

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 15 September 2021
Subject:	Statement of Accounts 2020/2021		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

To present the draft unaudited 2020/2021 Statement of Accounts for consideration.

Recommendation(s):

The Audit and Governance Committee is asked to:

- (1) Receive and consider the draft 2020/2021 Statement of Accounts and provide feedback to officers on the issues identified; and,
- (2) Note the timetable for the completion of the external audit that will be conducted by Ernst and Young LLP.

Reasons for the Recommendation(s):

The Council, or nominated Committee charged with responsibility for Governance, must approve the Statement of Accounts, including the Annual Governance Statement. The Audit and Governance Committee has been delegated with this responsibility and is required to approve the audited Accounts for 2020/2021 prior to its publication.

The deadline for publication is 30 September 2020. However, the regulations allow for a delay in publication where the audit has not yet been completed. This report explains that there may be a delay in completing the audit for 2020/2021.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs

None

(B) Capital Costs

None

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None								
Legal Implications: None								
Equality Implications: There are no equality implications.								
Climate Emergency Implications: The recommendations within this report will								
<table border="1"><tr><td>Have a positive impact</td><td>N</td></tr><tr><td>Have a neutral impact</td><td>Y</td></tr><tr><td>Have a negative impact</td><td>N</td></tr><tr><td>The Author has undertaken the Climate Emergency training for report authors</td><td>N</td></tr></table>	Have a positive impact	N	Have a neutral impact	Y	Have a negative impact	N	The Author has undertaken the Climate Emergency training for report authors	N
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Have a neutral impact	Y							
Have a negative impact	N							
The Author has undertaken the Climate Emergency training for report authors	N							

Contribution to the Council's Core Purpose:

Effective Financial Reporting supports each theme of the Councils Core Purpose.

<u>Protect the most vulnerable:</u> See comment above
<u>Facilitate confident and resilient communities:</u> See comment above
<u>Commission, broker and provide core services:</u> See comment above
<u>Place – leadership and influencer:</u> See comment above
<u>Drivers of change and reform:</u> See comment above

<u>Facilitate sustainable economic prosperity:</u> See comment above
<u>Greater income for social investment:</u> See comment above
<u>Cleaner Greener:</u> See comment above

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services is the author of this report.(FD 6525/21).

The Chief Legal and Democratic Officer has been consulted and has no comments on the report. (LD 4726/21).

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee meeting.

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Appendices:

The following appendices are attached to this report:

Appendix A - Draft Statement of Accounts 2020/2021

Background Papers:

There are no background papers available for inspection.

1. **Background / Current Position on the Completion of the Audit of the Statement of Accounts 2020/2021**

- 1.1 Since 2010/2011 the Audit and Governance Committee has only been required to approve the Statement of Accounts following the completion of the Audit. Since 2017/2018 this has taken place at the special meeting of this Committee in July (approval and publication of the audited Statement of Accounts was required by 31 July).
- 1.2 However, for 2021/2022 and 2022/2023 the deadline for approving the audited Statement of Accounts has been changed to 30 September (with a deadline of 31 July for the publication of the draft accounts). This was in response to the Redmond Review into the audit of local government which highlighted the fragility of the local audit market. The Government intend to review at that point whether there is a continued need to have an extended deadline.
- 1.3 It was therefore intended that the final audited accounts would be presented to this meeting for approval. In previous years the timetable allowed for the draft accounts to be presented to an earlier committee for initial consideration. As this year's deadlines didn't give the opportunity for this, the draft Statement of Accounts was sent to Members as soon as it was published.
- 1.4 The audit of the Statement of Accounts commenced in late July. It should be noted that due to delays in completing the audit of the 2019/2020 Statement of Accounts, no interim audit was undertaken, which has been possible in previous years. At this time the majority of audit work for 2020/2021 had been completed following provision of all required information and currently no key issues have been notified to the Council. However, as there is work outstanding, including confirmation from outside bodies, it is possible that the audit will not be finalised by the end of September, and there would be no time available for Committee to approve the final accounts even if it is.
- 1.5 Therefore, it is proposed that a further special meeting be scheduled in October to consider and approve the final audited Statement of Accounts for 2020/2021, as well as approve the Annual Governance Statement, consider EY's audit report and approve the letter of representation. A date for the special meeting will be agreed as soon as possible.
- 1.6 Although regulations require the publication of the Statement of Accounts for 2020/2021 by 30 September 2021, the same regulations allow for this to be delayed where the audit has yet to be concluded. This delay needs to be published on our website. The publication of the final Statement of Accounts needs to take place *"as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit"*.
- 1.7 When the draft Statement of Accounts for 2020/2021 were published, Members were notified of the following:
 - That the accounts of Sefton New Directions and Sandway Homes had not been finalised at the time the draft Statement of Accounts were published. The final

audited Statement of Accounts would include the financial performance of both companies.

- At the time of publication of the draft Statement of Accounts the valuations undertaken by the Council's in-house valuers had yet to be completed (15% had still to be completed). However, external valuations had been completed. Once all in-house valuations had been finalised the Statement of Accounts would be updated with the impact of all valuations – this approach was agreed with the Council's external auditors.

1.8 The 2020/2021 draft Statement of Accounts have now been updated for the two issues above and are presented to this committee to allow additional time for consideration.

1.9 A final version will be produced in October following the conclusion of the audit by Ernst & Young (EY). Any changes made will be highlighted in the accompanying report. It should be noted that in recent years there haven't been a significant number of changes between the draft version and the final audited version and currently no key issues have been found during the audit. The external auditor will be able to provide a verbal update at the meeting on the status of the audit.

2 The Content of the Statement of Accounts

2.1 The 2020/2021 Statement of Accounts is an important document, which aims to provide clear information about the Authority's finances for the year and is intended to answer:

- What the Authority's services cost for the year?
- Where the money comes from to pay for these services?
- What were the Authority's assets and liabilities at the year-end?

2.2 On 27 February 2020, the Council approved a revenue budget for 2020/2021 of £225.885m which included £1.179m relating to the expenditure of Parish Councils.

2.3 At that time, it was anticipated that balances for non-school budgets would total £7.539m at 31 March 2021. As a result of an overspend of £0.555m in 2019/2020 the anticipated year-end balances position was revised to £6.984m. The 2020/2021 Budget assumed an increase in general balances of £1.5m as part of a strategy to increase balances and ensure financial resilience.

2.4 Overall, actual expenditure for 2020/2021 on General Fund services (excluding Schools' delegated expenditure) was £2.794m lower than the Base Estimates which has increased General Fund Balances further. The Authority's Non-School General Fund balances at 31 March 2021 shown in the Draft Statement of Accounts are therefore **£11.278m**.

2.5 The Statement of Accounts (attached as an **Annex**) is also important in: -

- Demonstrating proper stewardship of public monies;

- Providing evidence of the quality and robustness of the Authority's financial systems and processes;
- Indicating that current financial performance, monitoring and the Medium-Term Financial Plan are integrated processes which will assist the Council in improving its financial standing;
- Providing the key financial information, which will enable future plans and decisions to be made on the basis of known facts and available financial resources; and
- Providing a key line of communication to stakeholders on the Council's current financial performance. The draft Statement of Accounts was available online on Sefton's website from the middle of August.

2.6 The Statement of Accounts includes a Narrative Report, which focuses on the most significant matters reported in the document. A brief explanation of each Section is also provided (highlighting what it is intended to show) to aid the understanding of the Accounts.

2.7 For 2020/2021 there have been no significant changes to how the Statement of Accounts are produced or presented.