
Draft Statutory Statement of Accounts & Annual Governance Statement 2021/22

Decision to be taken by: N/A

Date of meeting: 20th July 2022

Lead director: Colin Sharpe

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver & Ben Matthews
- Author contact details: amy.oliver@leicester.gov.uk & ben.matthews@leicester.gov.uk
- Report version number: 1.0

1. Summary

- 1.1. To provide an opportunity for the committee to consider the Council's Draft Annual Statement of Accounts and Annual Governance Statement for 2021/22 before they are brought back to committee for formal approval.

2. Recommendations

- 2.1. The committee is asked to consider the:
 - 2.1.1. Draft Annual Statement of Accounts for 2021/22 at appendix A.
 - 2.1.2. Draft Annual Governance Statement 2021/22 at appendix A.
 - 2.1.3. The update on the independent member recruitment.
 - 2.1.4. The External Audit Plan at appendix C.

3. Background

- 3.1. The Accounts & Audit (England) Regulations 2015 require that the Council present its audited Statement of Accounts along with its Annual Governance statement for approval annually by the 31st July. This is delegated to the Audit & Risk Committee by Council. For 2021/22, this deadline has been extended to the 30th November 2022 due to issues being experienced in the local authority audit sector. The draft accounts are therefore presented to this meeting for information and consideration, and will be brought to a future meeting for formal approval following the completion of the external audit.
- 3.2. The attached External Audit plan provides the Committee with the approach Grant Thornton will be taking whilst undertaking their External Audit on the 2021/22 Statement of Accounts.

4. Draft Annual Statement of Accounts for 2021/22

- 4.1. The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. Separate management accounts are presented to the Executive and to the Overview Select Committee, which set out the revenue and capital outturn for the authority. The financial position of the

authority is presented in a different way in the Statement of Accounts. The outturn reports focus on the in-year financial performance in a format consistent with the Council's budgets, while the Statement of Accounts shows the in-year performance in a standard format adopted by all local authorities, including a balance sheet showing the underlying financial position.

4.2. Despite the wide variations in the way the position is presented, the key point is that both the outturn reports and the accounts are consistent.

4.3. The core financial statements are:

4.3.1. Movement in Reserves Statement

This shows the movement in the year on the different reserves held by the authority. This statement distinguishes between "usable reserves" which can be used to fund expenditure or reduce local taxation and "unusable reserves" which are effectively accounting entries and not available to spend. The level of uncommitted general balances at 31st March 2022 was £15.0m, in line with the Council's financial strategy.

4.3.2. Comprehensive Income and Expenditure Statement (CIES)

This shows the Council's actual performance for the year in accordance with the Code of Practice. This means that the accounts are prepared on a different basis than that used to set the Council's budget and raise council tax. There are a number of statutory adjustments that are made to the surplus or deficit shown on this statement to arrive at the balance on the General Fund shown in the Movement in Reserves Statement above.

4.3.3. Balance Sheet

The balance sheet shows the net worth of the Council in terms of its assets and liabilities. It shows the net value of the organisation including the balances and reserves, its long-term indebtedness, and its fixed and net current assets employed in its operations.

4.3.4. Cash Flow Statement

This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the local authority context.

4.4. The Council's Draft Statement of Accounts were published on the website on the 26th May 2022.

4.5. The external audit started on the 23rd June. Any recommendations made will be reported to your committee, along with any alterations made to the draft Statement of Accounts.

4.6. Due to the issues being experienced in the local authority audit sector, the usual statutory deadlines have been extended and the final audited accounts are not required to be completed until the 30th November 2022.

4.7. When producing the Statement of Accounts, a number of accounting estimates are used. These estimates rely on the professional judgement of experts in the

relevant areas. As these estimates are material to the accounts it is important that the committee understand them and the impact on the accounts. For the Council the main estimates are:

- Property, Plant & Equipment – remaining useful lives, asset values
- Pensions Liability
- Fair Value of loans

4.8. These estimates were included in the Informing the Risk document presented at committee on the 16th March 2022. Further detail on significant estimates in the accounts can be found in Note 5 (page 43) of the Statement of Accounts and at appendix B.

4.9. During 2021/22 audit process it was identified for some Authorities there was an issue associated with the accounting of infrastructure assets in particular subsequent expenditure on the asset. CIPFA have released a consultation attempting to resolve these issues and the results are still awaited at the time of writing this report. The Council currently has £220m of infrastructure assets and will work through the CIPFA proposal once released.

5. Draft Annual Governance Statement

5.1. The Council is required to publish, as part of its financial accounts reporting, an Annual Governance Statement. This statement should assure the people of Leicester that the Council operates in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse. The draft Annual Governance Statement is being presented here for comment before final approval by this committee.

5.2. The format of the Annual Governance Statement to a large extent is dictated by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'.

6. Independent Member

6.1. Following the approval of Full Council the updated Audit & Risk Committee Terms of Reference were changed to enable an independent member to this Committee. Since this approval the post has been advertised in consultation with the Chair. If an appropriate candidate is identified by the Chair and Deputy Director of Finance, final approval will be required by the Monitoring Officer.

7. Grant Thornton External Audit Plan

7.1. The External Audit Plan is from Grant Thornton our External Auditors. It sets out the approach they will be taking for the audit of the 2021/22 Statement of Accounts and Value for Money opinion. The following areas are covered within the plan:

- Key matters impacting the Council
- Significant risks and materiality levels
- Accounting estimates
- The value for money opinion
- Audit team & fees

6. Financial, legal, equalities, climate emergency and other implications

6.1 Financial implications

The report is exclusively concerned with financial issues.

6.2 Legal implications

There are no direct legal implications arising from the recommendations contained in this report.

Kamal Adataia, City Barrister and Head of Standards

6.3 Equalities implications

There are no direct equality implications arising from the recommendations contained in this report.

Surinder Singh, Equalities Officer

6.4 Climate Emergency implications

6.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

7. Other Implications

<u>OTHER IMPLICATIONS</u>	<u>YES/NO</u>	<u>PARAGRAPH REFERRED</u>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights / People on low incomes	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

8. Background papers:

Revenue and capital outturn reports presented to the Overview Select Committee on 30th June 2022.

Informing the audit risk assessment for Leicester City Council 2021/22 (March 2022) presented to the Audit and Risk Committee on 16th March 2022.

9. Summary of Appendices:

Appendix A – Draft Annual Statement of Accounts & Annual Governance Statement 2021/22

Appendix B – Estimates – Key Assumptions

Appendix C – External Audit Plan 2021/22

10. Consultations

All departments are consulted during the Authority's close down period.

11. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

12. Is this a “key decision”? If so, why? No