

<b>AUDIT COMMITTEE</b>	AGENDA ITEM NO: 5
<b>29 July 2021</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr Coles, Cabinet Member for Finance	
Committee Member(s) responsible:	Councillor Over, Chair of Audit Committee	
Contact Officer(s):	Peter Carpenter Corporate Director: Resources Kirsty Nutton, Head of Corporate Finance Services	Tel. 452398 Tel. 384564

## DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM</b> : Corporate Director: Resources	<b>Deadline date</b> : 30 July 2021; statutory deadline for CFO to approve Accounts
1. For members to review and comment on the draft Statement of Accounts prior to the Chief Finance Officer's certification by the 30 July 2021	

### 1. ORIGIN OF REPORT

This report forms part of the regular pattern of reporting on the Council's financial position.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1. The Council is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which facilitate the production of accounts in a standardised and consistent format across all industries, public and private sectors, providing greater transparency to all stakeholders.
- 2.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2020/21 Code of Practice (the Code) and are followed in the preparation of the 2020/21 Statement of Accounts.
- 2.3. The 2020/2 Statement of Accounts is the first set of accounts to meet the requirements and timeline for approval as contained in The Accounts and Audit (Coronavirus) Amendments Regulations 2020.\*<sup>1</sup>
- 2.4. Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. The Council's Constitution delegates this matter to the Audit Committee.
- 2.5. This is in accordance with the Committees Terms of Reference – 2.2.1.18 to review the annual statement of accounts, specifically, to consider whether appropriate accounting

<sup>1</sup> <http://www.legislation.gov.uk/uksi/2020/404/contents/made>

policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- 2.6. The Accounts must be signed and certified by 30 November 2021 by the Council's Section 151 officer / Chief Finance Officer (Corporate Director Resources), in accordance with the Accounts and Audit (Coronavirus) Amendments Regulations 2020.
- 2.7. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2021.
- 2.8. The Audit Committee is required to approve the Accounts no later than 30 November 2021 following, and in the knowledge of, the audit findings.
- 2.9. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.
- 2.10. To provide an update on the circulation of the detailed Audit Plan which will be prepared to inform the Council about the responsibilities of its external auditors and how those responsibilities will be discharged. It has been discussed and agreed jointly by Council representatives and External Audit (EY) which was noted in the Audit Committee in March 2021.

### 3. **TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	Not applicable
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### 4. **KEY POINTS**

- 4.1. The 2020/21 draft Statement of Accounts is shown in Appendix 1.
- 4.2. The presentation of the draft Statement of Accounts provides Audit Committee the opportunity to review the accounts and ask relevant questions so that they are better informed before being asked to formally approve the audited accounts at the November Audit Committee meeting.
- 4.3. The Ministry of Housing, Communities and Local Government (MHCLG) have made changes to the Accounts and Audit Regulations 2015 due to Coronavirus. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2020/21 and the publication date for audited accounts will move from 31 July to 30 November 2021 for all local authority bodies.
- 4.4. To give the Council more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead, local authorities must commence the public inspection period **on or before** the first working day of September 2021. This means that accounts that must be confirmed by the responsible finance officer (CFO) must be published by 31 August 2021. The Council has published the dates of the public inspection period on the Council's Website.
- 4.5. Whilst under regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for Members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification.

4.6. The key contents of the various sections are as follows:

- *Narrative Report* - provides a fair, balanced and understandable guide (previously known as the Explanatory Foreword);
- *Statement of Responsibilities* – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts;
- *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation;
- *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council;
- *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2021;
- *Cash Flow Statement* – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2020/21;
- *Notes to the Financial Statements* - the various statements are supported by technical Notes and by the *Statement of Accounting Policies*;
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates;
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council; and
- *Group Accounts* – shows the transactions of Aragon Direct Services: and
- *Annual Governance Statement* – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meeting agenda and therefore subject to change, consequently it will be included in the audited accounts, published by 30 November 2021, following its approval.

### **Comprehensive Income and Expenditure Statement**

4.7. This statement shows the Council's activities and summarises the resources generated, consumed or set aside. It is presented in accordance with the Service Reporting Code of Practice (SeRCOP) to enable comparability between other local authorities and not the Council's organisational structure.

### **Balance Sheet at 31 March 2021**

4.8. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at 31 March 2021 with the comparative figures for 31 March 2020. The Balance Sheet shows the assets and liabilities of the Council which are matched by the reserves held by the Council. The following paragraphs give a high level indication of the reason for movements between years.

