generated in year, in accordance with the Capitalisation Direction issued by the Secretary of State. The nature of this expenditure is revenue but will generate ongoing revenue cost reductions, this includes salary costs of staff supporting transformational activities, redundancy costs, preventative measures and other projects designed to generate efficiencies in services.
15. The capital outturn position is summarised in the table below;

	£m
Health and Care	0.6
Families and Communities	13.0
Economy, Infrastructure and Skills	81.4
Finance and Resources	4.2
Traded Services	1.8
Transformational Spend	5.7
Grand Total	106.7

16. Our achievements during the year include the following:
- Continued construction of a new primary school, Henshurst Ridge in Burton and a new primary school at Branston Locks;
 - Significant extensions to a number of schools including St Stephens Primary School and Manor Hill First School;
 - Commencement of work on three major projects for residential care for adults with Hillfield House Nursing Home being refurbished and two new residential homes being built at Histon Hill and Rowley Hall;
 - Work is progressing on the new Greenwood House development;
 - ICT have successfully completed two large projects, the Data Centre Network Refresh and Libraries Public Access Device refresh;

- f. Work on the Stafford Western Access Route is continuing;
- g. Work on the Lichfield Southern Bypass continues to make good progress;
- h. Highways work undertaken to facilitate the Mill Green development in Cannock;
- i. Pot hole repairs carried out with £10 million of grant being spent;
- j. The continued roll out of superfast broadband to rural and isolated communities;
- k. Economic developments at Branston Locks and Keele IC6 were completed while the i54 extension project is in progress.

Interpretation and comment on the main financial information

17. The Comprehensive Income and Expenditure Statement shows the amount that services have cost to provide and the amount of income received to fund them. A deficit on this statement means that the cost of services has not been covered by income and may need to be funded by taxpayers in future years. However, not all the charges in this statement are actual cash and these notional charges are required by statute, these are shown in detail in Note 4. This statement is showing a small surplus on the provision of services of £6.2 million which is an increase from the previous year's deficit of £17.9 million. The cost of services has remained broadly similar across the two years with income from taxation and grants also remaining similar in order to fund those services. The surplus on the provision of services has largely arisen from a reduction in Other Operating Expenditure, see Note 6 for further details.
18. In 2019/20, there were no new International Financial Reporting Standards and therefore no new notes or changes to the financial statements have been required.
19. The total of assets less liabilities in 2019/20 is £517.0 million, an increase from 2018/19 which was £88.3 million. The main reasons for this increase is an increase in the amount of cash and short term investments held at the balance sheet date, plus the Council's share of any liabilities associated with the pension fund has reduced. This liability has reduced by £334.8 million. It should be noted that this liability is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion. Cash held at the 31 March was higher than the previous year due to a large government grant relating to the pandemic which was received a few days prior to the end of the financial year.

Reserves and Balances

20. There are two types of reserves, those that are cash-backed and hold money set aside for specific purposes and those which are notional and exist for accounting purposes. The cash-backed reserves are called usable reserves while those which are for accounting purposes only are called unusable.
21. The unusable reserves have increased by over £300m as a result of the reduction in the pension liability, as described in paragraph 16 above.
22. The amalgamated capital reserves (that is, money set aside for capital expenditure) have increased by £14.5 million. This reflects the decisions we have made on funding our capital programme. These amalgamated reserves include capital receipts and unspent capital grants which we can use in future years.

23. Earmarked revenue reserves (excluding school reserves) have increased by £32.7 million as a result of decisions made to carry forward specific grants in order to fund expenditure in 2020/21.
24. After taking account of the outturn, the General Fund Balance total was £35.5 million as at 31 March 2020.
25. School reserves have decreased by £3.6 million to £21.1 million. School reserves can reduce as a result of academy conversions and for other reasons such as schools using their reserves for specific projects or to support their revenue budgets.

Pension Fund

26. The Pension Fund suffered a fall in value in 2019/2020. This was principally due to the financial market turbulence and subsequent large falls in global equity markets in March 2020, brought about by the spread of the Coronavirus. The Fund achieved a return of -5.8% over the year meaning it was valued at £4,741.8 million at 31 March 2020.

Format of the Statement of Accounts

27. We have to produce the accounts in line with a range of regulations and reporting standards, but it is important that most people can understand them. In this report I have tried to explain what I believe are the main issues in a way that I hope is understandable. Although I have kept to the relevant regulations and reporting standards, I am always looking for ways to improve the content and format of the Statement of Accounts. To help me do this, I would appreciate your comments on how we could improve the accounts and other information in future.
28. We can also provide this Statement of Accounts in other formats, such as in large print, in Braille, or in other languages. To ask us for the Statement of Accounts in other formats, please call 01785 276065.
29. The full statement and the summary version will also be available on our website (www.staffordshire.gov.uk).

List of Background Documents/Appendices:

Appendix 1 – Draft Statement of Accounts 2019/20
Appendix 2 – Management Representation Letter

Contact Details

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