

**Statement of Accounts 2020/21****I. Introduction**

- 1.1 The 'Accounts and Audit Regulations 2015' stipulates a two-stage approval process for the Statement of Accounts. The first statutory deadline usually requires that the responsible financial officer (Section 151 Officer), by the 31 May, should sign and certify that the Statement of Accounts presents a true and fair view of:
- a. the financial position of the council for the year to 31 March previous, and
  - b. its expenditure and income for the year to 31 March previous
- subject to the views of the external auditor.
- 1.2 The second stage required that on or before 31 July approval needs to be given to the Statement of Accounts by resolution of a committee, which for Plymouth City Council is the Audit and Governance Committee. This approval will take account of the views of the external auditor. Once approved, the Statement of Accounts must be formally published on the Council's website.
- 1.3 However, the statutory deadlines have been extended for a second year due to the impact of COVID-19 on local authorities. The key changes for the publication of the accounts are contained in 'The Accounts and Audit (Coronavirus)(Amendment) Regulations 2021', the details are as follows:
- a. The deadline for the Council to publish its draft accounts is 31 July 2021 (not 31 May); and
  - b. The deadline for publication of its final (audited) accounts has moved from 31 July to 30 September 2021.
- 1.4 The accounts have to be produced in line with the relevant CIPFA Codes of Practice and with regard to relevant items of statute. Details of the changes in relation to the 2020/21 Codes and relevant legislation which need to be considered for the accounts are outlined in section 2.
- 1.5 The pre-audited accounts were approved by the Service Director for Finance and published on the Council's website on the 31 July 2021 in line with the revised deadline due to the impact of COVID-19.
- 1.6 Formal audit of the accounts for 2020/21 commenced on 2 August. The 30 working days period in which the Council has to make the draft accounts available for public inspection started on 2 August.
- 1.7 The Code requires that the Council sets and discloses an 'authorised for issue' date, which reflects a cut-off date in terms of the post balance sheet period within which events have to be considered in relation to their impact on the 2020/21 accounts. The relevant date for the draft Statement of Accounts has been set as 30 September 2021.
- 1.8 The Annual Governance Statement (AGS) is being presented separately to this Audit Committee for approval. This will be published alongside the Statement of Accounts on the Council's website as is required by the Code.
- 1.9 To comply with International Auditing Standards, GTUK need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance

## Appendix A

with law and regulation. The Council and the Chair of the Audit and Governance Committee have been working on the responses required within the GTUK 'Letter to Management'.

## **2. The CIPFA LASAAC Code of Practice 2020/21**

- 2.1 The main Code of Practice relevant to the production of the Statement of Accounts, which CIPFA publish on an annual basis, is the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 2.2 The Code is based on approved standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Committee (IFRIC) except where these are inconsistent with specific statutory requirements.
- 2.3 The 2020/21 edition of the Code introduces new, or amended accounting standards or reporting requirements in a number of areas including:
  - Definition of a Business: amendment to IFRS3 Business Combinations;
  - Interest Rates Benchmark Reform: amendments to IFRS 9, IAS 39 and IFRS 7; and
  - Interest Rates Benchmark Reform – Phase 2: amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Application of the standards is required from 1 April 2020. Therefore, these changes will be reflected in the Council's 2021/22 or future Statement of Accounts.

As well as changes to the Codes of Practice, Officers have also considered other documentation published by CIPFA, which will have an impact on either 2020/21 or future years' accounts.

## **3. Issues arising since publication of the 2020/21 draft Accounts**

- 3.1 Post Balance Sheet Events (PBSE)
  - 3.1.1 Although the Statement of Accounts shows the financial outturn for 2020/21 and Balance Sheet position as at the 31 March 2021, the Council is required to report material events occurring after 31 March 2021.
  - 3.1.2 There are no known events after the 31 March 2021 that would have a material impact on the Council's financial position.
- 3.2 Agreed Audit Amendments
  - 3.2.1 GTUK are in the process of auditing the Statement of Accounts for 2019/20 and will soon be starting work on auditing the Statement of Accounts for 2020/21 and until this work has been completed we are unable to report on any agreed amendments. The agreed amendments to the final published Statement of Accounts for 2019/20 and 2020/21 will be reported when Grant Thornton publish their ISA260 Audit Findings Report.

