

EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Statutory Statement of Accounts 2020/21	To be marked with an 'X' by Democratic Services after report has been presented
Meeting of:	Scrutiny Audit and Value for Money Council Services Committee – 23rd September 2021	

Is this an Executive Decision:	NO	Is this a Key Decision:	NO
Is this in the Forward Plan:	YES	Is the Report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	[]		

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE

Monitoring Officer: **Angela Wakefield**

Date Signature

Chief Finance Officer: **Sal Khan**

Date Signature

**OPEN/
AGENDA**

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Scrutiny (Audit and Value for Money Council Services) Committee

Date: 23rd September 2021

TITLE:	Statutory Statement of Accounts 2020/21	
PORTFOLIO:	Leader/Finance	
HEAD OF SERVICE:	Sal Khan	
CONTACT OFFICER:	Lisa Turner, Chief Accountant	ext. No. X1399
WARD(S) AFFECTED:	All	

1. Purpose of the Report

- 1.1 To consider the Statutory Statement of Accounts for 2020/21 following the work undertaken by the Council's external auditors and to recommend their approval.
- 1.2 To recommend the letter of representation on behalf of the authority.

2. Executive Summary

- 2.1 In accordance with the Accounts and Audit regulations the statutory annual accounts for 2020/21 are appended to this report. Members of the committee are asked to scrutinise these accounts and subsequently recommend their approval to the Audit (approval of Statement of Accounts) Committee, immediately following this meeting. The Accounts and Audit Regulations require that the Council formally approve the accounts each year, this function has been delegated to the Audit (approval of Statement of Accounts) Committee.

- 2.2 The accounts have been subject to audit by our external Auditors (Grant Thornton), and a summary of their conclusions are set out within the Audit Findings Report (elsewhere on the Agenda). Subject to the finalisation of their work, the outcome of the audit work has once again been very positive.
- 2.3 Members should also note that, in accordance with the relevant regulations, the accounts have been placed on deposit for public inspection between 15th July 2021 and 25th August 2021.
- 2.4 The Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA) consolidates the legal requirements as to the form of the accounts. Officers, in compiling the accounts, have adopted the code.
- 2.5 Due to the ongoing Covid-19 pandemic and the pressures on the local audit regime, as outlined in the Redmond Review, the statutory timescales for approving the accounts have been revised. The deadline for approving the audited accounts is 30th September 2021. It should be noted that for various reasons in 2019/20 despite a deadline of 30th November 2020, 55% of local authority audit opinions were not issued by the target date. The Council's audited accounts were signed on 27th November 2020, following a delay in receiving the necessary pension fund assurance.

3. **Background**

- 3.1 The Council's Financial Statements are appended to this report. The outcome of the work undertaken to date by the auditor has once again been very positive and a summary of these findings is set out within the Audit Findings Report (elsewhere on the agenda). The unadjusted item highlighted by the external auditors relates to the estimate of the provision for appeals against business rateable values. Owing to the nature of this estimate, there is a high degree of uncertainty attached to it, which is appropriately disclosed within the accounts. The unadjusted amount is only slightly above the threshold against which the auditors would class as trivial.
- 3.2 The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2020/21' published by the Chartered Institute of Public Finance and Accountancy.
- 3.3 Key elements of the accounts include: -
- **Statement of Responsibilities** – this outlines the responsibilities of the Council and the Head of Service (Section 151 Officer) in preparing the accounts and also of members in approving the accounts.
 - **Statement of Accounting Policies** – this details the legislation and the principles on which the Statement of Accounts has been prepared.
 - **Comprehensive Income and Expenditure Account** - this reports the net costs for the year of all the functions for which the Council is responsible. As such, this statement is fundamental to the understanding of the Council's activities and provides details of how costs are financed from both general government grants and income from local taxpayers. However, this statement measures the authority's financial performance in terms of the resources consumed and generated over the period, but the authority is required by law to set its budget and raise council tax on a different accounting basis.

As such there are a number of statutory adjustments that are presented in the Movement in Reserves Statement to reflect the movement on the General Fund Balance.

