



<b>Report to:</b>	Audit and Governance	12 <sup>th</sup> October 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 ACCOUNTS FOR 2020/21.

### Executive Summary

1. The statement of accounts for the year 2020/21 are attached for approval at appendix A. Once approved and signed the auditors can complete their final processes before they sign the accounts. There is also a balance sheet comparison showing the changes since the draft accounts approved in January 2023, the revised draft and the audited accounts at Appendix B(i) and (ii).

### Recommendations

2. That Committee approve the audited statement of accounts for 2020/21 as presented in Appendix A. If there are further adjustments and the accounts cannot be approved as the final audited version at this meeting a further meeting be convened to approve the final accounts.
3. That Committee note that the 2020/21 accounts audit is substantially complete save for answering a few final queries and closing procedures to be carried out by the Auditors.

### Details

#### Statement of Accounts 2020/21

4. The audited statement of accounts for 2020/21 is reproduced as Appendix A to this report. There are also Balance Sheet comparisons with the changes shown since the draft accounts were presented in January 2023, the revised set presented for Audit and the final set as presented to this committee in Appendix B(i) and (ii).
5. Apart from an adjustment to Investment Property values of £1.424m where enhancements were not offset against a revaluation adjustment, the changes between the original draft accounts for 2020/21 and the revised draft accounts occurred because the original draft was presented to this committee **before** the

conclusion of the 2019/20 audit. The overall change in the reported balance sheet total was £953,000.

6. This revised set of draft accounts were presented to audit at the start of the process and took into account the agreed opening position as at 1<sup>st</sup> April 2020. There have been a number of changes as a result of the audit and these are detailed below.
7. The Enterprise Zone land at Northstowe was purchased toward the end 2020/21 and classified as an investment property. Following further investigation and discussion with the auditors it was concluded that it should be classified as surplus land. The year end value was £6.03m so this amount has been moved from Investment Properties to Property Plant and Equipment.
8. There were some amounts totalling £368,000 reported as additions to Property Plant and Equipment (PPE) after further investigation it was found that these were in fact computer software assets and should have been classified as intangible assets rather than PPE.
9. There were two investments that were mis-classified. An investment with Places for People for £2.5m was treated as short term on the basis that there was an option to recall the money every six months. In reality it was always the Council's intention to let the investment run for the full 2 years. At the end of 2020/21 there was more than a year left on the investment which means it met the definition of a long-term investment. An investment of £1m that was classified as long term did on investigation meet the definition of short term. An amount of £1.5m has therefore been moved from short term to long term investments.
10. On examination of the bad debt provision relating to housing benefit overpayments it was found that an amount of £275,000 had been double counted therefore one of these amounts has been reversed. The effect is to increase the value of Debtors and increase the Un-Earmarked General Fund Reserve.
11. As regards short term creditors there were two adjustments. The first related to the LED street lighting project where an amount was raised as an accrual for works done in 2020/21. When the evidence to support this accrual was examined it became clear there was a lack of evidence to support the total accrual and therefore an amount of £760,000 had to be removed to bring the accrual value to the amount that could be evidenced. The effect therefore is to reduce short term creditors and increase the Un-Earmarked General Fund Reserve by this amount. This is a timing difference and the expenditure was then accounted for in 2021/22.
12. The second adjustment relates to COVID grants. COVID grants fall into two categories; those that are distributed by the council based on set criteria where the council acts as the agent of central government, and those where the Council has discretion in the distribution of the grants. There is different accounting treatment depending on which category the grants fall into. There was an amount of grant money given to the Council totalling £463,000 that was treated in the first category that should have been treated in the second category. The effect

therefore is to reduce short term creditors and increase the Un-Earmarked General Fund Reserve by this amount.

13. The pension fund auditor reported a reduction of £920,000 in asset values when comparing the report used in the preparation of the draft accounts to the actual figure when that was available. The accounts have been adjusted by this amount which has reduced the pensions liability in the top half of the balance sheet with a consequent increase in the pensions reserve which falls under the heading of unusable reserves.
14. There was a significant amendment made that amounts to £5m that seems to have arisen from a mis-understanding. An amount of £5m related to Covid grants was transferred from the Un-Earmarked General Fund Reserve into Earmarked Reserves however on investigation the actual entry was nothing to do with Covid grants and should have in fact been an entry relating to the financing of the Capital programme. The correction only affects the bottom half of the balance sheet and the effect is to remove £5m from Earmarked Reserves a Usable reserve and add to the Capital Adjustment Account an Unusable reserve.
15. The overall effect of these adjustments is to increase the balance sheet value by £2,416,000.
16. There are also a number of disclosure changes requested by the auditors within the various notes.

## **Options**

17. The report asks the committee to approve the accounts. The committee has this with its terms of reference so not carrying out this function could not be recommended. It maybe necessary to convene a further meeting if changes to the version presented become necessary.

## **Implications**

18. 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**

19. 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**

20. 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**

21. 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 the risk should be mitigated.

## **Alignment with Council Priority Areas**

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

22. 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 Final Statement of Accounts for 2020/21  
Appendix B(i) & (ii) Balance Sheet comparisons.

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