

Somerset West and Taunton Council

Audit and Governance Committee – 27 September 2021

Somerset West and Taunton Council Statement of Accounts 2020/21

This matter is the responsibility of Executive Councillor Henley, Corporate Resources

Report Author: John Dyson, Corporate Finance Manager (Interim)

1 Executive Summary / Purpose of the Report

- 1.1 The Statement of Accounts for 2020/21 is required to be approved by the Audit and Governance Committee prior to being signed by the Council's Assistant Director – Finance (s151 Officer) and the Chair of the Audit and Governance Committee.
- 1.2 In view of the protracted audit, the Statement of Accounts document continues to undergo amendment and, as a result, will be circulated to Members at the earliest practical time prior to the meeting of this Committee. The current schedule of amendments is set out in the Audit Findings Report, tabled earlier in the meeting of this Committee. As the audit nears completion at the time of writing, there may be further changes to the final document. It is not anticipated that there will be no significant changes, and the Statement of Accounts should be in a position to be approved and signed at this meeting.
- 1.3 This report also links to and reflects the Audit Findings Report, prepared by and presented by the Council's external auditors – Grant Thornton UK LLP.
- 1.4 As part of the overall process for approving the Statement of Accounts, a Management Letter of Representation should be signed by the Council. A draft letter of representation is attached to this report as Appendix 1.

2 Recommendations

- 2.1 The Committee is recommended to:
 - a) Note the Auditor's unqualified opinion on the Statement of Accounts.
 - b) Approve the 2020/21 Statement of Accounts as attached to this report.
 - c) Endorse the Chairman of the Committee to sign the Management Letter of Representation in respect of the financial statements for the year ended 31 March 2021.

3 Background and Full details of the Report

- 3.1 The Accounts and Audit Regulations 2015 require the audited Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Audit and Governance Committee.
- 3.2 Each year the S151 officer is required to sign off the unaudited Draft Accounts as true and fair, usually by 31 May. However, similarly to last year, this deadline was extended to 31 July in recognition of the impact of the coronavirus to the multitude of arrangements required to compile the accounts. The unaudited accounts were signed off on 7 July 2021.
- 3.3 This year the audited Statement of Accounts are required to be approved by Committee by 30 September (the Regulations normally stipulate 31 July). Once approved the Statement must be signed by the Council's Assistant Director – Finance (s151 Officer) and the Chair of the Audit and Governance Committee, and should be published on the Council's website.
- 3.4 At the time of writing this report, the Council's external auditor, Grant Thornton UK LLP, had not fully concluded the audit, and a range of minor sample tests and verification work remained to be completed. The protracted audit reflects a range of issues, including:
 - the increased assurance work that auditors are required to carry out nationally with respect to high-value aspects of the accounts, such as pensions and asset valuations,
 - the impact of Covid-19 on both the complexity of the audit and pace at which it can be completed and supported by officers across the Council, and
 - the inherent complexity stemming from the amalgamation of the two previous councils into SWTC, particularly as officers strive to improve the quality and reliability of information supporting the accounts.
- 3.5 The Council's Statement of Accounts is being audited this year by Grant Thornton UK LLP. At the time of writing this report, Grant Thornton has indicated its intention to issue an unqualified opinion, as reported in the Audit Findings Report however this is subject to completion of residual work to finalise the audit testing.
- 3.6 The Management Letter of Representation is a formal letter to the external auditors, Grant Thornton LLP, which is signed by the Council's senior management. The letter attests to the accuracy of the financial statements that the Council has submitted to the auditors for their analysis.
- 3.7 The Management Letter of Representation enables the Council to declare in writing that the statement of accounts and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the best of the management's knowledge. The auditors will use this letter as part of their audit evidence.

- 3.8 The most significant changes between Unaudited and Final accounts have been reviewed and reported in the Audit Findings Report, which appears earlier on the agenda to this meeting.