- ***Movement in Reserves Statement*** - this statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. It reconciles the position shown within the Comprehensive Income and Expenditure Statement to the "net worth" shown in the Balance Sheet.
- ***Balance Sheet*** - this explains the Council's financial position at the year-end. It provides details of the balances and reserves at the authority's disposal, its long-term indebtedness, the long term and net current assets employed in operations and summarised information on the fixed assets held.
- ***Cash Flow Statement*** - this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- ***Collection Fund*** - this reflects the statutory requirement for the authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities and distributed resources under the Business Rates Retention Scheme.
- ***Annual Governance Statement*** - This outlines the governance framework within which the Council operates, including internal control arrangements. The statement reports on any significant identified weaknesses, the actions undertaken to rectify these, where applicable.

3.4 For several years now the accounting code of practice has required an expenditure and funding analysis to be incorporated into the accounts. This provides a reconciliation of the figures reported to management/Cabinet in compliance with statutory requirements as part of the Outturn and those published to meet accounting standards and shown within the Comprehensive Income and Expenditure Statement. This is set out in note 4 to the accounts.

3.5 The draft letter of representation is appended to this report and the committee is asked to recommend approval of it on behalf of the authority. This letter is a formal record of representations made by the Council to our external auditors.

4. Contribution to Corporate Priorities

4.1 The financial statements underpin all corporate priorities by demonstrating a healthy financial position, providing a strong foundation to enable the authority to meet its objectives.

5. Report – Commentary on Statement of Accounts

5.1 Income and Expenditure Account (Page 11)

- 5.1.1 The General Fund under-spend was £0.3m (page 2 of the accounts). Cabinet have approved this sum to be set aside within earmarked reserves. As a consequence, the movement on the general fund balance is neutral (as shown in the Movement in Reserves Statement). The General Fund balance therefore remains at £1.3m, which is consistent with the approved medium term financial strategy.
- 5.1.2 The Comprehensive Income and Expenditure Statement reports a deficit on the provision of services for the year of £2.3m. There is also a net amount required to be credited to the General Fund balance for the year shown in the Movement in Reserves Statement of £13.1m. These two items are offset by a net transfer to earmarked reserves of £10.8m. Movement on reserves during the year are shown at note 9 to the accounts.
- 5.1.3 The Council has administered a range of Covid-19 grants and support schemes for businesses and residents during the course of the year. In line with the Code of Practice the Council has made an assessment of those scheme as to whether it was acting as principal or agent (i.e. to what extent did the council control who received the grant and the level of funding). Those schemes whereby the Council was deemed to be acting as principal are shown within the Comprehensive Income and Expenditure Statement and those schemes whereby agency treatment was more relevant are disclosed in note 41.

5.2 **Movement in Reserves (Pages 12 & 13)**

- 5.2.1 As set out above, the surplus or deficit shown within the Comprehensive Income and Expenditure Statement is offset by the various reconciling items to ensure that the movement on General Fund reserves reflects statutory requirements.
- 5.2.2 The Statement demonstrates that usable reserves have increased by £10.8m to £28.3m. This largely relates to the increase in earmarked reserves, as indicated earlier. The main increase in earmarked reserves relates to the timing of the Government announcement to award Covid-19 business rates relief to retail, hospitality and nurseries. This has created timing differences within local authority accounts, with the relief having been awarded via the Collection Fund creating a large deficit and the Government section 31 compensation (£8.2m) credited to the general fund and held on a temporary basis within earmarked reserves.
- 5.2.3 In the current climate, in which we have seen unprecedented funding reductions, local authorities face significant uncertainty in relation to future funding levels and have additional pressures arising from the pandemic, reserves are seen as a strong indicator of financial resilience and sustainability. Nevertheless these are subject to annual review as part of the development of the Medium Term Financial Strategy.
- 5.2.4 Unusable reserves are largely those that are kept to manage the accounting processes for long term assets and retirement benefits. These have reduced during 2020/21, largely arising from the change in the pension fund liability (as set out in more detail below) and also the deferred deficit on the Collection Fund.

