

This Report will be made public on 13 July 2022



Report Number **AuG/22/12**

To: Audit and Governance Committee
Date: 21 September 2022
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader of the Council

Subject: Statement of Accounts 2021/22

Summary: The council must consider and approve its Statement of Accounts no later than 30 November 2022. The accounts presented are subject to audit which is ongoing at the time of drafting this report.

Reasons for recommendations:

The Committee is asked to agree the recommendations set out below because the Council is required to consider and approve its Statement of Accounts no later than 30 November, to enable publication to be made by that date.

Recommendations:

1. To receive and note report AuG/22/12.
2. To approve the draft Statement of Accounts 2021/22.

1. INTRODUCTION AND BACKGROUND

- 1.1 The 2021/22 Statement of Accounts is prepared in accordance with the relevant Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS).
- 1.2 The Ministry of Housing, Communities and Local Government (MHCLG) confirmed revised Accounts and Audit Regulations on 9 March 2021. The Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263) extend the statutory audit deadline for 2020/21 and 2021/22 for all local authorities.
- 1.3 The publication date for audited accounts was moved from 31 July to 30 September for all local authority bodies.
- 1.4 In December 2021 the Department for Levelling-Up, Housing and Communities (DLUHC) announced an intention to further extend the deadline for publishing audited local authority accounts to 30 November for 2021/22 and then 30 September for 6 years, beginning with 2022/23 as part of longer-term measures to help stabilise the market and address long-term supply issues.
- 1.5 The changes mean that accounts (that must be confirmed by the responsible finance officer (RFO)) must be published by 30 November 2022 at the latest.
- 1.6 The team have again worked extremely hard this year, continuing to work remotely, to produce the draft accounts. There has been a delay in publication of the draft accounts firstly due to resolution of technical accounting matters and now due to the ongoing investigations into governance irregularities. The Statement of Accounts presented are therefore a pre-publication version for Members to review and will be published in due course.
- 1.7 The External Audit has commenced and an update will be provided to the committee on the work to date, but the final Audit Findings Report will be tabled to the next Audit & Governance Committee.

2. STATEMENT OF ACCOUNTS 2021/22 – FINANCIAL POSITION AND PERFORMANCE

2.1 Narrative Report (pages 4 to 19)

The Narrative Report seeks to provide information on the authority, its main objectives and strategies, the principal risks faced and the commentary on how it has used its resources to achieve the desired outcomes.

The structure of the report itself can be determined by the authority but consideration in its preparation should be given to the following elements: Organisational review and external environment; governance; organisational model; risks and opportunities; strategy and resource allocation; performance; outlook; and the basis of preparation.

2.2 **Statement of Responsibilities (page 21)**

This sets out the responsibilities of the council and the Chief Finance Officer in relation to the production of the Statement of Accounts. Following approval of the accounts by the Committee, the Chair is required to sign and date the Statement.

2.3 **Movement in Reserves Statement (page 24)**

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 used to fund expenditure or reduce local taxation) and other reserves.

Overall, reserves increased by £50.7m to £245.2m. Of this, usable reserves decreased by £2.4m and other (unusable) reserves increased by £53.1m.

2.4 **Comprehensive Income and Expenditure Statement (page 25)**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Total Comprehensive Income and Expenditure for 2021/22 showed a surplus of £50.7m (£12.9m surplus in 2020/21). This is equal to the increase in overall reserves explained in the Movement in Reserves Statement. This comprises a Surplus on Provision of Services of £1.2m, with other asset and pension liability movements generating a surplus of £49.6m.

2.5 **Balance Sheet (page 26)**

The Balance Sheet sets out the financial position of the council at 31 March 2022. The statement shows the balances and reserves at the council's disposal, its long term indebtedness and assets employed. Overall, the council's net worth rose by £50.7m to £245.2m as already explained in the sections on Movement in Reserves and Comprehensive Income and Expenditure Statement.

