

# **Title of report: 2021/22 Statement of Accounts**

**Meeting: Audit and Governance Committee**

**Meeting date: 31 October 2022**

**Report by: Head of Strategic Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards)

## **Purpose**

To approve the 2021/22 Statement of Accounts and associated letter of representation from Grant Thornton, the external auditors.

Changes to the statement of accounts following the external audit are listed in the audit findings report. The letter of representation attached at appendix B confirms that the group and parent council financial statements are free of material misstatements, including omissions.

## **Recommendation(s)**

**That:**

- a) the 2021/22 statement of accounts (at appendix A) be approved; and**
- b) the letter of representation (at appendix B) be signed by the chairperson of the committee and the chief finance officer.**

## **Alternative options**

1. It is an annual statutory requirement to approve the accounts and sign the letter of representation.

## Key considerations

2. The Local Audit and Accountability Act 2014 requires the council to produce a statement of accounts in accordance with the Accounts and Audit Regulations 2015. The process requires the accounts to be approved by the Audit and Governance Committee by 31 July. This deadline was extended via the Accounts and Audit (Amendment) Regulations 2021 to 30 November.
3. The Statement of Accounts (appendix A) have been drawn up in accordance with the Accounts and Audit Regulations 2015, and the Chartered Institute of Public Financial Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code consolidates the statutory requirements and accounting standards that the council is legally required to follow.
4. The most significant matters in the 2021/22 accounts and a summary of the council's financial position are set out in the introductory narrative report within the accounts. Key points include the following:
  - a. The impact of the pandemic on council finances remains a national issue for all local authorities. The council has been working closely with partner authorities to assess the present and ongoing financial impact and to look for ways to mitigate these effects together with government support.
  - b. The council delivered a small underspend, in the management accounts, for the year of £0.5m due to £4.8m of direct COVID additional grant being provided by central government.
  - c. The Community Wellbeing Directorate delivered a significant net underspend of £6.9m which was largely the result of the pandemic, either because monies couldn't be spent due to restrictions, or because budgets we would have spent were offset by COVID grants.
  - d. There was a net overspend in Children and Young People Directorate of £3.6m due to the cost of residential placements for children in council care which are all provided by private sector operations, these continue to cause significant cost pressures for the service.
  - e. Economy and Environment Directorate's net overspend of £0.4m reflects pressure on income targets as a direct or indirect result of COVID restrictions e.g. reduced parking revenue and reduced income from planning applications.
  - f. The central, treasury management, capital financing and reserves underspend reflects the delayed need to borrow from a combination of high cash balances and slippage in the delivery of the capital investment programme.
  - g. The capital budget was re-profiled in year. There was an underspend of £31.5m on the 2021/22 revised budget of £69.1m which related to some projects that were no longer required, or projects and programmes that have been rolled forward to 2022/23.

### 2021/22 Statement of Accounts

5. The financial statements are prepared in accordance with international financial reporting standards. These comprise: a narrative report, the movement in reserves statement, a comprehensive income and expenditure account, a balance sheet, a cash flow statement and supporting explanatory notes. The S151 officer is satisfied that the statement of accounts presents a true and fair view of the financial position of the council and its group as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

## Movement in Reserves Statement

6. The movement in reserves statement shows the movements in reserves during the year, analysed into the different funds held by the council and classified as either “usable” reserves, which can be used to fund future expenditure, or “unusable” reserves which are maintained to meet specific statutory responsibilities.

### Usable Reserves

7. Total usable reserves as at 31 March 2022 were £165.2m, an overall decrease of £8.5m from 31 March 2021. A summary is provided in the table below. Earmarked reserves are reviewed annually by Cabinet; the last review was on 29 September.

	General Fund £m	Earmarked Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied Reserve £m	Total Usable Reserves £m
Balance at 31 March 2021	9.1	105.6	44.6	14.4	<b>173.7</b>
Balance at 31 March 2022	9.6	96.5	43.3	15.8	<b>165.2</b>
Overall increase / (decrease) in 2021/22	0.5	(9.1)	(1.3)	1.4	<b>(8.5)</b>

### Unusable Reserves

8. Unusable reserves are not available to be spent. They are maintained to meet specific statutory responsibilities and include the pension reserve, revaluation reserve and capital adjustment account.
9. The unusable reserves totalled £177.6m at 31 March 2022 compared with £122.4m at 31 March 2021.

## Comprehensive Income & Expenditure Statement (CIE&S)

10. This statement shows the net cost of providing services when calculated in line with generally accepted accounting practice. The Expenditure and Funding Analysis, note 2 to the accounts, compares the CIE&S with the outturn reported to Cabinet, showing the adjustments made between the management and statutory reports.

