



Governance and Audit

Tuesday 20 July 2021

Subject: Unaudited Statement of Accounts 2020-21

Report by:

Section 151 Officer

Contact Officer:

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Purpose / Summary:

The 2020/21 Unaudited Statement of Accounts is presented for scrutiny

RECOMMENDATION(S):

- 1) That Members pre- scrutinise the attached Unaudited Statement of Accounts. Any comments of this Committee will be referred to the Section 151 Officer for subsequent discussion with the Council's External Auditors, Mazars;**

IMPLICATIONS

Legal: The Statement of Accounts is prepared in accordance with the Accounts and Audit Regulations 2015

Financial : FIN/52/22/TJB

The Unaudited Statements of Accounts 2020/21 has been prepared in accordance with proper accounting practices and the requirements of International Financial Reporting Standards (IFRS). This is intended to provide for comparable accounts across all accounting boundaries, public and private, national and international.

The Actual overall Outturn has realised a surplus of £2.783m, of which £1.414m relates to one off budget provision for projects funded from reserves and which have approval for carry forward as they span financial years.

This leaves a £1.369m surplus (7% of the revised budget) which will be transferred to the General Fund Balance.

Capital Investment totalled £9.034m.

In respect of Usable Reserves, we remain in a healthy position with balances detailed below;

- General Fund working balance totals £7.338m, (£4.233m 2019/20)
- General Fund Earmarked reserves total £19.209m, (£15.787m 2019/20)
- Capital receipts total £1.169m (£3.463m 2019/20)
- Capital Grants unapplied £2.367m (£0.538m 2019/20)

A number of financial performance ratios are contained within the report which illustrate that the Council remains in a healthy financial position.

Staffing :

None arising from this report.

Equality and Diversity including Human Rights :

None arising from this report.

Data Protection Implications : None arising from this report

Climate Related Risks and Opportunities: None arising from this report

Section 17 Crime and Disorder Considerations: None arising from this report

Health Implications: None arising from this report

Title and Location of any Background Papers used in the preparation of this report :

Code of Practice on local authority accounting in the United Kingdom 2020/21.

Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2020/21 Accounts.

The Accounts and Audit (England) Regulations 2015

Papers are located in the Financial Services section, Guildhall

Risk Assessment :

Should the auditors find any material errors this may result in a qualification of the accounts:

Mitigation: The auditors have been consulted on any material issues identified during the closedown process and agreement has been made on the treatment of such items.

Mitigation: A robust quality check has been undertaken and working papers prepared and reviewed.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Introduction

- 1.1 The Unaudited Statement of Accounts for 2020/21 (Appendix A) has been prepared under the International Financial Reporting Standards based Code of Practice on Local Authority Accounting (the Code).
- 1.2 Following the Accounts and Audit Regulations 2015 the Council's Statement of Accounts, subject to audit, must be certified by the Chief Finance Officer and published before the 31 May. Following completion of the external audit the Council must formally approve the accounts before 31 July. However, due to the current situation regarding Covid-19, these deadlines have been extended. The unaudited accounts must therefore be published on, or before 31 July 2021. Audited accounts must be published by 30 September 2021.
- 1.3 The Committee is presented with the Unaudited Statement of Accounts, which was approved for issue by the Chief Executive (S151 Chief Finance Officer) on 1 July 2021 to the auditor, Mazars which is prior to the statutory deadline of 31 July 2021, for consideration and review.
- 1.4 This Committee is responsible for the approval of the Statement of Accounts and any material amendments of the accounts recommended by the external auditors. The Audited Statement Accounts will therefore be presented to this Committee on 28 September 2021 after the audit process.
- 1.5 Members of the Governance and Audit Committee will be provided with specific training on the Statement of Accounts to enable them to meet these requirements which will be held a few days prior to the September Committee meeting.
- 1.6 The Statement of Accounts will be combined with the Annual Governance Statement (AGS) as in previous years whereby the Council publishes one document, clearly identifying that these are separate statements.
- 1.7 This Committee will review the Draft Annual Governance Statement alongside the Unaudited Statement of Accounts.
- 1.8 The External Auditor (Mazars) commenced their audit 14 June 2021. If any errors are identified during the audit this may result in some changes to the Statement of Accounts that were originally certified by the Chief Finance Officer published. The impact of any significant changes made on the main statements and associated notes will be highlighted in the September report.
- 1.9 The Statement of Accounts, and all supporting documentation is available for inspection by the electorate and must include the

period from 5th July 2021 to 13 August 2021 by appointment only. From 5th July 2021 to 13 August 2021, any local elector may make written representations and/or objections to the external auditor to anything about which the Auditor could take action under section 7 of the Local Audit and Accountability Act 2014. Those sections deal with expenditure made by the District Council which is unlawful, and any matter in respect of which the auditor could make a report under section 7 of the Act. An elector must send a copy of any such objection to the Assistant Director of Finance, Business Support and Property Services (S151).

