

<b>AUDIT COMMITTEE</b>	AGENDA ITEM NO: 12
25 July 2022	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources Portfolio Holder, Cllr Coles	
Committee Member(s) responsible:	Chris Brooks, Chair of Audit Committee	
Contact Officer(s):	Cecilie Booth, Interim Corporate Director: Resources Kirsty Nutton, Service Director Financial Services	Tel. 452398 Tel. 384564

## DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM:</b> Interim Corporate Director: Resources	<b>Deadline date:</b> 29 July 2022; <i>statutory deadline for CFO to approve Accounts</i>
<ol style="list-style-type: none"> <li>1. For members to review and comment on the draft Statement of Accounts prior to the Chief Finance Officer's certification by the 29 July 2022</li> <li>2. For members to note that Annual Governance Statement will be a separate report in 2021/22 and not included in the draft Statement of Accounts.</li> </ol>	

### 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 2021/22 Code of Practice (the Code) and are followed in the preparation of the 2021/22 Statement of Accounts.
- 2.3. The 2021/22 Statement of Accounts is the second 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.

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

- 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 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. In accordance with the Accounts and Audit (Coronavirus) Amendments Regulations 2020 the Accounts should be signed and certified by 30 November 2022 by the Council's Section 151 officer / Chief Finance Officer (Corporate Director Resources), but the Council have been advised that this audit will not start until January 2023 which has slipped from December 2022 as mentioned below due to the delay in EY completing the 2020/21 Audits across all their clients. EY state:

*“Similar to our approach for 2020/21, EY have given significant consideration to the delivery of the 2021/22 audit cycle, in light of the current position of our 2020/21 delivery cycle and the target date for published financial statements of 30 November. Our 2020/21 plan whilst successful, was impacted by a number of engagements that were not ready for audit or have had issues come to the fore through the audit, such as infrastructure assets. For transparency in our planning approach and to give you a timeline for the coming year, we have phased our delivery plan for the 2021/22 cycle to 31 March 2023. This will deliver audits in a planned manner over the coming year, to ensure we are delivering high quality audits consistently over the audit period and provide you with start dates for your audit. We plan to commence the Peterborough City Council 2021/22 audit execution phase in the week commencing the 5 December 2022 but we will be completing our audit planning and walkthrough testing in advance of this date. All our execution audit requests will be with the Council in advance of the start date so that working papers can be prepared and provided in advance of the audit start date.”*

- 2.7. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council as at 31 March 2022.
- 2.8. The Audit Committee is required to approve the Accounts following the completion of the external audit, and in the knowledge of, the audit findings. As per above this is expected to be in the new year.
- 2.9. Under regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit. However, the Council considers it is good practice for Members to review and comment on the draft accounts prior to the Chief Financial Officer's (CFO) certification and publication to the Council's website.
- 2.10. 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.
- 2.11. At the time of publishing this report the Finance Team are completing the Group Accounts for 2021/22 as they are reliant on information from the third parties which is still being prepared by Peterborough Ltd and the HE Company managed by Cambridgeshire and Peterborough Combined Authority.
- 2.12. The Finance Team have updated the Going Concern note in the Accounts with information until September 2023 but this will be updated as required after the External Audit for 2020/21 has been completed (see EY update agenda item).
- 2.13. The Council has not yet received a detailed Audit Plan for 2021/22 which will inform the Council about the responsibilities of its external auditors and how those responsibilities will be discharged.

### 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 2021/22 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 Audit Committee meeting following the completion of audit of the Council's accounts.
- 4.3. 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 August 2022. This means that accounts must be confirmed by the responsible finance officer (CFO) must be published by 29 July 2022. The Council has published the dates of the public inspection period on the Council's Website.
- 4.4. As noted previously 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 draft accounts prior to the Chief Financial Officer's (CFO) certification and publication on the Council's website.
- 4.5. The key contents of the Statement of Accounts 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 2022;
  - *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 2021/22;
  - *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 Peterborough Limited: 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 2022, following its approval.

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

- 4.6. This statement shows the Council's activities and summarises the resources generated, consumed or set aside.

### **Balance Sheet at 31 March 2022**

- 4.7. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council as at 31 March 2022 with the comparative figures for 31 March 2021. 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.
- 4.8. Current assets have decreased by £18.9m, the majority of this movement is the decrease in Short Term Debtors (money owed to the Council) of £33.5m due to the reduction in the deficit on the Collection Fund which is offset by an increase in Cash and Cash Equivalents of £9.9m.
- 4.9. Long Term Liabilities have decreased by £81.5m. This is mainly due to a decrease in the Pensions Liability of £76.0m. This is due to the investment returns being greater than expected (compared to last year's accounting discount rate assumption). All else being equal, this will lead to a positive 'Return on assets'.

### **Reserves and Balances**

- 4.10. As reported to Council in March 2022, the Interim 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 2021/22 is £7.3m, which is an increase of £1.3m.
- 4.11. 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.
- 4.12. The total reserves have moved by £119.6m. The largest movement is in Unusable Reserves which contains both the Pensions Reserve and the Collection Fund Adjustment Account.

- 4.13. 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 4.09 and thus this reserve has decreased by the same £76.0m.
- 4.14. Collection Fund Adjustment Account, which has decreased by £16.5m, reflects the recovery on the Council's Collection Fund after the impact of the COVID-19 pandemic on National Non Domestic Rates (business rates).
- 4.15. Earmarked Reserves are detailed in Note 16 and show the movements during the year and the balances as at 31 March 2022. The reduction of £6.7m in the Earmarked Reserves relates to using the Tax Income Risk Reserve to compensate the Council for the additional cost of providing the extended business rates retail and nursery relief. The Outturn report provides further detail of the movements in 2021/22 which was provided at the previous Audit Committee Meeting.

### **Schools**

- 4.16. Details on Schools Balances are shown in Note 15 to the Statements in the Accounts. This shows that there was a net decrease in School Balances during 2021/22 of £0.6m from £4.7m to £4.1m.

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

- 4.17. 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 July 2022;
  - 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 2022. However as referenced in paragraph 2.6 the Council has been advised by EY the audit will not commence until January 2023.
  - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.
- 4.18. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 also requires all Councils to have a common 30 day public inspection period which includes the first working day in August 2022. The aim of this is to ensure greater transparency and give stakeholders sufficient notice of the period in which they can inspect the accounts.
- 4.19. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2021/22. This will be considered at the Audit Committee meeting following the completion of the External Audit commencing in January 2023.

## **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 4.184.18.

## **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 2021/22
- Council March 2022: 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 2021/22