Long term assets increased by £53.8m compared to the previous year. The main reasons are due to housing dwelling valuation increase of £34.6m; Assets Under Construction increase of £6.0m; Surplus Assets valuation increase of £5.8m and Investment property valuation increases of £5.8m.

Current assets have increased by £10.5m represented by increases in the sum of cash & cash equivalent held £12.4m offset by decreases in short term debtors (£1.9m).

Current liabilities have increased by £32.6m, largely due to an increase in short term borrowing of £33.8m.

Long term liabilities have decreased by £19.0m due to a reduction in long term borrowing of £15m and a decrease in the pension liability of £4.0m.

2.6 Cash Flow Statement (page 27)

This Statement summarises the cash inflows and outflows arising from transactions with third parties, arising from revenue and capital transactions. The Statement shows that there has been a net cash inflow of £12.4m in 2021/22.

2.7 Notes to the Financial Statements (including accounting policies) (pages 29 to 94)

The notes set out in more detail how the figures have been arrived at and give further supporting information. The policies show the principles, bases, conventions, rules and practices applied by the council when preparing and presenting these statements.

2.8 Housing Revenue Account and notes (pages 95 to 101)

The Council, as a recognised housing authority, must produce a statement of the Housing Revenue Account in accordance with the requirements of the Local Government and Housing Act 1989. For 2021/22 there was a deficit (after non service movements) of £2.7m, resulting in a Housing Revenue Account reserve of £9.9m.

2.9 Collection Fund and notes (pages 102 to 105)

The council is required to maintain a separate fund for the collection of the Council Tax and Business Rates income and payment of precepts. Overall there was an in year surplus of £5.7m, resulting in a year end deficit balance carried forward on the Fund of £7.5m. Of this amount the council tax holds a surplus of £1.6m and the business rates a deficit of £9.2m. The council's share of the net deficit is paid over in 2022/23 and 2023/24. The large deficit on business rates was largely accrued in 2020/21 due to the impact of the pandemic and most predominately due to the new Covid business rates reliefs awarded by the government. Funding was received for these via a Section 31 grant and this money has been transferred to an earmarked reserve to fund the deficit in future years. The business rates deficit has reduced by £3.1m in 2021/22.

2.10 Group Accounts (pages 106 to 117)

The Group Accounts show the financial position and performance of the council and its subsidiaries, Oportunitas Ltd, Otterpool Park LLP and Otterpool Park Development Company Ltd.

2.11 Annual Governance Statement (pages 118 to 137)

The Accounts and Audit Regulations require the annual governance statement to be published at the same time as the Statement of Accounts.

2.12 **Glossary of Terms (pages 138 to 140)**

A definition of some of the terms used within the accounts is provided.

3. AUDIT OF THE ACCOUNTS

3.1 The Accounts and Audit (Amendment) Regulations 2021 require the statement of accounts for 2021/22 to be prepared by 31 July and the audit completed by 30 November.

3.2 The Finance team have worked extremely hard since March to prepare the draft accounts.

3.3 The draft accounts are yet to be published due to a delay in signing firstly due to the resolution of technical accounting requirements by the team and now the ongoing investigations into irregularities. However, the audit has recently commenced and it is felt that the overall deadline of the end of November is achievable. The Auditors and the team are working towards the Audit being concluded in readiness to report the findings and audited Accounts to this committee in November for adoption.

3.4 Grant Thornton's audit team commenced the audit in early September and the audit is progressing well at the time of preparing this report.

4. CONCLUSION

4.1 The Committee is asked to note and approve the draft Statement of Accounts for 2021/22.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (AK)

There are no legal implications arising directly out of this report that are not already referred to in the report.

5.2 Finance Officer's Comments (CS)

This report has been prepared by Financial Services and all financial matters contained within the body of the report.

5.3 Diversity and Equalities Implications (CS)

There are none arising directly from this report

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

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The following background documents have been relied upon in the preparation of this report:

Appendices:

Appendix 1: Draft Statement of Accounts 2021/22