2 Financial Performance Indicators 2020/21

- 2.1 Taking information from the main Statements within the Accounts i.e. the Income and Expenditure Account, the Movement in Reserves and the Balance Sheet, the financial performance indicators provide a view of the Council's financial stability and health.
- 2.2 The Council remains in a healthy position with good levels of Usable Reserves, however the impact of the increase in the Pension Liability reflects an inability to meet its liabilities. The pension fund is not an immediate concern, however the increased liability, is mainly due to the financial assumptions of the value of liabilities in the current economic climate.

3 The Statement of Accounts

The Unaudited Statement of Accounts 2020/21 is attached at Appendix A. The main elements of which are detailed below;

3.1 Expenditure Funding and Analysis (Note 8 to the accounts)

This is a statement which details the net expenditure utilised by our service Clusters which (chargeable to the General Fund) when added to the statutory accounting adjustments i.e. capital charges, pensions. This then reconciles to the Comprehensive Income and Expenditure Account.

3.2 Comprehensive Income and Expenditure Statement (CIES)

This Statement records the day-to-day expenditure incurred in providing services and includes salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. This statement also shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, but such "accounting costs" do not form part of the amount required to be raised through Council Tax. In 2020/21 there was a surplus on the

Provision of Services totalling £1.211m (£8.007m surplus 2019/20).

3.3 **Movement in Reserves Statement (MIRS)**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting.

The Councils usable reserves total £30.081m (£24.021m 2018/19).

3.4 **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Usable Reserves total £30.081m (£24.021m 2019/20). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS Statement line 'Adjustments between accounting basis and funding basis under regulations'. Unusable Reserves total a deficit of £32.784m (£18.163m 2019/20) thus giving a net balance sheet position of £2.703m where liabilities exceed assets and Unusable Reserves exceed Usable Reserves. (£5.858m, Net Assets with Usable Reserves exceeding Unusable Reserves)

3.5 **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. There has been an overall increase in cash of £5.173m (decrease of £2.678m 2019/20). Which is mainly due to the amount of Business Rates Grants funding yet to be expended.

3.6 Notes to the Accounts

The Notes to the Accounts include additional information including the accounting policies, material items of income and expense and explanations of elements contained within the Comprehensive Income and Expenditure Account and the Balance Sheet.

3.7 Other Financial Statements

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

4 Other Matters:

4.1 Scale Fee for the External Audit of the Accounts 2020/21

The Council received notification from the Public Sector Audit Appointments (PSAA) on the 1 May 2020 that the scale fee for the Audit of the 2020/21 Statement of Accounts would remain unchanged at £33,420, however it is anticipated that this fee will increase by at least 25% in line with the additional costs experienced in 2019/20 and as a result of additional audit work required by the Audit Code. These costs will be met from within the approved budget.

5 Summary

5.1 The Unaudited Statement of Accounts 2020/21 attached at Appendix A is currently being audited by the Authority's external auditors. The final Audited Statement of Accounts will be

presented to Governance and Audit Committee on 28 September 2021.

- 5.2 It is recommended that Members, having considered the Unaudited Statement of Accounts refer any comments to the Chief Finance Officer for subsequent discussion with the Council's External Auditors, Mazars prior to issue 28 September 2021.
- 5.3 Members note the scale fee for the External Audit of the Statement of Accounts for 2020/21.

6 Recommendations

- 1 That Members have the opportunity to review the attached Unaudited Statement of Accounts. Any comments of this Committee will be referred to the Section 151 Officer for subsequent discussion with the Council's External Auditors, Mazars;
- 2 That Members accept the uncertainty around the Pension Fund Valuations which may result in amendments to the Statement of Accounts;
- 3 That Members note the scale fee for the External Audit of the Statement of Accounts for 2020/21.