## **4. Statement of Accounts 2019/20**

- 4.1 The Council is working with their external auditors – Grant Thornton, to resolve an outstanding technical accounting issue relating to the Statement of Accounts for 2019/20 with respect to the Miel Pension transaction. Once this issue has been resolved to the satisfaction

of the Council and Grant Thornton, the Council may have to adjust the Statement of Accounts for 2019/20 and 2020/21.

## 5. Statement of Accounts 2020/21

- 5.1 The Council's breakeven outturn position was reported to Cabinet on the 8<sup>th</sup> June 2021. The overall net spend matches the net budget of £193.677m. The outturn position needs to be considered in the context of a challenging financial climate, made more so with responding to COVID-19. It should be noted that the council's working balance was not reduced and the Council has managed a £13.000m savings programme in addition to increasing service demands and customer expectations.
- 5.2 The General Fund Balance (also known as the Working Balance) as at 31 March 2021 is £8.044m. The Working Balance has a recommended minimum set at 5% of the net revenue budget. This minimum requirement has been approved by Council.
- 5.3 The Balance Sheet shows our assets, liabilities and reserves. The reserves are split in to usable and unusable reserves. The unusable reserves are not available to the Council but are part of their technical accounting requirements. The unusable reserves include, for example, the pension reserve, the capital adjustment account and the revaluation reserve. These reserves are not available to use for service delivery at the reporting date. These reserves arise from either :
- a. statutory adjustments required to reconcile to the amounts chargeable to council tax in order to comply with legislation, or
  - b. accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services.

The Council has a negative Balance Sheet as at 31 March 2021, which means that the Council's liabilities are £180.712 million greater than its assets.

- 5.4 The main movements on the Balance Sheet between 31 March 2020 and 31 March 2021 are summarised below:

### 5.4.1 Non-current Assets

- Property, Plant and Equipment has increased by £38.139 million partly due to the revaluation of a number of assets and also due to the addition of assets through the capital programme. Further detail can be found in note 15 to the Statement of Accounts.
- Investment Property has increased by £21.002 million due to the Council's Asset Investment Fund. The Council's Capital Programme includes the provision for the purchase of Investment Properties. Investing more in these types of properties allows the Council to deliver wider benefits to the residents and economy of Plymouth whilst also ensuring the Council is able to support the local economy and help deliver the outcomes of the Joint Local Plan. Further details can be found in note 17 to the Statement of Accounts.
- Long Term Investments have increased by £9.618 million reflecting a movement from short to long term investment on the advice of the Council's Treasury Management consultants Arlingclose. Further notes on Financial Instruments can be found in note 18 to the Statement of Accounts.

### 5.4.2 Current Assets

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- The Council no longer has any Short Term Investments compared to the reported £12.115m held on the Balance Sheet as at the 31 March 2020. See note 18 to the Statement of Accounts.
- Short Term Debtors have increased by £44.961 million due to a variety of reasons:
  - An increase of £43.992 million in central government grants outstanding
  - An increase of £1.919 million in the amounts due from other entities and individuals
- Cash and Cash Equivalents have increased by £3.069 million to £41.859 million to reflect an increase in our cash investments.

#### 5.4.3 Current Liabilities

- Short Term Borrowing has reduced by £3.981 million. This is to finance the Capital Programme in accordance with the 2020/21 approved budget and Treasury Management Strategy. Further detail can be found in note 18 to the Statement of Accounts.
- Short Term Creditors have increased by £49.132 million. This is mainly due to £26.286 million being owed to central government and £22.395 million owed to other entities and individuals.

#### 5.4.4 Long Term Liabilities

- Long Term Creditors have decreased by £3.803 million. Most of the movement is reflected in the reduction in the liability for unfunded pension liabilities relating to pre Local Government Reorganisation (pre 1 April 1998).
- Long Term Provisions have increased by £8.187 million, which relates mainly to an increase in the provision for business rate appeals of £7.056 million (following guidance from external consultants) and an increase in the insurance provision of £0.584 million. Further details can be found in note 21 to the Statement of Accounts.
- Long Term Borrowing has increased by £0.389 million, further details can be found in note 18 to the Statement of Accounts.
- Long Term Liabilities Pensions have increased by £133.500 million. The Council's net liability has increased mainly due to the re-measurement of its return on plan assets and actuarial gains and losses arising from changes on demographic assumptions and arising on changes in financial assumptions. Further detailed explanation on this movement is contained within note 34 of the Statement of Accounts.
- Grants Received in Advance – Capital have reduced by £13.156 million. This movement is explained in note 29.1 of the Statement of Accounts.