

AGENDA ITEM

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

1 NOVEMBER 2021

REPORT OF DIRECTOR OF FINANCE, DEVELOPMENT AND BUSINESS SERVICES

STATEMENT OF ACCOUNTS 2020/2021

PURPOSE OF REPORT

This report presents to Members the Council's Annual Statement of Accounts for 2020/2021.

RECOMMENDATIONS

It is a statutory requirement of the Accounts and Audit Regulations 2015 – (Coronavirus amendments 2021) that the audited 2020/21 Statement of Accounts are approved by Members of the Committee and published on the Council's website on or before 30 September 2021. In order to comply with the regulations the Director of Finance, Development and Business Services and Chair of the Committee are required to sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue these as a public document.

DETAIL

1. The accounts have been completed in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021" which is prepared under International Financial Reporting Standards.
2. The Accounts and Audit Regulations (England) 2015 came into effect on 1st April 2015. The regulations changed the arrangements for the approval and publication of the Statement of Accounts and the Annual Governance Statement. Under the regulations the Council must publish its audited Statement of Accounts and approved Annual Governance Statement by 31st July for the financial year 2020/2021 but due to the Covid 19 outbreak there has been an amendment to these.
3. The Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that came into force on 31 March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 and 2021/22 for all local authorities. The publication date for audited accounts moved from 31 July to 30 September for all local authority bodies.
4. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June was removed. Instead, local authorities had to commence the public inspection period on or before the first working day of August 2021. This meant that draft accounts had to be confirmed by the responsible finance officer (RFO) and be published by 31 July 2021. These were presented to the Committee on the 19th July 2021.
5. The period in which electors have the right to examine the accounts, question the auditor

and to make objections at audit was set. This covered a period of 30 working days which, commenced on the 20th July 2021 and ended on 30th August 2021. The council did not receive any requests to examine the accounts during this period.

6. Due to a material error with the original pension figures provided via the Teesside Pension Fund a new pension report was required. This meant that the statutory deadline of the 30th September was not achievable. The updated figures have now been incorporated into the accounts presented.
7. During 2020/21 the Government provided a range of Covid financial support packages. These included additional funding to support service pressures (both income and expenditure) caused by the pandemic, funding for specific measures and initiatives, and grants paid to local businesses. In accordance with the Code of Practice, where the authority has the ability to determine/influence the grant scheme criteria it is said to be acting as a Principal. Where the authority has acted as principal, transactions are included in the financial statements and on this basis, the majority of Covid grants are recognised in the Comprehensive Income and Expenditure Statement (CIES).
8. However, there are some instances where the Council has acted as an agent i.e. the Council has simply acted as an intermediary and passed the funds onto recipients following government criteria. Where the Council has acted as an agent, transactions are not reflected in the authority's financial statements.
9. One measure the Government put in place was to provide 100% business rates discount for the leisure and hospitality sectors. Based on estimates, an upfront payment of compensation for the cost of these reliefs was given to local authorities via a Section 31 Grant in 2020/21. Due to Collection Fund accounting rules, the additional costs of reliefs resulted in a Collection Fund deficit in 2020/21. Therefore, £16.4m of the upfront payment received in 2020/21 has been set aside in reserves at year end to offset this deficit in 2021/22. This and other Covid grants have resulted in an increase in reserves at 31 March 2021.
10. The Council's leisure centres had previously been valued by the internal valuer with an adjustment made to the amounts relating to Tees Active leases. The assets were revalued by the district valuer for the 2020/21 accounts and no adjustment was made for the Tees Active leases. Discussions between Mazars and our internal valuer confirmed that the district valuer's approach in the current year was correct and consequently an amendment needed to be made to the prior year figures. This resulted in a third balance sheet being included in the statements in line with the Prudential Code.
11. The following key financial figures (non-group) are included in the accounts:
 - A surplus of £5.7 million is reported against directorate revenue budgets for 2020/21 (see revenue year end table page 15).
 - Total capital spending was £28.3 million during 2020/21 (see page 16).
 - Current long-term investments and cash and cash equivalents amount to £21.4m million. This is a decrease of £16.2 million from the previous year. This is due to the additional funding that was provided at the end of 2019/20 from the Government for Covid 19 being utilised during the 2020/21 financial year and the short-term and long term loans being repaid without replacement.
 - The Council's current long and short-term borrowings total £80.0 million which is a decrease of £21.7 million over the previous year. This decrease reflects the repayment of long and short-term loans that reached maturity without the need for

these to be replaced.

- The Council's earmarked reserves (excluding schools) stand at £73.9 million which is an increase of £18.7 million from the previous year. See paragraph 9 above which provides additional detail on this increase. School related reserves have increased from £3.1 million to a surplus of £5.2 million. Note 7 in the accounts provides further details on earmarked reserves.
- The level of General Fund balances at the 31st March stands at £12.9 million an increase of £5.7 million over the previous year.
- The Council's Pension Scheme deficit is estimated at £363.9 million, an increase of £50.7 million from the previous year. This results from the actuary's assessment of fund performance and the re-measurement of scheme assets and liabilities.

FINANCIAL AND LEGAL IMPLICATIONS

Regulation 9(1) of the Accounts and Audit Regulations 2015 requires the Council's Responsible Financial Officer (Director of Finance, Development and Business Services) to sign and date the statement of accounts and certify that it presents a true and fair view of the financial position of the Council. Regulation 9(2) requires the Statement of Accounts to be approved by members prior to publication. Regulation 10(1) requires the publication of the approved, audited Statement of Accounts by 31st July 2021.

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RISK ASSESSMENT

None directly from this report.

COMMUNITY STRATEGY IMPLICATIONS

None directly from this report.

CONSULTATION

None directly from this report.

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