

**Annual Accounts 2020/21**

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| <b>Final Decision-Maker</b>           | Audit, Governance & Standards Committee       |
| <b>Lead Head of Service</b>           | Ellie Dunnet, Head of Finance                 |
| <b>Lead Officer and Report Author</b> | Paul Holland, Senior Finance Manager (Client) |
| <b>Classification</b>                 | Public  |
| <b>Wards affected</b>                 | All   |

**Executive Summary**

This report presents the updated Statement of Accounts, and requests that the Committee approves the 2020/21 financial statements, subject to the conclusion of the external audit and any further non-material changes that will be approved by the Director of Finance & Business Improvement. The external auditor's audit findings report will follow to be available for the meeting.

We understand that assuming no further significant issues are identified that the external auditor is intending to issue an unqualified audit opinion. A representative from the external audit team will be in attendance at the meeting to provide an update on their progress and to respond to any questions the Committee may have.

**Purpose of Report**

The Committee is asked to approve the updated 2020/21 statement of accounts (Appendix 1) and Letter of Representation (Appendix 2 – to follow), subject to any further non-material changes, and to note the external auditor's audit findings report (Appendix 3 – to follow)

**This report makes the following recommendations to this Committee:**

1. That the Statement of Accounts attached at Appendix 1 is approved.
2. That delegation to approve any further non-material changes is given to the Director of Finance & Business Improvement in consultation with the committee chair.
3. That the Letter of Representation attached at Appendix 2 (to follow) is approved.
4. That the external auditor's Audit Findings Report (Appendix 3 – to follow) is noted.

**Timetable**

| <b>Meeting</b>                          | <b>Date</b>       |
|---|-------------------|
| Audit, Governance & Standards Committee | 28 September 2021 |

# Accounts 2020/21

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue                                 | Implications  | Sign-off                                     |
|---------------------------------------|---|--|
| <b>Impact on Corporate Priorities</b> | We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims in demonstrating accountability and value for money.  | Director of Finance and Business Improvement |
| <b>Cross Cutting Objectives</b>       | There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.   | Director of Finance and Business Improvement |
| <b>Risk Management</b>                | This is detailed within section 5.  | Director of Finance and Business Improvement |
| <b>Financial</b>                      | The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2021, and details the council's assets, liabilities and reserves at this date.  | Director of Finance and Business Improvement |
| <b>Staffing</b>                       | No implications identified.   | Director of Finance and Business Improvement |
| <b>Legal</b>                          | Under section 151 of the Local Government Act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information. It is a function of the Audit, Governance and Standards Committee to review and approve the annual statement of accounts and to consider if 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 Policy and Resources Committee or Council. | Senior Lawyer<br>Corporate Governance        |

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| <b>Privacy and Data Protection</b>       | No implications identified.  | Director of Finance and Business Improvement |
| <b>Equalities</b>                        | No implications identified.  | Director of Finance and Business Improvement |
| <b>Public Health</b>                     | No implications identified.  | Director of Finance and Business Improvement |
| <b>Crime and Disorder</b>                | No implications identified.  |  |
| <b>Procurement</b>                       | No implications identified.  | Director of Finance and Business Improvement |
| <b>Biodiversity &amp; Climate Change</b> | The implications of this report on biodiversity and climate change have been considered and there are no direct implications on biodiversity and climate change. | Biodiversity and Climate Change Manager      |

## 2. INTRODUCTION AND BACKGROUND

2.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance and Standards Committee by 30 September 2021 in accordance with the amended Accounts & Audit Regulations.

2.2 The Statement of Accounts consists of:

**Narrative Report** – this summarises the Council’s performance over the financial year 2020/21 and highlights the most significant elements of the financial statements.

**Comprehensive Income and Expenditure Statement (CIES)** – shows the accounting position of the council, and whether operations have resulted in a net surplus or deficit. The accounting position includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March 2021 which have not been paid. Similarly, accrued income represents income due, but not yet received.

**Movement in Reserves Statement** – this is a financial statement which details the balances the council held in reserves at 31 March 2021, analysed into usable reserves (such as the general fund, earmarked balances and capital receipts reserve) and unusable reserves (such as the pensions reserve, revaluation reserve and capital adjustment account).

**Balance Sheet** – this can be seen as a 'snapshot' of the authority's financial position at a specific point in time, showing what it owns and owes at 31 March 2021.

**Cash Flow Statement** – sets out the authority's cash receipts and payments during the year, and analyses them into operating, investing and financing activities.

**Accounting Policies and Supporting Notes** – additional information provided to add context to the numbers presented in the main financial statements, and details judgements made by management in preparing this information.

**Collection Fund Statement** – this sets out income and expenditure in relation to Council Tax and Business Rates, and represents the position of the Council's role as a billing authority in collection revenue on behalf of other bodies.

