

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 10 November 2021

Report of: Director Finance

Title: Statement of Accounts 2020/21

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To seek Members' approval of the Council's Statement of Accounts for 2020/21.

2. Recommendations:

2.1 It is recommended that the Audit and Governance Committee approve the audited Statement of Accounts for 2020/21.

3. Reasons for the recommendation:

3.1 The publication of audited Statement of Accounts is a statutory requirement, in accordance with the Local Audit and Accountability Act 2014, supported by the Accounts and Audit Regulations 2015.

4. What are the resource implications including non-financial resources?

4.1 The Statement of Accounts is intended to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements, as at 31 March 2021.

5. Section 151 Officer Comments:

5.1 The Statement of Accounts have been updated following the audit. At the time of writing, I am pleased to report that no issues have been identified that impact on the Council's balances reported to Council in July.

5.2 The audit of the accounts continues to be challenging and has again been delayed by factors outside the control of the Council. The finance team (along with colleagues in Corporate Property and other audit) delivered the accounts on time, albeit to a later deadline. The audit contract is due to be retendered next year and it is hoped that some of the problems in the current audit market will be addressed.

6. What are the legal aspects?

- 6.1 The Statement of Accounts has been prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015.
- 6.2 As part of the Government's response to Sir Tony Redmond's review of the effectiveness of external audit and transparency of financial reporting of local authorities, the accounts publication deadlines have been amended for two financial years.

The Accounts and Audit (Amendment) Regulations 2021 amended the 2015 regulations for the 2020/21 and 2021/22 financial years, as follows:

Draft accounts published	Deadline moved from 30 May to 31 July
Public inspection period	Start date moved from first working day of June to first working day of August
Audited accounts	Deadline moved from 31 July to 30 September

- 6.3 The audit of the accounts has been undertaken in accordance with the statutory framework established by section 20 of the Local Audit and Accountability Act 2014, by the Council's external auditors, Grant Thornton.

7. Monitoring Officer's Comments:

Given the significant impact of Covid resulting in hundreds of additional transactions, an 'anticipated unqualified audit' is a welcome endorsement of the hard work put in by Exeter City Council staff.

8. Report Details:

8.1 EXTERNAL AUDIT OF THE 2020/21 STATEMENT OF ACCOUNTS

8.1.1 Appointed Auditor

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. Exeter City Council opted into this arrangement.

On 14 December 2017, the PSAA board approved the appointment of Grant Thornton (UK) LLP to audit the accounts of Exeter City Council for a period of five years, covering the accounts from 1 April 2018 to 31 March 2023. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015.

8.2 Statement of Accounts 2020/21

The purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the authority,

employees and other interested parties clear information about the authority's finances.

The draft Statement of Accounts were received by the auditors on 16 July 2021, before the revised national publication deadline of 31 July 2021. The period for the public inspection of the accounts ran from Monday 19 July 2021 to Friday 27 August 2021.

Information contained in the Statement of Accounts will be consolidated into the Whole of Government Accounts.

8.2.1 Presentation of the Statement of Accounts

The Code of Practice on Local Authority Accounting (the Code) provides guidance on the format and content of the Statement of Accounts and means that they have to conform to a national standard.

8.2.2 Main Changes to the Accounts

The Code did not adopt any new accounting standards for the 2020/21 financial year, which enabled the accounts to be prepared on a consistent basis with the prior year. However, the 2020/21 financial year has been a full year dominated with financial issues generated by the ongoing pandemic, which have had a range of reporting impacts.

- **Reporting issues that have arisen as a result of the Covid-19 pandemic**

The government provided a range of financial support measures both to the local authority to support the cost of services or offset certain income losses and also grant packages to be paid out to support businesses and citizens.

It has been necessary to consider the appropriate accounting treatment on a scheme by scheme basis, which has required significant judgements to be made. The facts and circumstances of each grant scheme have been considered in order to establish whether the local authority is acting as principal or agent.

Agent

Where an authority is acting as a distribution point for grant monies and has no control over the amount of grant allocated to a recipient, then the authority has been deemed to be acting as an agent. Transactions are not reflected in the authority's financial statements, except for any sums due to or from the authority for differences between the grant funding and actual costs.

As at 31 March 2021, the Council had received grant funding of £45.98 million for distribution as an agent, of which it had paid out £37.43 million and held £8.55m as a creditor provision for awards in next financial year.

Principal

Where the authority has some control over the distribution or amounts awarded it has been deemed to be acting as a principal. Transactions are reflected in the authority's financial statements (Comprehensive Income and Expenditure Statement).

As at 31 March 2021, the Council had received grant funding of £6.348m where it had some discretion over the amounts awarded and the criteria for eligibility, of

which it had paid out £4.392m and held £1.956m in earmarked reserves for funding future amounts awarded.

- **Presentation of Material Transactions**

The Accounting Code requires material items (either in their nature and/or their amount) of income or expenditure to be disclosed separately. During 2020/21 the Council had many exceptional Covid-19 related transactions and these have been disclosed separately throughout the notes to the accounts, wherever appropriate, so that readers can compare current and prior year figures and easily identify the non-recurring Covid-19 related amounts.

8.2.3 Audit Findings

At the time of writing, our external auditors anticipate issuing an unqualified audit opinion on the Authority's financial statements and their findings are as follows:

- **Material Misstatements**

No material misstatements were identified during the course of the audit.

- **Audit Adjustments**

A note to explain the significant balance on the Collection Fund Adjustment Account (page 79) was recommended to aid readers understanding. This has been actioned.

Overall, the amendments to date have had no impact on either the General Fund balance or the Housing Revenue Account balance, which remain as reported to Council. The overall financial performance of the Council for 2020/21 was reported to Executive on 6 July 2021 and to Council on 20 July 2021.

9. How does the decision contribute to the Council's Corporate Plan?

The Statement of Accounts set out the financial position at the end of the 2020/21 and the transactions of the Council during 2020/21, both of which help underpin delivery of the Corporate Plan.

10. What risks are there and how can they be reduced?

The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Board and Members. There is also a risk of failing to implement key accounting changes in accordance with approved accounting standards, but this is mitigated by the external audit of the Statement of Accounts.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and

- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only.

12. Carbon Footprint (Environmental) Implications:

12.1 No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

Not applicable

Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquiries:

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