

AUDIT & GOVERNANCE COMMITTEE

15th November 2022

REPORT OF THE EXECUTIVE DIRECTOR FINANCE

ANNUAL STATEMENT OF ACCOUNTS & REPORT 2021/22

EXEMPT INFORMATION

None

PURPOSE

To approve the Statement of Accounts (the Statement) for the financial year ended 31st March 2022 following completion of the external audit.

RECOMMENDATION

That Members:

- 1. approve the Annual Statement of Accounts 2021/22;**
- 2. delegate authority to the Chair of the Audit and Governance Committee to approve any changes and re-sign the accounts, if necessary, once the audit is concluded by the external auditors.**

EXECUTIVE SUMMARY

Legislation detailed in Accounts and Audit (England) Regulations 2015, requires the Council to prepare a Draft Statement of Accounts by 31st May (approved by the Council's Chief Finance Officer - the Executive Director Finance), a Committee of the Council to approve the Statement by 31st July and for the Council to publish the Statement together with the Auditors' opinion by 31st July.

However, because of the impact of the covid-19 virus on local authorities' ability to have prepared their draft statement of accounts by the end of May, the requirement has been amended again for 2022, with the deadline to publish its unaudited accounts moved from 31st May to 31st July and the deadline for publishing audited statements being pushed back from 31st July 2020 to 30th November.

To meet the deadlines, the Finance team planned the completion date for the Statutory Accounts of 30th June. A draft was prepared following a period of quality assurance and due diligence checks and circulated to the External Auditors for review on 22nd July.

The final draft accounts as signed by the Executive Director Finance, were issued to the External Auditor, the Members of this Committee and published on the Council's website on 25th July 2022.

As part of the annual audit process for 2021/22, the Council's external auditors, Grant Thornton, have prepared their Audit Findings Report (to be considered separately on this agenda) for consideration prior to issue of their opinion, conclusion & certificate.

It has previously been reported to Members that as a result of the need to close the accounts earlier (and sometimes rely on estimates in doing so) it is more likely that there will be changes required to the draft accounts before they are finalised.

This is the case this year as, although not material as it is less than the £1.1m materiality limit, there has been a change between the draft figures provided by the Valuers in April 2022 following a comprehensive review of the Housing valuations during September arising from issues identified through the audit process. This has increased the value of the Housing Dwellings on the balance sheet by £558k to £242.9m (with associated changes within the Comprehensive Income and Expenditure account, Movement in Reserves Statement and associated notes). This is a notional book transaction and has no effect on the reported outturn position and net balances of the General Fund, Housing Revenue Account or Collection Fund.

In addition, following identification as part of the audit, a number of other amendments to the Draft (as published on the website and circulated to the Audit & Governance Committee on 25th July) have been discussed & agreed with Grant Thornton.

The agreed changes have been actioned within the Final Statement of Accounts for 2021/22 as attached at **Appendix 1**. It is important to note that, other than the housing dwellings valuation changes, these adjustments relate to presentational or disclosure issues and have not changed the overall figures within the main financial statements and the associated notes and do not have any impact on the reported outturn position and net balances of the General Fund, Housing Revenue Account or Collection Fund.

Regulations require the Chair of the Audit & Governance Committee meeting to sign and date the Statement of Accounts with the intention that the Chair's signature formally represents the completion of the Council's approval process of the accounts.

However, whilst the External Auditors have concluded the vast majority of their work on the accounts, we have been advised that concluding work is needed and the opinion on the accounts is not yet available, pending the completion of the audit. For this reason it is proposed to delegate authority to the Chair to approve any changes and re-sign the accounts, if necessary, once this work is complete and the audit can be concluded. Members of Audit and Governance Committee will be advised of any significant changes at the earliest available opportunity.

It is worth noting that both the External Audit team and the Finance teams have faced significantly higher assurance and information demands arising from the additional testing requirements and higher sample sizes now required by the audit regulator – including for journals, fees & charges income and expenditure, cut off testing, housing benefits change in circumstances, as well as the additional testing arising from the change in valuer and issues with the housing dwelling valuations.