### Balance Sheet

11. The Balance Sheet summarises the council’s assets, liabilities and reserve position at the end of the financial year. Net assets are matched by reserves which may be “usable” or “unusable”, see above.
12. At 31 March 2022 long term assets totalled £764.3m, compared with £730.8m at 31 March 2021. Long term assets include the current valuation of property, plant and equipment the council uses in the provision of its services and the inclusion of capital spend during the year.
13. Current assets totalled £121.7m at 31 March 2022, compared with £119.3m at 31 March 2021.
14. Long term liabilities totalled £455.9m at 31 March 2022 compared to £468.7m at 31 March 2021. This is mainly due to a decrease in the pensions liability as provided by the external actuary, Mercer Limited.

### **Cash Flow Statement**

15. The cash flow statement shows how the council generates and uses cash and cash equivalents and explains the reasons for changes in cash balances during the year. During 2021/22 there was a net increase in cash and cash equivalents of £19.0m.

### **Group Accounts**

16. The group accounts consolidate the performance of the council with Hoople Limited in 2021/22. The impact of the consolidation increases the council's reserves position by £3.3m (£2.7m in 2020/21) which includes a minority interest reserve balance of £0.5m (£0.4m in 2020/21).

### **The Collection Fund**

17. The collection fund demonstrates how income raised from local taxpayers has been re-distributed to the council and to other precepting authorities for the provision of services. Collection fund income from council taxpayers and business ratepayers totalled £178.3m in 2021/22 compared with £156.9m in 2020/21.
18. Expenditure includes precept payments to West Mercia Police (£16.4m), Hereford and Worcester Fire Authority (£6.5m) and parishes (£4.9m). These are paid from income collected from taxpayers on their behalf.

### **External Audit**

19. The external audit has identified a number of presentation/classification adjustments and where appropriate these have been reflected in the accounts.
20. The Value for Money fieldwork to inform the audit opinion will commence in October 2022 and the council's external auditors expect to publish the 2021/22 Auditor's Annual Report, which includes commentary on arrangements to secure value for money, no later than January 2023.

### **Annual Governance Statement**

21. The approved 2021/22 Annual Governance Statement will be added to the statement of accounts attached at appendix A.

### **Letter of Representation**

22. Attached at appendix B is the council's letter of representation confirming that, to the best of the council's knowledge and belief, the financial statements, at appendix A, give a true and fair view in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

### **Community impact**

23. In accordance with the code of corporate governance to support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External audit contributes to effective accountability.

### **Environmental impact**

24. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

25. Whilst this is a decision on approving the 2021/22 statement of accounts and associated letter of representation to the external auditor of those accounts so will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example, the external audit has been completed remotely, reducing travel impact and paper usage.

### **Equality duty**

26. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
27. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a report for information, we do not believe that it will have an impact on our equality duty.

### **Resource implications**

28. The external audit fee detail is provided on page 30 of the appendix. Grant Thornton agree the fee payable through Public Sector Audit Appointments (PSAA) who manage the external audit contract.

### **Legal implications**

29. Regulation 9 of the Accounts and Audit Regulations 2015 require the following:

The S151 officer must sign and date the statement of accounts, and confirm that he is satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year. This was completed on 29 July 2022.

30. The period of the exercise of public rights for the inspection of the accounts commenced on 1 August 2022. The Accounts and Audit (Amendment) Regulations 2021 delay the deadline for relevant authorities to commence the period for the exercise of public rights, so that the relevant period must commence on or before the first working day of August in the financial year immediately following the financial year to which the accounts relate. These amendments apply only to the commencement of the relevant period for accounts relating to a financial year beginning in 2021 or 2022.
31. Following the conclusion of the period for inspection, the committee must approve the statement of accounts by a resolution and ensure that the statement of accounts is signed and dated by the person presiding at the committee. In order for the committee to do so the S151 officer has re-confirmed that he is satisfied that the statement of accounts presents a true and fair view.

32. The Accounts and Audit (Amendment) Regulations 2021 for local authorities the publication date for audited accounts moved from 31 July 2022 to 30 November 2022.

### **Risk management**

33. The external auditors have issued an unqualified opinion on the statement of accounts, see external audit findings report elsewhere on today's agenda.
34. The council is required to make arrangements for the proper administration of its financial affairs and to secure that the chief financial officer has the responsibility for the administration of those affairs. The council is also required to secure economic, efficient and effective use of resources which Grant Thornton provide a value for money opinion, this report will follow at a later date.

### **Consultees**

35. The statement of accounts were made available for public inspection between 1 August and 12 September 2022. No representations or objections were received.

### **Appendices**

Appendix A Statement of Accounts 2021/22

Appendix B Letter of Representation for 2021/22

(note: both documents are to follow in a supplement to the agenda, week commencing 24 October 2022)

### **Background papers**

None identified