

Committee: **Governance & Audit Committee**
 Date of meeting: **27 July 2021**
 Report Subject: **Draft Statement of Accounts 2020/2021**
 Portfolio Holder: **Cllr Nigel Daniels, Leader / Executive Member
 Corporate Services**
 Report Submitted by: **Rhian Hayden, Chief Officer, Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
			27.07.21					Statutory Returns; Financial Governance

1. Purpose of the Report

1.1 To present for information the 2020/2021 Draft Statement of Accounts and the Authority's financial standing as at 31 March 2021 (subject to Audit).

2. Scope and Background

2.1 The requirements for preparation, inspection, audit, approval and publication of Local Authority annual accounts are specified in the Public Audit (Wales) Act 2004 [the 2004 Act] and the Accounts and Audit (Wales) Regulations 2014 [the 2014 Regulations] as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.

2.2 Section 25 of The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 specifies that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting ("the Code") represents proper practice in preparing local authority accounts in compliance with section 8(1) of the 2014 Regulations.

2.3 Section 10A of the amended 2014 Regulations requires the following:

Requirement	Deadline
A provisional (i.e. pre-audit) Statement of Accounts to be fully prepared and certified by the Chief Officer - Resources as presenting a true and fair view of the Authority's financial position and its income and expenditure for the year ended 31 March 2021	31 May 2021
Publication of a final audited Statement of Accounts	31 July 2021

- 2.4 In recognition of the continuing impact of the Covid-19 pandemic, Welsh Government acknowledged that additional work could be required to finalise local authority accounts for the 2020/2021 financial year. Consequently, Authorities are able to prepare their accounts to the extended timetable implemented for 2019/2020, as follows:

Requirement	Deadline
A provisional (i.e. pre-audit) Statement of Accounts to be fully prepared and certified by the Chief Officer - Resources as presenting a true and fair view of the Authority's financial position and its income and expenditure for the year ended 31 March 2021	31 August 2021
Publication of a final audited Statement of Accounts	31 November 2021

- 2.5 Where deadlines specified in the amended 2014 Regulations are not met, the Authority is required to publish the required statutory notice(s).
- 2.6 Section 11 of the 2014 Regulations and Section 29 of the 2004 Act require that the Accounts and other documents are made available for public inspection for 20 working days.
- 2.7 The documents available for public inspection are specified by Section 30 of the 2004 Act and the security and control of this information is managed by senior staff within Accountancy during the period.
- 2.8 Section 31 of the 2004 Act provides for local electors to make objections to the External Auditor regarding any item of account that is contrary to law or any matter that could result in a report in the public interest. The auditor has appointed 2 August 2021 as the date on or after which these rights can be exercised.
- 2.9 Following the detailed examination by Audit Wales it is anticipated that the Accounts will be re-presented to the Governance & Audit Committee for approval in September 2021. Following approval at that meeting, the person presiding over the meeting (normally the Chair or Vice-Chair of the Committee) is required to sign and date the Accounts on behalf of the Council.
- 2.10 If the final statutory report presented by the Audit Wales were to contain any material qualification issues, the audited Statement of Accounts may also need to be reported to Council.
3. **Options for Recommendation**
- 3.1 The Audit & Governance Committee receives the Draft 2020/2021 Statement of Accounts for information, prior to the anticipated consideration for approval in September.

4. **Evidence of how does this topic supports the achievement of the Council Priorities / Statutory Responsibilities / National Well-being Goals etc**

4.1 **Statutory Responsibilities**

The Statement of Accounts is prepared in accordance with relevant statutory and regulatory provisions, accounting codes of practice and accounting standards. It details the financial transactions of the Authority for the 2020/2021 financial year and the value of assets, liabilities and reserves at the balance sheet date (31 March 2021).

5. **Implications Against Each Option**

5.1 **Financial**

5.1.1 Revenue Expenditure and Outturn (*note 5.1 on page 3 of the Draft Statement of Accounts*) reports Draft Net Outturn on Portfolios included in Management Accounts (excluding School Spending) as being £149.506m. This represents a provisional favourable variance of £2.639m compared to the revised budget for the year.

5.1.2 Further accounting adjustments are required to the Management Accounts position in order to comply with the Accounting Code. Detail of these adjustments can be found in the 'Expenditure and Funding Analysis' and notes on pages 35-38 of the Draft Accounts.

5.1.3 Application of these adjustments results in an accounting surplus of £13.890m which after Tax Expenses (related to the consolidation of City Deal investments) and the transfer of £12.506m to earmarked reserves leads to a net increase in the Council Fund General Reserve of £1.421m.

5.1.4 Capital Expenditure on schemes for the year amounted to £17.604m (*Property, Plant & Equipment note 24.5 on page 66 of the Draft Accounts*).

5.1.5 Where required by the Accounting Code and IAS 37 (*Provisions, contingent liabilities and contingent assets*), specific sums have been provided in relation to known liabilities. Total provisions held at 31 March 2021 amounted to £3.346m (*Note 32 on pages 75-78 of the Draft Accounts - Provisions, Contingent Liabilities and Contingent Assets*), with the most significant provisions being in respect of Insurance (£3.131m) and Lease Dilapidation – Anvil Court (£0.133m).