4 Statement of Accounts

- 4.1 The Statement of Accounts for 2020/21 has been prepared on an IFRS (International Financial Reporting Standards) 'true and fair view' basis, in line with the CIPFA (Chartered Institute of Public Finance Accountancy) Code of Practice on Local Authority Accounting in the UK 2020/21.
- 4.2 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2021:
- Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet, and
 - Cash Flow Statement
- 4.3 There are also supplementary statements related to the Housing Revenue Account, and the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).
- 4.4 The Council has no subsidiary companies and therefore there are no Group Accounts.

Comprehensive Income and Expenditure Statement

- 4.5 The Comprehensive Income and Expenditure Statement (CIES) shows the day to day revenue spending and income on the Council's services. It also shows the Council Tax and Government grants received to help pay for those services. The CIES shows the net cost on an "accounting basis" which includes accounting adjustments such as depreciation, impairment and revaluation losses, and other types of accounting adjustments. These adjustments are then reversed out in the Movement in Reserves Statement to show the "funding" position of the Council.
- 4.6 We also include comparator values for the previous year in the CIES.
- 4.7 The Financial Outturn position for 2020/21 was reported to Executive Committee at its meeting of 21 July 2021. This included information relating to the Council's financial performance for the 2020/21 financial year. The report highlighted key variances to the budget and provided explanations for these.

Movement in Reserves Statement

- 4.8 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. These are analysed into Usable Reserves (these can be used to fund spending) and Unusable Reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).

4.9 The Statement shows that the General Fund Reserve balance is above the minimum level required in the Council's financial strategy, with General Fund Reserves increasing from £4.523m to £7.914m. The recommended General Fund minimum balance reserve level for SWTC is £2.4m.

Balance Sheet

4.10 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2021. Comparative figures as at 31 March 2020 are provided for comparison purposes. These include updates resulting from adjustments required following the 2020/21 audit.

Cash Flow Statement

4.11 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.

4.12 Cash and cash equivalents are represented by the following: cash in hand; deposits with financial institutions repayable without penalty on notice of not more than 24 hours; and investments that mature in one month or less from the date of the balance sheet and are readily convertible into cash.

Housing Revenue Account

4.13 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.

Collection Fund

4.14 The Collection Fund Statement shows the total amount the Council has collected from taxpayers on behalf of, and distributed to, all the precepting authorities and Central Government. The major precepting authorities are Somerset County Council, Avon and Somerset Police, Devon and Somerset Fire and Rescue Authority, and Central Government. The Council has a statutory obligation to maintain a separate Collection Fund Account.

4.15 The presentation of the statement clearly separates the Council Tax and Business Rates (NDR) movements and balances. The statement shows that the Council has collected £124.305m on behalf of ourselves, the precepting authorities and Central Government. This comprises Council Tax income of £103.046m and Business Rates income of £21.259m.

4.16 The statement currently shows an end of year deficit of £0.504m (SWT share is £58k) in respect of Council Tax and an end-of-year deficit of £39.578m (SWT share is (£15,843k)) in respect of Business Rates.

5 Result of the Audit of the Statement of Accounts

5.1 Much of the external audit review has been completed and subject to work outstanding being completed and queries being resolved, the auditor has indicated

their intention to issue an “unqualified opinion” for the Statement of Accounts, as showing a true and fair view of the Council’s financial position and performance.

- 5.2 During the audit misstatement and disclosure changes were identified which are in the process of being made in the final set of financial statements. These have been identified in Appendix C of the Audit Findings Report by Grant Thornton, included earlier on this Agenda.

6 Links to Corporate Aims / Priorities

- 6.1 The Statement of Accounts reports the financial activities of the Council in the delivery of its corporate aims.

7 Finance / Resource Implications

- 7.1 These are included within the Statement of Accounts document attached to this report.

8 Legal Implications

- 8.1 There is a Statement of Responsibilities within the Statement of Accounts, which summarises responsibilities for the Council and its S151 officer. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of the Council.

- 8.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statements of Accounts prepared in accordance with the statutory framework by the Accounts and Audit (England) Regulations 2015
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Local Audit and Accountability Act 2014.

Democratic Path: Audit Governance and Standards Committee, Annually

List of Additional Documents:

Somerset West and Taunton Council Statement of Accounts 2020/21 (to follow)

Draft Management Letter of Representation

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