

Audit and Governance Committee



Date of meeting:	29 September 2022
Title of Report:	Statement of Accounts 2021/22
Lead Member:	Councillor Richard Bingley (Leader of the Council)
Lead Strategic Director:	Brendan Arnold (Service Director for Finance)
Author:	Carolyn Haynes
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Your Reference:	FIN/CH
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

The Council's draft Statement of Accounts for year ending 31 March 2022 was prepared and approved by the Service Director for Finance on 31 July 2022 and was made available for our external auditors to start their audit review.

The Statement of Accounts for 2021/22 are being presented to Audit Committee for approval. The Accounts and Audit Regulations require the accounts to be formally approved and published on or before 30 September 2022.

Grant Thornton UK (GTUK) will be providing an update on their review of the 2021/22 accounts and their audit progress at this committee.

Recommendations and Reasons

- I. To **approve** the Statement of Accounts for 2021/22 attached as Appendix B with the understanding that they are currently being audited by GTUK. Should any issues be identified during the GTUK audit Members are asked to delegate the approval of the Statement of Accounts to the Chairperson of the Audit Committee, in consultation with the Service Director for Finance.
 - a. Reason: Statutory Requirement, the Accounts and Audit Regulations 2015 require the accounts to be:
 - i. Considered by committee;
 - ii. Approved by committee resolution;
 - iii. Signed and dated by the person presiding at the committee.

Alternative options considered and rejected

None – It is a statutory requirement to produce and approve the Statement of Accounts.

Sign off:

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Originating Senior Leadership Team member: **Brendan Arnold**

Please confirm the Strategic Director(s) has agreed the report? **Yes**
 Date agreed: *20/09/2022*

Cabinet Member approval: *Approved verbally*
 Date approved: *20/09/2022*

Statement of Accounts 2021/22

I. Introduction

- I.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.
- I.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.
- I.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 (Amendment) Regulations 2021', the details are as follows:
- a. The deadline for the Council to publish its draft accounts is 31 July 2022 (not 31 May); and
 - b. The deadline for publication of its final (audited) accounts has moved from 31 July to 30 September 2022.
- I.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 2021/22 Codes and relevant legislation which need to be considered for the accounts are outlined in section 2.
- I.5 The pre-audited accounts were approved by the Service Director for Finance and published on the Council's website on the 31 July 2022 in line with the revised deadline.
- I.6 Formal audit of the accounts for 2021/22 has not yet commenced. The 30 working days period in which the Council has to make the draft accounts available for public inspection started on 1 August.
- I.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 2021/22 accounts. The relevant date for the draft Statement of Accounts has been set as 30 September 2022.
- I.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 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 2021/22

- 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 2021/22 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 For 2021/22 the following potentially relevant standards include:
- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year);
 - Annual improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard;
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material;
 - IAS 41 (Agriculture) – one of a small number of IFRSs which will only apply to local authorities in limited circumstances.

There are no changes in accounting requirements for 2022/23 that are anticipated to have a material impact on the Council's financial performance or financial position.

3. Issues arising since publication of the 2021/22 draft Accounts

3.1 Post Balance Sheet Events (PBSE)

- 3.1.1 Although the Statement of Accounts shows the financial outturn for 2021/22 and Balance Sheet position as at the 31 March 2022, the Council is required to report material events occurring after 31 March 2022.
- 3.1.2 There are no known events after the 31 March 2022 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, 2020/21 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, 2020/21 and 2021/22.

5. Statement of Accounts 2021/22

- 5.1 The Council's breakeven outturn position was reported to Cabinet on the 20th June 2022. The overall net spend matches the net budget of £195.568m. Within this overall balanced position the following headline financial issues are reported:

- A nil variance on a gross expenditure budget of £516m for business as usual activities. Given the character of the financial year in question and the continued impact of covid, this is a notable achievement.
- The setting aside of resources, as approved by Full Council at the meeting dated 28 February 2022 to assist in balancing the 2022/23 Revenue Budget:
 - a. General resources from 2021/22 in the sum of £2.845m
 - b. Covid grants carried forward from 2021/22 in the sum of £4.890m.
 - c. The balance of the sum set outside in the 2020/21 Outturn to assist in preparing for budget settlements in 2022/23 £1.708m.
- The setting aside of £0.349m into a Change Contingency to fund Invest to Save initiatives in 2022/23 or to assist in offsetting the budget shortfall in 2023/24.

- 5.2 The General Fund Balance (also known as the Working Balance) as at 31 March 2022 is £8.744m. 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 2022, which means that the Council's liabilities are £39.549 million greater than its assets.

- 5.4 The main movements on the Balance Sheet between 31 March 2021 and 31 March 2022 are summarised below:

5.4.1 Non-current Assets

- Property, Plant and Equipment has increased by £65.421 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 decreased by £4.377 million due to valuation movements. The Council's Capital Programme includes the provision for the purchase of Investment Properties. Further details can be found in note 17 to the Statement of Accounts.
- Long Term Investments have increased by £11.866 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

- Short Term Debtors have decreased by £20.516 million mostly due to a reduction in money owed to the Council by Central Government.
- Cash and Cash Equivalents have decreased by £1.632 million to £40.227 million to reflect an increase in our cash investments.

5.4.3

Current Liabilities

- Short Term Borrowing has reduced by £236.381 million. This reflects the move from short term borrowing to long term borrowing which has increased by £190.102m. Borrowing is used to finance the Capital Programme in accordance with the 2021/22 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 £13.190 million. This is mainly due to an increase in the money owed to other entities and individuals of £18.867 million, but £11.045m less is due to central government. This reflects the timing of the receipt of grant money from government which is yet to be paid out to grant recipients.

5.4.4

Long Term Liabilities

- Long Term Creditors have increased by £1.416 million. Most of the movement is reflected in an increase in liability for unfunded pension liabilities relating to pre Local Government Reorganisation (pre 1 April 1998).
- Long Term Provisions have decreased by £5.126 million, which relates mainly to movement in provision for business rate appeals and landfill site provision. Further details can be found in note 21 to the Statement of Accounts.
- Long Term Borrowing has increased by £190.102 million, which relates to the reduction in short term borrowing mentioned above, further details can be found in note 18 to the Statement of Accounts.
- Long Term Liabilities Pensions have reduced by £74.790 million. The Council's net liability has decreased 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 £45.671 million. This movement is explained in note 29.1 of the Statement of Accounts.