- 2.3 The council's financial statements must comply with CIPFA's Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements.
- 2.4 Due to the continuing impact of the Covid-19 pandemic on local authorities the Government amended the deadlines for the publication and approval of the accounts. The date for publication was amended from 31 May to 31 July, and the date for formal approval amended from 31 July to 30 September.
- 2.5 The draft Statement of Accounts was presented to the Committee in July to give Members the opportunity to review them and ask questions prior to the commencement of the external audit on 23 August. At the time of writing this report the audit is still in progress. A number of minor amendments to the draft Statement have been identified and these are incorporated in the updated Statement.
- 2.6 As the audit is still in progress the external auditors are not currently in a position to issue their Audit Findings Report. This will be issued and be available for consideration at the meeting as Appendix 3 to this report.
- 2.7 At this stage we are anticipating that an unqualified audit opinion will be issued. As the statutory deadline for approving the accounts is 30 September this report seeks approval for any further non-material changes to the accounts to be delegated to the Director of Finance & Business Improvement.

- 2.8 External audit work on the 2020/21 financial statements commenced during late August. We have been advised by the external auditors that due to their significant workload it is likely that a significant percentage of local government audit opinions will not meet the statutory deadline of 30 September. Failure to meet the deadline does not pose any implications to the council in terms of financial penalties but does present a risk of reputational damage and operational issues to the finance team in the event of prolonged delays. We will therefore work closely with the auditors to ensure that their work on the 2020/21 financial statements is completed as soon as possible
- 2.9 Should any material changes be identified during the remainder of the audit then it may be necessary to bring a further updated Statement to the Committee for approval again in November.
- 2.10 The updated version of the Statement proposed for approval at this meeting is attached at Appendix 1.
- 2.11 The headline messages from the Statement of Accounts can be summarised as follows:
- There has been an increase in the value of Property, Plant & Equipment held on the Balance Sheet following the acquisition of a number of houses for housing temporarily homeless families, along with the costs of refurbishing the Lockmeadow Complex which was acquired in 2019. There has also been significant spend on a number of ongoing developments – the Innovation Centre and the housing developments at Brunswick Street and Union Street.
  - Short term creditors have increased, which primarily reflects grants received by the Council from Central Government to pay over to businesses and individuals adversely affected by the impact of Covid-19.
  - Other Long-Term Liabilities have increased significantly, which reflects the annual remeasurement of the pension fund liability.
  - The items above are also reflected in movements within the usable and unusable reserves. Within the usable reserves a new earmarked reserve of £13.5m has been established to provide funding for future Collection Fund deficits, which are now forecast as a result of the financial impact of Covid-19.

### **Letter of Representation (to follow)**

- 2.12 The Letter of Representation attached at Appendix 2 (to follow) is written from the Council to the external auditor and will be signed by the Director of Finance and Business Improvement and the Audit, Governance and Standards Committee Chair. Highlighted sections of this letter will be updated on conclusion of the auditor's work, prior to the opinion being issued.
- 2.13 This is provided for the purpose of expressing an opinion as to whether the Statement of Accounts gives a true and fair view in accordance with

CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

- 2.14 The letter confirms that the Council has fulfilled its responsibilities and provided the external auditor with access to all information of relevance to the financial statements audit including records, documentation and other matters.
- 2.15 The letter also confirms that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. The appropriateness of this statement is evidenced by the fact that all services have full revenue budget provision for 2021/22 onwards and the capital programme, asset management plan and medium-term financial strategy for 2021/22 onwards consider only service efficiencies and growth in corporate or service objectives.

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### **3. AVAILABLE OPTIONS**

- 3.1 The recommendation being made to the Committee is to approve the Statement of Accounts for 2020/21, taking into consideration the work done to date by the external auditor.
- 3.2 If the Committee chose not to approve the Statement of Accounts, this would result in the Council failing to meet its statutory responsibilities under the Accounts and Audit Regulations.

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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The formal approval of the Statement of Accounts is a statutory requirement. Whilst the external audit is not yet complete this Committee can approve the Statement subject to any further non-material changes being approved under delegation by the Director of Finance & Business Improvement.
- 4.2 On this basis, it is considered appropriate for the Committee to approve the Statement of Accounts for 2020/21.

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### **5. RISK**

- 5.1 Failure to meet the statutory deadline for production and audit of the annual accounts would result in this being highlighted in Public Sector Audit Appointments Limited's report on the results of auditors' work. The impact of this risk materialising would have largely reputational repercussions for the Council, and would limit the Council's capacity to demonstrate accountability and value for money in its use of public funds. This risk has been considered with reference to the Council's risk management framework, and is considered to be within acceptable levels.

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## **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

6.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this have been published on the Council's website and the statutory period ended on 10 September. One enquiry was received regarding Covid Grants and rent deferrals, and this has been dealt with.

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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 The external auditor is required to issue the audit opinion by 30 September.

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## **8. REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix 1: Updated Statement of Accounts 2020/21
  - Appendix 2: Letter of Representation (to follow)
  - Appendix 3: External Auditor's Audit Findings Report (to follow)
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## **9. BACKGROUND PAPERS**

None