

AGENDA ITEM

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

25 SEPTEMBER 2023

REPORT OF DIRECTOR OF FINANCE, DEVELOPMENT AND REGENERATION AND DEPUTY CHIEF EXECUTIVE

STATEMENT OF ACCOUNTS 2021/2022

PURPOSE OF REPORT

This report presents to Members the Council's Annual Statement of Accounts for 2021/2022.

RECOMMENDATION

The Director of Finance, Development and Regeneration and Deputy Chief Executive and Chair of the Committee sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue these as a public document based on the anticipation that there will be no other changes to the pension figures once Mazars have completed their pension fund assurance work.

This recommendation includes a delegation for the Director of Finance, Development and Regeneration and Deputy Chief Executive and the Chair of the Audit and Governance Committee to agree a further amendment if there is an unexpected outcome and the Pension Fund auditor assurance error level changes.

SUMMARY

It was a statutory requirement of the Accounts and Audit Regulations 2015 (as amended) that the audited 2021/22 Statement of Accounts are approved by Members of the Committee and published on the Council's website on or before 30 November 2022. In order to comply with the regulations, the Director of Finance, Development and Regeneration and Deputy Chief Executive 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.

Unfortunately, the conclusion of the audit was delayed due to two reasons neither of which was under the control of the Council's management team or the external audit team.

- Delays in the issuing of the Teesside Pension fund assurance letter;
- Infrastructure – guidance was issued by CIPFA on 11 January 2023 which set out how authorities should address the technical issues that had arisen in relation to accounting for infrastructure and how the statutory override that had been put in place by Government in December 2022 should be addressed. This impacted on the Council having the information needed to respond to this issue. The auditors work then followed on from this.

To conclude and publish the accounts for the 2021/22 financial year without further action for the Audit and Governance Committee this report recommends delegation to the Director of

Finance, Development and Regeneration and Deputy Chief Executive and the Chair of the Audit and Governance Committee to agree a further amendment if there is an unexpected outcome and the Pension Fund auditor assurance error level changes.

With regards to pension fund assurance Mazars have received a letter from the Teesside Pension Fund Auditors, EY, with the results of the triennial membership data testing and they are currently reviewing the findings.

DETAIL

1. The accounts have been completed in accordance with the “Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022” 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. In December 2021, the Department for Levelling-up, Housing and Communities (DLUHC) announced an intention for the following dates to apply for the 2021/22 accounts and audit process in England.
3. For the Publication of the unaudited statement of accounts the date was the 31st July 2022. The requirement in the Accounts and Audit Regulations 2015 (as amended) is for the public inspection period to have commenced by 1 August. However, this commencement could only happen at the earliest the first working day after the unaudited accounts (and other specified documents) were published.
4. The Accounts and Audit Regulations (Amendment 2022) were laid before Parliament on the 28th June 2022. These amendments change the deadline for Authorities to publish their statement of accounts and supporting documents (together with any certificate or opinion of the local auditor) from 30th September to 30th November for the financial year beginning in 2021, and from 31st July to 30th September for the financial years beginning in 2022, 2023, 2024, 2025, 2026 and 2027.
5. The period in which electors have the right to examine the accounts, question the auditor and to make objections covered a period of 30 working days which, commenced on the 26th July 2022 and ended on 5th September 2022. The council did not receive any requests to examine the accounts during this period.
6. During 2021/22 the Government continued to provide 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).
7. 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.
8. The following key financial figures (non-group) are included in the accounts:
 - A surplus of £4.071 million is reported against directorate revenue budgets for

2021/22 (see revenue year end table page 15). At the end of 2021/22 there was also a transfer of £7.537 million between General fund Reserves and Earmarked Reserves to reflect planned use of reserves as agreed in the MTFP report presented to Council on the 23rd February 2022.

- Total capital spending was £37.3 million during 2021/22 (see page 16).
- Due to the significant reduction in the re-measurement of the defined benefit pension liability the Comprehensive Income and Expenditure Statement shows a surplus of £126.9 million in year.
- Current long-term investments and cash and cash equivalents amount to £30.972 million. This is an increase of £9.572 million from the previous year.
- The Council's current long and short-term borrowings total £84.463 million which is an increase of £4.437 million over the previous year. This increase reflects an additional long-term loan entered into during the year.
- The Council's earmarked reserves (excluding schools) stand at £73.3 million which is a decrease of £0.5 million from the previous year. School related reserves have decreased from £5.2 million to a surplus of £4.5 million. Note 7 on page 29 and Appendix A page 86 provides further details on earmarked reserves.
- The level of General Fund balances at the 31st March stands at £9.413 million a decrease of £3.466 million over the previous year. This is due to the transfer of £7.537 million between General fund Reserves and Earmarked Reserves and the surplus of £4.071 million reported against directorate revenue budgets noted above.
- The Council's Pension Scheme deficit is estimated at £243.9 million, a decrease of £120.0 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 Regeneration and Deputy Managing Director) 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.

The Department for Levelling Up, Housing and Communities has put in place revised regulations that came into force on 31 March 2022. The Accounts and Audit (Amendment) Regulations 2022 extend the statutory audit deadlines 2021/22 for all local authorities. The publication date for audited accounts moved to 30 November 2022 for all local authority bodies.

RISK ASSESSMENT

None directly from this report.

COMMUNITY STRATEGY IMPLICATIONS

None directly from this report.

CONSULTATION

None directly from this report.

Garry Cummings

Director of Finance, Development and Regeneration and Deputy Chief Executive

Contact Officer: Andy Bryson, Chief Accountant

Telephone Number 01642 528850

Email: andy.bryson@stockton.gov.uk