4.9. Current assets have increased by £34.2m, the majority of this movement is the increase in Short Term Debtors (money owed to the Council) by 28.5m relating to the

deficit on the Collection Fund and an increase in Cash and Cash Equivalents of £7.7m.

- 4.10. Long Term Liabilities have decreased by £101.1m. This has resulted from an increase in the Pensions Liability of £100.2m. This is due to the combination of a lower discount rate assumption and a significantly higher CPI assumption. In isolation, this will result in a significant loss on the Employer's balance sheet as at the Accounting Date, shown in the 'Changes in financial assumptions' within the Balance Sheet of the Results Schedule. For a typical employer, this could be of the order of 25% of obligations.

### **Reserves and Balances**

- 4.11. As reported to Council in March 2021, the Corporate Director Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. The closing balance for the General Fund for 2020/21 is £6.0m which is consistent with Medium Term Financial Strategy (MTFS).
- 4.12. Reserves are split into two categories; unusable and useable reserves. Unusable reserves are those reserves that absorb the timing differences arising from different accounting arrangements eg Pensions Fund reserve. Useable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. However, the Council is restricted in the use of some of the useable reserves such as school balances that can only be spent by schools and capital grants unapplied account which can only be used to finance the Capital Programme.
- 4.13. The total reserves have moved by £96.3m. The largest movement is in Unusable Reserves which contains both the Pensions Reserve and the Collection Fund Adjustment Account.
- 4.14. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. As a result this reserve matches the pension liability as detailed in 4.8 and thus this reserve has increased by the same £100.2m.
- 4.15. Collection Fund Adjustment Account, which has increased by £28.6m, reflects the deficit on the Council's Collection Fund due to the impact of the COVID-19 Pandemic on National Non Domestic Rates. The Council have received Section 31 Grants which are shown in the Earmarked Reserve which will offset the deficit in 2021/22.
- 4.16. Earmarked Reserves are detailed in Note 16 and show the movements during the year and the balances at 31 March 2021. The movement of £32.6m in the Earmarked Reserves relates to the Section 31 Grant received in year to offset the Collection Fund deficit in 2021/22. The Outturn report provides further detail of the movements in 2020/21, see other agenda item for this report.

### **Schools**

- 4.17. Details on Schools Balances are shown in Note 15 to the Statements in the Accounts. This shows that there was a net increase in School Balances during 2020/21 of £1.6m from £3.2m to £4.7m.

### **Next Steps - Approval, Signing, Inspection and Audit**

- 4.18. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 include the following for the approval and publication of the annual accounts:
- the responsible financial officer must certify the presentation of the annual accounts no later than the 31 August 2021;
  - the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members no later than 30 November 2021 and
  - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.
- 4.19. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 also requires all Councils to have a common 30 day public inspection period which normally includes the first 10 working days in September 2021. The aim of this is to ensure greater transparency and give stakeholders sufficient notice of the period in which they can inspect the accounts. Due to Covid-19 the Council's period of public inspection, for the Council's accounts and supporting documentation, will run from the 2 August 2021 to 14 September 2021.
- 4.20. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2020/21. This will be considered at the Audit Committee meeting in November 2021.

## **5. CONSULTATION**

No external consultation, other than with the Council's External Auditors, EY, is taking place. However, the accounts are open to public inspection, see point 4.194.19.

## **6. ANTICIPATED OUTCOMES**

As set out in the report.

## **7. REASONS FOR RECOMMENDATIONS**

The Accounts and Audit Regulations 2015 and The Accounts and Audit (Coronavirus) Amendments Regulations 2020 require that the Statements of Accounts be prepared to include the statements set out in Regulation 7 and that the signing and approval of the Accounts be undertaken as set out at Regulation 9 of those regulations. Approval of the Accounts is a non-executive function.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) and hence alternative options are limited.

## **9. IMPLICATIONS**

Financial implications are dealt with in the body of this report. There are no Human Resource, Legal, ICT, Procurement or Property issues arising directly from the recommendations in this report.

## **10. BACKGROUND DOCUMENTS**

- Budgetary Monitoring Report Final Outturn 2020/21

- Council March 2020: Medium Term Financial Strategy
- The Accounts and Audit Regulations (England) 2015, Statutory Instrument
- The Accounts and Audit (Coronavirus) Amendments Regulations 2020

## **11. APPENDICES**

- Appendix A – Draft Statement of Accounts 2020/21