

Audit and Standards Committee – 20th September 2021

Report of the Director of Finance and Legal

Statement of Accounts 2020/21

Purpose of Report

1. To present the Statement of Accounts to the Audit and Standards Committee for consideration and approval and to inform the Audit and Standards Committee of the outcome of the audit of the accounts. The Statement of Accounts, and the audit of them, are the main formal and public report on the financial standing of the authority.

Recommendation

2. It is recommended that:-
 - The Committee consider and approve the Statement of Accounts.
 - The Chair of the Committee signs and dates the Statement of Accounts to give evidence of the approval above
 - The Committee approves the delegation of the approval of a revised Statement of Accounts to the Chair of the Audit & Standards Committee in consultation with the Director of Finance & Legal Services in the event of audit work on the valuation of property assets or any other issue extends beyond the date of the Committee meeting, and where there is no impact on usable reserves

Background

3. The Statement of Accounts is circulated with the committee papers. The audit of the accounts is currently on-going and has resulted in a small number of adjustments to the unaudited accounts and further adjustments may be required. None of these changes are expected to affect the Council's usable reserves.
4. These accounts are prepared under International Financial Reporting Standards (IFRS) as adopted for local authorities by the Code of Practice on Local Authority

Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

General Fund outturn

5. I reported the General Fund outturn to Cabinet on 24th June as £267.7m. The Statement of Accounts presented to this Committee is consistent with this outturn position.

Statement of Accounts

6. The layout of the Statement of Accounts is as last year, with the Movement in Reserves (MiRS), which sets out a summary of the changes to General Fund Balance, Housing Revenue Account (HRA) balance and other reserves over the year, presented as the first key statement.
7. There were no changes introduced by the 2020/1 Code of Practice which affected the Council's Statement of Accounts.
8. A summary of the key financial statements is detailed below:

Movement in Reserves Statement (MiRS)

9. This statement shows the movements on the Authority's reserves, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.
10. The Surplus or Deficit on Provision of Services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). Other Comprehensive Income and Expenditure shows unrealised valuation gains and losses on property, and on pension assets and liabilities which only affect the unusable reserves.
11. The accounting charges in the Surplus or Deficit above are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and rent setting purposes. Adjustments between accounting basis and funding basis under regulations reverse out the accounting charges (such as actuarial pensions costs) and insert the statutory ones, such as actual payments for pension provision.
12. After transfers to and from earmarked reserves, the year end balance on the General Fund has increased by £13.2m from £15.7m to £28.9m. This is consistent with the outturn reported to Cabinet.

Comprehensive Income and Expenditure Statement (CIES)

13. The net effect of income and expenditure items results in a deficit on the provision of services of £2.6m. This is a technical deficit intended to represent the Council's revenue position as it would be if calculated according to IFRS. As such it differs from the movement on the General Fund shown in the MiRS and in the outturn report. This is adjusted by Other Comprehensive Income and Expenditure (balance sheet revaluation items) to arrive at a total Comprehensive Income and Expenditure deficit of £263.5m. This matches the decrease in balance sheet net asset value from £337.7m to £74.2m.

Balance Sheet

14. The Balance Sheet shows that the value of total net assets has reduced by £263.5m between 31st March 2020 and 31st March 2021. This mainly due to an increase in the Net Pension Liability caused by changes in the actuarial assumptions in 2020-21 compared to 2019-20 (eg bond yields and inflation) which can cause great volatility in valuations from year to year.
15. The lower half of the Balance Sheet summarises the usable and unusable reserves held by the Authority. The General Fund balance increased by £13.2m as discussed above.
- Earmarked General Fund reserves have increased by £45.0m
 - Schools reserves have increased by £7.0m
 - HRA reserves have increased by £0.9m

The increase in usable General Fund reserves is mainly due to the Business Rates grants received in 2020/21 to fund reliefs given to Business Rates payers for covid lockdowns. Due to accounting regulations the Collection Fund deficit arising from the reliefs will be charged to 2021-22 accounts and largely offset by these grants. The change in schools reserves is mainly due to a new regulation allowing us to move the deficit for High Educational Needs services from usable reserves into a specific unusable reserve.

The changes in unusable reserves are mainly due to the increase in pension liability and carry forward of the Collection Fund deficit referred to above.

Audit of the Accounts

16. The audit of the accounts for 2020/21 is nearing completion and the statutory date for publication of audited accounts is 30th September.
17. As a result of the audit process, and reviews by officers there was an amendment to Note 28 on pensions regarding an advance payment of employer's contributions and other minor amendments to disclosure notes

18. At the time of writing this report, some audit work was outstanding in a few areas, particularly relating to the valuations of Other Land & Buildings which requires the provision of further audit evidence from the Council's valuers. There may be further amendments to the accounts before the audit is finalised but they are not expected to impact on usable reserves.
19. The Code of Audit Practice requires the auditors to report the results of their audit work to the approving body before signing their audit opinion. This report will be presented at this meeting of the Audit and Standards Committee.
20. A management representation letter is provided to the auditors each year, assuring auditors that all material information has been made available to them. This will be signed by the Director of Finance and Legal Services, relying in some matters on assurances by the Head of Law & Governance.

Finance

21. This report is entirely financial in content, but does not give rise to any direct costs.

Law

22. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made there under.

Equality Impact

23. The proposals take into account the Council's Policy on Equality and Diversity.

Risk Management

24. The Statement of Accounts include significant estimates which require professional judgement and there is a risk of material adjustment in future years. These are detailed in notes 35 and 36.

Human Resources/Organisational Development

25. There are no Human Resources / Transformation implications resulting from the items in this report

Commercial/Procurement

26. There are no Commercial or Procurement implications resulting from the items in this report.

Council Priorities

27. The Statement of Accounts details the financial performance of services that are delivering the Council's priorities



Iain Newman
Director of Finance and Legal Services

List of Background Papers

Working and supporting papers for the accounts.

Code of Practice on Local Authority Accounting in the UK 2020/21

Contact Officer: Amarjit Uppal
Telephone: 01384 812425 Email: amarjit.uppal@dudley.gov.uk