5.1.6 The level of earmarked reserves has been determined in accordance with the agreed reserves protocol.

5.1.7 The level of usable reserves available to the Authority has increased by £15.511m in 2020/2021. A summary of the provisional strategic financial position of the Authority is given below:

Usable Reserves	31 March 2020	Increase/ (Decrease)	31 March 2021
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Council Fund	6,399	1,421	7,820
Earmarked Reserves	8,275	12,506	20,781
Usable Capital Reserves	7,349	1,584	8,933
Total Usable Reserves	22,023	15,511	37,534

5.1.7 The Council has agreed to a Council Fund target level of 4% of net revenue expenditure. The provisional Council Fund balance of £7.820m at 31 March 2021 equates to 5.78%, £2.406m above the 4% target level of £5.414m, improving the Council's financial Resilience.

5.1.8 Significant elements of earmarked reserves held at 31 March 2021 relate to grant funding in respect of specific projects or services that will be utilised in delivering the relevant service outcomes.

5.1.9 In future years it is possible that there will be restrictions on public spending in order to mitigate the extraordinary levels of borrowing incurred by Central Government in dealing with Covid-19. It would therefore be prudent to retain appropriate levels of earmarked and general reserves to assist with a funding situation potentially similar to that experienced during the last decade.

5.2 Risk

5.2.1 Achievement of the statutory requirements in relation to the annual accounts is important in terms of demonstrating that the Authority has the appropriate governance arrangements in place to manage the reporting of its strategic financial affairs. Failure may result in reputational damage for the Council. A planned approach has ensured that statutory requirements have been met.

5.3 Legal

5.3.1 The requirements for preparation, inspection, audit, approval and publication of Local Authority annual accounts are specified in the Public Audit (Wales) Act 2004 [the 2004 Act] and the Accounts and Audit (Wales) Regulations 2014 [the 2014 Regulations] as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.

5.4 Personnel

5.4.1 There are no direct personnel/staffing implications arising out of this report.

6. Supporting Evidence

6.1 Performance Information and Data

- 6.1.1 The Draft Statement of Accounts for 2020/2021 has been prepared in accordance with the relevant statutes, regulations, accounting codes and standards.
- 6.1.2 The Authority has chosen to prepare its Accounts in as timely a manner as possible, ahead of the timescales allowed for the year by Welsh Government. Consequently, the Draft Statement of Accounts 2020/2021 was prepared and certified by 18 June 2021. This represented a significant improvement on the previous year.
- 6.1.3 However, as the statutory deadline of 31 May 2021 was not met, the required notice was published on the Council's website outlining the reasons for the lack of certification at that time and the intended course of action to be taken to resolve this situation.
- 6.1.4 Given that the Accounts will not be audited ahead of the 31 July 2021 deadline, a statutory notice has been prepared and together with the Draft Statement of Accounts will be published on the Council website ahead of that date, in compliance with Section 10(4) of the amended 2014 Regulations.
- 6.1.5 The External Auditor (i.e. Audit Wales) has commenced a detailed financial audit of the individual disclosure notes and accounts that comprise the overall Statement and is expected to finalise the Audit of Financial Statements Report in September.
- 6.1.6 The period of public inspection has been advertised and is taking place from Monday 5 July 2021 to Friday 30 July 2021. The auditor has given notice that the date on or after which electors may exercise their rights to objections is Monday 2 August 2021.
- 6.1.7 If there are any matters to be reported to Members arising out of the above, then these will be reported separately. Any issues arising from the external audit of the Statement of Accounts or objections raised during the inspection period will be presented to the Governance & Audit Committee in September as part of the Auditor's formal Audit of Financial Statements.
- 6.1.8 Section 22 of the 2004 Act requires the External Auditor to consider whether a report should be made in the public interest for any matter arising during the course of the audit, including from objections made following public inspection.

6.2 Expected outcome for the public

- 6.2.1 Preparation, publication and approval of statutory accounts helps demonstrate stewardship of the Authority's resources and its ability to provide services to the local community in the short and long term.

6.3 **Involvement** (*consultation, engagement, participation*)

Not applicable.

6.4 **Thinking for the Long term** (*forward planning*)

6.4.1 Preparation of statutory accounts helps demonstrate stewardship of the Authority's resources and its ability to provide services to the local community in the short and long term.

6.5 **Preventative focus**

Not applicable.

6.6 **Collaboration / partnership working**

Not applicable.

6.7 **Integration**

Not applicable.

6.8 ***EqIA***

6.8.1 An EQIA has not been prepared as this report provides an actual outturn position in relation to the Authority's transactions and year-end balances for the financial year, on an objective basis in accordance with relevant accounting standards, codes, concepts, principles, guidance and legislation.

7. **Monitoring Arrangements**

7.1 The Council takes into consideration the provisional financial standing of the Authority as reported within the attached Draft Statement of Accounts for 2020/2021 when monitoring budgets for 2021/2022, setting a Revenue Budget for 2022/2023 and in developing future medium term spending plans.

Background Documents /Electronic Links

Appendix 1 – 2020/21 – Draft Statement of Accounts