



AUDIT COMMITTEE REPORT

Report Title	Chief Finance Officer Report to the Audit Committee
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	22 June 2020
Policy Document:	No
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To inform the Audit Committee about the work undertaken by the Finance team, in conjunction with the external auditors KPMG and EY in respect of the 2018-19 Statement of Accounts and progress for 2019-20 Statement of Accounts.
- 1.2 To update the Committee in respect of the budget risk for 2020-21, as a result of the Covid 19 pandemic.
- 1.3 To inform the Committee of any changes to accounting policies and Treasury Management.

2. Recommendations

- 2.1 It is recommended that the Audit Committee note:
 - 2.1.1 The progress towards completing the Statement of Accounts for 2018-19 and 2019-20.
 - 2.1.2 To note the risks to the 2020-21 budget
 - 2.1.3 That there have been no changes to Accounting Policies.
 - 2.1.4 That there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies.

3. Issues and Choices

3.1 Report Background

- 3.1.1 This report provides an overview of the current position in respect of the Statements of Accounts due for Northampton Borough Council and other accounting or treasury policy items requiring reporting. In addition it provides an update on budget risk relating to the 2020-21 budget.

3.2 Accounting Policy Changes

- 3.2.1 There have been no Accounting Policy changes since the last Audit Committee, nor are there anticipated to be any during 2020/21.

3.3 Treasury Management

- 3.3.1 There have been no reportable incidents, the LGSS Treasury Management Team continue to work hard to maximise the interest earned through the investment vehicles available and reduce the interest paid on borrowing where possible.
- 3.3.2 It should be noted that the Council is holding material sums in short term deposit and on call. The Council received £37.374M as an initial allocation to deliver Government Grants (BEIS Grants) to local businesses through a centrally determined scheme. The funds were held in 'on call' deposits to ensure they were available to drawdown as the grants were distributed. At the time of writing in excess of £32M has been distributed, to over 2,500 businesses, of a revised allowance of £34.5M. With a further £1.7M allocated by Government for a second scheme (The Discretionary Fund).

3.4 Completing 2018/19 Statement of Accounts

- 3.4.1 The 2018-19 Statement of Accounts continue to be in the process of being audited. The External Auditor EY, will provide a verbal update to the Committee on progress and resources. EY have currently indicated they will recommence the audit in October 2020, with an intention to complete and progress directly on to the 2019-20 Audit.
- 3.4.2 The Council has also received a revised indicative fee, which is materially higher than the standard fee of £62K. Due to historic issues and complexity an additional c£200K had been assumed, however the current indication is a fee of c£400K plus.

3.5 Preparation of 2019/20 Statement of Accounts

- 3.5.1 The work required to deliver the 2019/20 Statement of Accounts has progressed. The formal Draft Statement of Accounts for 2019-20 will be presented for Audit Committee to note at an extra meeting in July 2020.

3.6 Housing Benefit Subsidy Claim Audit

- 3.6.1 KPMG continue to be engaged to conduct this separate audit to ensure certainty of delivery. They are commissioned to do this standalone piece of work for 2018-19 and 2019-20.

3.7 Budget Risk 2020-21

- 3.7.1 At its meeting on 6 February 2020, the Committee considered the budget risks for 2020-21 and associated reserves (see 5.2 for reference and link).
- 3.7.2 However, since reviewing the budget risks, the Covid19 pandemic has had a material impact on the Councils activities, services and associated budgets. Cabinet were provided with an initial view of these impacts and risks at a special Cabinet held on 27 May 2020 (see 5.3 for reference and link).
- 3.7.3 Cabinet were advised that after the current Government funding of £2.381M there remains an indicative budget risk in 2020-21 of £2M to £3M. The key pressures being highlighted in Appendix 1 to the Cabinet Report. Cabinet were advised that it was still too early to fully identify all cost pressures associated with the pandemic and that it remains unclear whether further funding may be made available, be it targeted or un-ringfenced.
- 3.7.4 The pressures arise in several service areas and are a mixture of additional cost pressures (particularly within the Housing Service) and reduced/lost income (particularly from Car Park and Bus Station income). No further information is available to provide a further update to this Committee at this time.
- 3.7.5 Cabinet will receive a further update on the costs, pressures and Government Finding, at its meeting on 22 July 2020.
- 3.7.6 The Council has General Fund Reserves of £4M, should further funding not be forthcoming there is risk that the General Fund Reserves could be drawn down to a level below the minimum recommended for normal 'Business As Usual' risks. Which may impact on the opening risk for General Fund Reserves for the new West Northants Unitary Council.

3.8 Choices (Options)

- 3.8.1 Although this report is just for noting, Audit Committee have the opportunity to ask questions directly to Officers on issues associated with the completion of the statutory accounts for 2017/18 and 2018/19

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 None to report.

4.2 Resources and Risk

- 4.2.1 The Council continues to divert resources to deliver the audit of 2018-19.
- 4.2.2 As activity to launch the new West Northants Unitary Council increases there is increased risk around resources to address audit concerns for 2018-19 and 2019-20.
- 4.2.3 The delay in completing the audit of 2018-19 Statement of Accounts has a knock-on effect to the audit of 2019-20 Statement of Accounts and may impact on assumptions and financial planning for the new Unitary Council for 2020-21.

4.3 Legal

- 4.3.1 There are no specific legal aspects to this report.

4.4 Equality

- 4.4.1 There are no specific equality impacts relating to this report.

4.5 Consultees (Internal and External)

- 4.5.1 External Auditors, EY
- 4.5.2 Corporate Management Board

4.6 Other Implications

- 4.6.1 None.

5. Background Papers

- 5.1** Audit Committee 06 February 2020 – Risk Review of Budget 2020/21
<http://www.NBC-Audit Committee- Risk Review- Budget 2020-21>
- 5.2** Cabinet Report 27 May 2020 – Finance and Monitoring – Provisional Impacts – Covid 2020/21.
<http://www.NBC-Cabinet- Finance Monitoring- Provisional Impact Covid19>

Stuart McGregor
Chief Finance Officer