RESOURCE IMPLICATIONS

For 2021/22, a revenue budget underspend for the General Fund of £0.467m is reported with an increase in General Fund closing balances of £1.103m compared to the budgeted/planned increase of £0.636m.

It should be noted that the Medium Term Financial Strategy, approved in February 2022, identified estimated budgeted General Fund balances of £8.691m (at 1st April 2022) compared to the actual closing balances of £9.155m - additional balances of £0.464m. There has been no material change from the Provisional Outturn forecast closing balances of £9.28m.

The main variances for the year include:

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income		
New S31 grant income associated with administering LA grant schemes		(112)
Shortfalls in Income		
Reduced NDR Pool income returned due to lower NDR levels		138
Savings / Underspends		
NDR Levy reduced due to lower level of NDR income	(432)	
Joint Waste arrangements	(83)	(515)
Other Variances - Net (Underspends) / Overspends		22
Total (Favourable) / Unfavourable Variance		(467)

The Housing Revenue Account reports an underspend of £0.449m with an increase in Housing Revenue Account closing balances of £0.106m. For the HRA balances of £5.335m were forecast at 1st April 2022 compared to the actual closing balances of £5.717m - additional balances of £0.382m. There has been a change of £0.482m from the Provisional Outturn forecast closing balances of £6.199m (mainly due to lower interest income and a higher provision for depreciation on the increased housing valuation).

The main variances for the year include:

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income		
Leaseholder Service Charges due	(307)	(307)
Non-Budgeted Expenditure / Overspends		
Housing Repairs - additional costs associated with response to COVID-19 including payments made under the Government guidance note PPN02/20	559	
Increased Contribution to Capital due to reinvestment of affordable rents in line with agreed policy	348	
Reduced interest on internal balances due to low interest rates	176	1,083
Savings / Underspends		
Housing Repairs - reduced responsive repairs	(476)	
Housing Repairs - reduced planned maintenance	(482)	
Housing Repairs - Voids	(222)	
Contribution to Reserves - planned surveys delayed	82	
Reduced interest costs on internal borrowing	(68)	
Contingency Budget not required	(110)	(1,276)
Other Variances - Net (Underspends) / Overspends		51
Total (Favourable) / Unfavourable Variance		(449)

The outturn for the 2021/22 capital programme identifies an underspend of £34.8438m against the approved budget of £52.659m. The actual spend was £17.816m (no change since the Provisional Outturn).

It has been approved that £30.528m of scheme spend be re-profiled into 2022/23. This will result in an overall underspend of £4.315m for the 2021/22 capital programme.

Deferred Capital Expenditure	£000	£000
Housing Capital Programme		
Enhancements to Council Dwellings	1.731	
Improvements to the High Rise Flats	2.597	
Regeneration & Acquisition of Council Dwellings	5.894	
Regeneration & Acquisition of Council Dwellings	1.076	11.298
General Fund Services		
Future High Street Fund Town Centre Regeneration	11.268	
Solway Tamworth LTD LATC	4.000	
Gungate Development	0.718	
Repairs to Castle	0.429	
Gateways	0.400	
Community Woodland Cycleway	0.199	
Amington Community Woodland	0.757	
Disabled Facilities Grant	0.849	
Other Capital Schemes	0.610	19.230
Total		30.528

LEGAL / RISK IMPLICATIONS

Legislation detailed in Accounts and Audit (England) Regulations 2015, requires the draft statement of accounts to be prepared by 31st May and for a Committee of the Council to approve the audited Statement and for the Council to publish the Statement together with the Auditors' opinion by 31st July.

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REPORT AUTHOR

Stefan Garner, Executive Director Finance

LIST OF BACKGROUND PAPERS

Capital Outturn Report 2021/22 - Cabinet, 21st July 2022

Quarter Four 2021/2 Performance Report (including Provisional Outturn Report 2020/21) – Corporate Scrutiny Committee, 21st June 2022 and Cabinet, 21st July 2022