

Report of the Director of Finance & IT to the meeting of Governance & Audit to be held on 23 September 2021

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Subject: 2020-21 Draft Statement of Accounts

Summary statement:

This report presents the Council's 2020-21 draft statement of accounts. These accounts are subject to approval from external audit.

This report also briefly details the salient financial implications from the accounts. A further report on the accounts will be presented at the meeting of Governance & Audit on 21 October 2021. It is also anticipated that the final 2020-21 accounts will be presented on this date.

EQUALITY & DIVERSITY:

There are no direct implications for equality and diversity arising from this report. It concerns the process by which the Council complies with Statutory requirements in producing its Statement of Accounts.

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Portfolio:

Corporate Services

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Overview & Scrutiny Area:

Corporate Services

1. SUMMARY

This report presents the 2020-21 draft Statement of Accounts and briefly details the key financial points arising.

The recommendation contained in this report is to note its contents. These contents are for the purpose of providing an update to the members of Governance and Audit Committee.

2. BACKGROUND

The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The regulations require that the unaudited statement of accounts is certified by the section 151 officer as providing a true and fair view of the financial position of the Council as at 31st March 2021 and its income and expenditure for the year end 31st March 2021.

The statement of accounts is prepared in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and is subject to scrutiny by the council's external auditor, which for the 2020-21 financial year is Mazars LLP

These draft accounts have been approved by the Chief Financial Officer and are now available for public scrutiny on the Council's website. They are in the process of being externally audited.

3. OTHER CONSIDERATIONS

Following public scrutiny and the external audit, it is anticipated that the audit statement of accounts will be presented to the Governance and Audit Committee on 21 October 2021 for approval.

4. FINANCIAL & RESOURCE APPRAISAL

The key financial implications as at 31 March 2021 from the draft 2020-21 statement of accounts are summarised below:

- Covid – The accounts for the financial year 2020-21 reflect the nature of the activity that has been undertaken to respond to the pandemic but also to continue to provide essential services. The financial pressures of the increased and new activity were supported by substantial additional Government grant and other funding, meaning that the additional Covid related costs and losses were mitigated in the financial year 2020-21.
- Useable reserves (excluding Capital Grants Unapplied) stood at £299.4m (Council £256.5m, and Schools £42.9m) (Page 14, & Note 5 page 40), compared to £238.9m at the end of 2019-20, representing a £60.5m increase in total useable reserves. The main reason for the increase was Covid related with the Council holding Covid grants received but not yet spent (including Collection fund related funding) at 2020-21-year end, with the expectation that these will be fully used in 2021-22. Unallocated reserves

were £10.7m, and General Fund reserves stood at £15m. The General Fund Balance is held in accordance with statute; the purpose is as a safety net against unexpected variations in the Council's annual expenditure – this was £1.2 billion (page 21) as shown in the cost of services in the Comprehensive Income and Expenditure Statement. Earmarked reserves are held to protect against specific risks and commitments.

- The Council spent £63.9m on long term assets, as part of its Capital Programme.
- The Council held £38.3m of grants provided by external public sector bodies, which will be used in the future to finance the Capital Programme. £4.8m from the sale of property was both received and used to fund capital spend during the 2020-21 year.
- The Council has £698.8m remaining of borrowing for past spend on capital investment. £154m of this borrowing is in the form of contractual Private Finance Initiative liabilities. £3.5m mainly relates to miscellaneous historical debt. £205.3m is temporarily borrowed from the Council's own cash held in earmarked reserves, reducing interest payments. The remaining £336m is actual borrowing from the Public Works Loan Board and LOBO'S.
- Against the £698.8m of borrowing, the Council has £1,022m of land, buildings, equipment and other infrastructure. The value of the Council's long-term property is therefore significantly higher than the outstanding debt relating to it.
- The 2020-21 balance sheet value of the Council's non-current assets (including current assets held for sale) is £1,022m. This has decreased by £8.7m from the 2019-20 value of £1,030.7m. Capital enhancements to the value of £49.3m were made to these assets during 2020-21 and Assets to the value of £16.5m were disposed of during the year. Also Non-current assets were depreciated by £33.824m during 2020-21
- The Council's estimated pension fund deficit has increased to £1,254.6m, based on an estimate made in accordance with accounting rules. The overall defined benefit obligation has increased and this has been primarily due to a re-measurement of the fair value of assets following actuarial losses caused by changes in financial assumptions.
- The Council maintains a separate fund for Business Rates and Council Tax, from which it distributes pre-agreed shares to itself, the Government, West Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner. Overall the fund ended 2020-21 with a deficit position for both Business Rates and Council Tax. The Council's own share was a £29m deficit on Business Rates, with the Government holding a £30m deficit (page 87). The significant Collection Fund deficit for 2020-21 has arisen largely in relation to reductions being applied to business rates. These reductions reflected central government's support for businesses, in response to the COVID-19 pandemic, by awarding expanded retail discounts and nursery reliefs, meaning that less rates were billed and therefore collectable in 2020-

21. The business rates reductions are funded by central government through Section 31 Grants. The compensation is not included in the Collection Fund but is reimbursed to the Council through the General Fund account. Further relief is provided by central government through the '75% Tax Income Guarantee compensation scheme' which compensates councils for 75% of council tax and business rates irrecoverable losses. The compensation funded by S31 grants, is not included in the Collection Fund, but is reimbursed to the council's general fund which includes £2.546m towards Council Tax losses and £4.582m for Business Rates losses.

A full analysis of these and other financial issues is included in the Narrative Report which can be found at the front of the accounts.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There are no specific risk management issue.

6. LEGAL APPRAISAL

There are no specific legal issues arising from this report.
The production of the Statement of Accounts is a statutory requirement.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

There are no specific equality and diversity issues arising from this report.

7.2 SUSTAINABILITY IMPLICATIONS

There are no specific sustainability implications arising from this report.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

There are no specific greenhouse gas emissions impacts arising from this report.

7.4 COMMUNITY SAFETY IMPLICATIONS

There are no specific community safety implications arising from this report.

7.5 HUMAN RIGHTS ACT

There are no specific issues arising from this report.

7.6 TRADE UNION

➤ The Director of Human Resources may advise on this aspect.

7.7 WARD IMPLICATIONS

There are no specific issues arising from this report.

**7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS
(for reports to Area Committees only)**

Nil

7.9 IMPLICATIONS FOR CORPORATE PARENTING

There are no specific corporate parenting implications arising from this report.

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

There are no specific issues arising from this report.

8. NOT FOR PUBLICATION DOCUMENTS

Nil

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

The Governance and Audit Committee is recommended to:

- Note the financial results from the 2020-21 statement of accounts.

11. APPENDICES

Appendix A: Draft (Unaudited) Statement of Accounts

12. BACKGROUND DOCUMENTS

None