

<b>Report to:</b>	Audit and Governance	19 <sup>th</sup> January 2023
<b>Lead Cabinet Member:</b>	Councillor John Williams, Lead Cabinet Member for Finance	
<b>Lead Officer:</b>	Peter Maddock, Head of Finance	

## **COMPLETION OF DRAFT ACCOUNTS FOR 2020/21 AND AUDIT OF 2019/20.**

### **Executive Summary**

1. The preparation of the 2020/21 accounts began during September 2022 and it was decided to approach this rather differently to previous years as it was felt the process used was too time consuming and had many manual elements to it. The new process relies on extracting information directly from the trial balance and populating the statement of accounts template without the previous intermediate step.
2. The new process required some initial set up time but has proved to be significantly quicker and less prone to error due to much less human intervention. The document is also now in word format rather than excel and hopefully has a better look and feel to it.
3. The draft statement was published on the Council's Website on 23<sup>rd</sup> December with the public inspection period beginning then and closing on 7<sup>th</sup> February 2023.

### **Recommendations**

4. That Committee review the draft statement of accounts for 2020/21 and comment as appropriate.
5. That Committee note the 2019/20 accounts audit is substantially complete with completion expected in the next few weeks.

### **Details**

#### **Statement of Accounts 2020/21**

6. The draft statement of accounts for 2020/21 is reproduced as an Appendix. A commentary on the key areas is included below to assist the Committee.
7. The Comprehensive Income and Expenditure Statement (CIES) shows the income and expenditure of the Council for 2020/21 and relates to both the General Fund and the Housing Revenue Account. The Surplus of £33.276m for the year compared to a deficit of £1.191m in the prior year is primarily driven by an increase in the value of the Council's investment properties. This however is not the overall picture for the General Fund as the Movement in Reserves Statement (MiRS) referred to below has to be taken into account also which gives an overall deficit of £2.051m. The outturn reported to Cabinet in September 2021 showed a deficit of £1.994m and this is shown within the Narrative Report on page 3.
8. The MiRS contains various accounting adjustments that need to be removed from the cost of services figures when ascertaining the amount that can be charged against the Council Tax. Examples Include Depreciation and Asset impairments, Pension and Collection Fund adjustments. The statement also includes amounts appropriated to reserves and items that need to be charged against the Council Tax but do not form part of the CIES.
9. The Balance Sheet shows what the Council owns and what it owes. The largest figure, unsurprisingly, relates to Property Plant and Equipment which has increased in value by some £25m to £575m. The biggest element of this being the Council's Housing Stock. The valuation basis used for council dwellings is existing use for social housing, on the basis that the properties are occupied by council tenants.
10. The Councils Investment Property holding has increased substantially during the year as detailed in note 12a on page 34. Values have increased from £24.6m to £76.9m.
11. Both short term Debtors and Creditors show significant increases (£14m and £9.7m respectively). Much of this is related, and has occurred mainly because of the pandemic. There was a large deficit on the Collection Fund due to rate payers receiving additional covid rate reliefs and the Council being compensated by central government via section 31 grants. The former reduced income to the Collection Fund and the latter increased income to the General Fund. 2020/21 was the first year of the Business rates Pool and around £5m was owed to the Council from other pool members at the year end. The final position was not ascertained until after 31<sup>st</sup> March 2021. Much of the increase in Creditors was money due to central government in relation to business rates and covid grant money.
12. The pensions liability has increased from £57.352m to £82.078m. The valuation is based on a number of assumptions, such as future pensions and salary increases which have been increased, life expectancy has also been increased and the return on plan assets has reduced. The main reason for the reduction in returns is related to expected plan income shortfalls due to the pandemic. These factors

have acted to increase the liability. Having said that the liability will not crystallise any time soon as it is merely an estimate of the future liability at a point in time.

13. The cashflow statement shows the change in cash and cash equivalents. A cash equivalent being a financial instrument that can be readily turned into cash within a short period of time. The statement shows the type of cashflows and how we get from the surplus/deficit on provision of services to the cash and cash equivalent figures in the balance sheet.
14. The statements above are often referred to as the 'core' statements.
15. There are a number of notes in the statement which give more detail on items within the core statements, and these are prescribed by the accounting code.
16. There are other statements within the accounts that are not classed as core but nevertheless need to be provided where the activity concerned is carried out by the Council. These are the Housing Revenue Account (HRA) Income and expenditure statement and related notes and the Collection Fund and related notes.
17. The former is concerned with the income and expenditure related to the management and maintenance of HRA property in the Council's role as a social landlord the latter is concerned with the collection and distribution of the Council Tax and Business Rates in the Council's role as the billing authority.
18. Finally, because the council has two wholly owned subsidiaries, Group Accounts need to be produced to show the financial performance of the three entities after adjusting for transaction between the entities.

## **2019/20 audit of accounts**

19. The audit of the 2019/20 accounts is substantial complete but there are a few items with some minor points still outstanding. It is expected that the audit will be complete toward the end of this month. A report from the external auditors is elsewhere on the agenda.

## **Options**

20. The report asks the committee to review the draft accounts and provide comments as appropriate. The committee has this with its terms of reference so not carrying out this function could not be recommended.

## **Implications**

21. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

## **Financial**

22. Timely and robust consideration of the Council's budgets is vital to ensure that financial statements are correctly stated, financial procedures are followed and that the financial position of the Council is effectively managed and monitored.

## **Legal**

23. There is a requirement under the Accountancy and Audit Regulations for Council's to present their accounts for the preceding financial year for audit by 31st of May each year and for those accounts to be audited and published by 31 July each year.

## **Risks/Opportunities**

24. There is a risk that the financial statements are incorrectly stated with consequential impacts. The purpose of the external audit is to mitigate this risk. This is still a significant risk going forward but with dedicated experienced resources now tasked with dealing with auditor queries and accounts completion for both 2019/20 and 2020/21 the risk should be mitigated.

## **Alignment with Council Priority Areas**

### **A modern and caring Council**

25. Producing an annual statement of accounts is key to supplementing the financial information already in the public domain, to ensure the full transparency of the Council's financial affairs.

## **Appendices**

Appendix A Draft Statement of Accounts for 2020/21

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