5.3 **Balance Sheet (Page 12)**

- 5.3.1 Property, Plant and Equipment - Primarily the land and buildings owned by the Council. The figure of £30m (£32.4m - 2019/20) is derived from a variety of independent valuations intended to reflect the worth of the assets to the Council - not necessarily the sum for which they could be sold. The reduction in 2020/21 (£2.4m) includes the downward revaluation of the councils car parks (£4.6m), which takes into account within the valuation basis the loss of income due to the Pandemic. This has been partially offset by valuation increases in other operational assets.
- 5.3.2 The Council has short-term investments (excluding deposits held in call accounts) of £34m (£19.9m 2019/20). Cash and cash equivalents stood at to £10.8m (£13m 2019/20). The increase in this combined figure largely relates funding received in advance pending distribution or repayment to Government. For example £11.4m of section 31 grants relating to the government and preceptors share of business rates reliefs is repayable.
- 5.3.3 Long Term Borrowing stands at £10.6m (£10.7m 2019/20), with short term borrowing remaining at £0.6m.
- 5.3.4 Provisions have increased from £2.2m to £2.8m, with the increase relating to the NNDR appeals and claims following annual review (£0.4m) and £0.2m relation to the Leisure Pension Provision.
- 5.3.5 The Pension Scheme liability increased as at 31st March 2021 from £47.2m (31st March 2020) to £58.3m (31st March 2021). The pension fund liability is calculated by a firm of actuaries and is based on a number of assumptions. These assumptions change from one year to the next in relation to the prevailing economic conditions. The pension liability represents the underlying long term commitment that the authority has to pay future retirement benefits. The fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget. The current Medium Term Financial Strategy includes provision for future increases.
- 5.3.6 The accounts once again also reflect a pension pre-payment of £3.2m, this reflect a discount of 4% on the nominal sum. The pre-payment is held in the pension reserve pending a charge to the general fund in subsequent years.
- 5.3.7 Capital Grants received in advance represent capital grants whereby the conditions attached to the grant have not yet been fully satisfied. These amounts include section 106 deposits from developers.

5.4 **Cash Flow Statement (Page 13)**

- 5.4.1 This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the Local Authority context. .

5.4.2 Whilst the Comprehensive Income and Expenditure Statement is compiled on an accruals basis (i.e. goods and services are accounted for when they are received or provided), the cash flow statement demonstrates the movement in actual cash paid and received during the year.

5.5 **Collection Fund Account (Page 91)**

5.5.1 The Collection Fund shows an in year deficit of £21.9m, this includes a deficit of £1.3m in relation to Council Tax and a deficit of £20.6m in relation to Business Rates. These deficits are after taking into account the re-distribution of prior year surpluses, they also reflect both the impact of the Pandemic. In relation to the business rates deficit this reflects the timing of the Governments decision in relation to Covid business rates reliefs, with the Council's share of the subsequent compensation held in general fund earmarked reserves (see para.5.2.5 above).

5.5.2 Overall, after taking into account the balance brought forward from 2019/20, the Collection Fund has a deficit of £14.7m, (Surplus £7.2m – 2019/20) which will be redistributed to the respective authorities in future years.

5.6 Overall the accounts presented within the Financial Statements show a healthy position. Through the adoption of proper accounting practices, and the ongoing identification of and actions to mitigate against financial risks, this provides a crucial foundation for the Council to be able to achieve its objectives.

6. **Financial Considerations**

*This section has been approved by the following member of Financial Management Unit:
Lisa Turner.*

6.1 This report relates solely to the authorities financial position and activities during 2020/21.

7. **Risk Assessment and Management**

7.1 The main risks to this Report and the Council achieving its objectives are as follows.

7.2 Positive (Opportunities/Benefits):

7.2.1 These accounts reflect a robust financial position which supports the organisation in meeting its objectives going forward.

7.3 Negative (Threats)

7.3.1 Inadequate or incorrect financial reporting may result in misrepresentation of the Council's financial position and impact on the underlying financial position.

8. Legal Considerations

This section has been approved by the following member of the Legal Team: Angela Wakefield.

- 8.1 Production, publication and approval of the accounts is in accordance with the Accounts and Audit Regulations and associated statutory accounting framework.

9. Equality and Health

- 9.1 **Equality impacts:** The subject of this Report is not a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.
- 9.2 **Health impacts:** The outcome of the health screening question does not require a full Health Impact Assessment to be completed.

10. Human Rights

- 10.1 There are no Human Rights issues arising from this Report.

11. Sustainability (including climate change & change adaptation measures)

- 11.1 Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) No

12. Recommendation(s)

- 12.1 To recommend to the Audit (approval of Statement of Accounts) Committee that:
- a) the Statutory Statement of Accounts for 2020/21 and the letter of representation, as appended to this report, be approved subject to any adjustments that may be necessary following the conclusion of the external auditors work and authority be delegated to the Chair to sign the accounts accordingly.

13. Appendices

- 13.1 Appendix A: Statutory Statement of Accounts 2020/21.
- 13.2 Appendix B: Letter of Representation 2020/21.