



AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 21 September 2020

REPORT TITLE:	2019/20 STATEMENT OF ACCOUNTS UPDATE
REPORT OF:	THE DIRECTOR OF RESOURCES

REPORT SUMMARY

The aim of this report is to present the draft, unaudited, 2019/20 Statement of Accounts to the Audit and Risk Management Committee. Included are a guide and extra information around the accounts.

The Statement of Accounts sets out the Council's financial position as at the 31st March 2020 along with a summary of its income and expenditure for the year ended 31st March 2020.

The draft, unaudited Accounts were published on the Council's website in line with the revised statutory deadline of 31st August 2020.

This report provides background information on the reasons why the Council prepares annual Accounts and the revised publication timetable for 2019/20.

The report also provides commentary on

- the main Statements contained within the Accounts,
- the public inspection period currently underway, and
- arrangements being made to implement an external audit of the full Accounts by the Council's appointed auditor.

This matter affects all Wards within the Borough. The report is provided for information only and is not a key decision at this stage.

RECOMMENDATION

That Audit and Risk Management Committee are requested to note, and comment as appropriate, on the revised draft, unaudited Statement of Accounts for 2019/20.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 The Audit & Risk Management Committee has responsibility for approving the Statement of Accounts on behalf of the Council, which is a requirement under the Accounts and Audit Regulations 2015. This review of the draft, unaudited Accounts gives the Audit & Risk Management Committee an opportunity to look at the accounts in advance of audit to become more familiar with them. The final, audited Statement of Accounts will be shared with Audit & Risk Management Committee by 30th November to meet the statutory publication deadline.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Statement of Accounts are required to be produced in accordance with statutory guidance. The Accounts are subject to review by the appointed Auditor and must normally be published by 31st July each year. Due to the impact of the spread of coronavirus this year, the national statutory deadline for publication of local authority accounts is 30th November 2020.
- 2.2 This report is intended to update Members that the draft, unaudited Accounts have now been made available for public inspection and external audit.

3.0 BACKGROUND INFORMATION

What are the annual Accounts and their purpose?

- 3.1 Preparation and publication of the annual Statement of Accounts is a specific statutory requirement under local government legislation and the Council must provide for this within the predetermined statutory timetable.
- 3.2 The preparation and publication of annual Accounts provides information that is intended to be of use to a range of stakeholders (including Members, employees, members of the public, government and investors, etc.) in evaluating the financial performance of the Council and its stewardship of public money.
- 3.3 The annual Statement of Accounts is required to be compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Code of Practice on Local Authority Accounting for 2019/20 ("the Code") and applicable International Financial Reporting Standards (IFRSs). The Code establishes "proper" accounting practices under local government legislation, to ensure local authority accounts are prepared consistently with the objective of providing a true and fair view of the authority's financial position, financial performance and cash flows for the year ended 31st March 2020.

Revised Publication Timetable for 2019/20

- 3.4 Under amended legislation, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, local authorities had until the 31st August 2020 to publish draft accounts. The deadline for completion of the external audit has also been moved to the 30th November. In normal circumstances, the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014 would require publication of

the draft, unaudited accounts by 31st May 2020; with publication of the audited accounts by 31st July 2020.

Publication of the Draft, Unaudited Accounts

- 3.5 The attached accounts were published on the Council's website on the 28th August 2020, (Appendix 1) and are available on the link below:

<https://www.wirral.gov.uk/sites/default/files/all/About%20the%20council/Performance%20and%20spending/Accounts/Statement%20of%20Accounts%202019-20.pdf>

The Purpose of the Main Statements and Notes to the Accounts

- 3.6 To assist understanding of the main statements and Notes contained in the draft Accounts, a narrative follows outlining the purpose of each:

a) Narrative Report

Provides a short summary of the Council's overall financial and non-financial achievements for the year and assists in the interpretation of the financial statements.

b) Movement in Reserves Statement

Shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement (this is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes). For 2019/20, a £55.78m deficit (2018/19 £49.85m deficit) is shown (see comments below, in 3.7).

c) Comprehensive Income and Expenditure Statement

Shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. For 2019/20, the deficit, after taking into consideration all operating expenditure and the receipt of taxation and non-specific general grant income, totals £55.78m (2018/19 £49.85m); see comments below in 3.7 relating to the deficit position reported. This is then adjusted to include revaluation gains or losses on property, plant and equipment and financial instruments and the impact of remeasuring the pensions liability, to give total comprehensive income and expenditure. The revaluation gains or losses above impact on the accounting cost of services but not on the amount to be funded from taxation.

d) Balance Sheet

Shows the value of the assets and liabilities recognised by the Council as at the year-end. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. For 2019/20, the Council's assets are valued at £899.35m, offset by liabilities of £901.76m, resulting in net assets of (£2.41m). The negative net assets position is largely due to unusable reserves of (£99.82m) which mainly relate to notional unrealised gains and losses on revaluation of fixed assets,

timing differences arising in the Capital Adjustment Account to reflect the financing of capital expenditure, the movement in the pensions liability and the accumulated absences account which reflects unpaid staff annual leave owed at the year-end.

e) Cash Flow Statement

Shows the changes in cash and cash equivalents of the Council during the reporting period, by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or by raising income from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. For 2019/20, total cash and cash equivalents were £53.672m (2018/19 £26.855m).

f) Notes to the Core Financial Statements

Provides further detail, cross-referenced where appropriate, to the Core Financial Statements (the Movement in Reserves, Comprehensive Income and Expenditure, Balance Sheet and Cash Flow statement(s)). The Notes include, for example, explanation of the Council's significant accounting policies, the critical judgements in applying accounting policies, and assumptions made about the future and other major sources of estimation uncertainty. Due to the impact of the spread of coronavirus, the year-end valuations for material property, plant and equipment and other assets are potentially impacted and there is a greater degree of uncertainty attached to these valuations this year.

g) Collection Fund Statement

Shows the statutory obligation to account separately for taxation, showing transactions from the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates. For 2019/20, total Council Tax of £175.038m (2018/19 £164.881m) and Business Rates of £71.829m (2018/19 £72.448m) were collected and apportioned between the previous year's surplus/deficit, the various precepts, demands and shares and write-offs for uncollectable amounts, impairments and allowances. The surplus on the Council Tax account overall was £0.814m (2018/19 £1.370m) and on Business Rates a deficit of £0.286m (2018/19 £0.321m). These amounts are then carried forward to offset against the 2021/22 Collection Fund position.

h) Glossary

Provides a brief explanation of the more significant terminology used in the Accounts.

i) Merseyside Pension Fund Accounts

The Fund is part of the Local Government Pension Scheme and Wirral Council is the Administering Authority and the reporting entity. The Scheme is governed by the Public Services Pensions Act 2013 and secondary legislation. It is a contributory defined benefit pension scheme administered by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies as detailed in the Notes.

- 3.7 The deficit reported in the Comprehensive Income and Expenditure and Movement in Reserves Statement(s) of £55.78m differs from the balanced out-turn position previously reported to Cabinet on the 27th July. This is because the surplus or deficit on the Provision of Services line shows the full impact of notional accounting adjustments required by the Code including unrealised gains and losses on valuation of property and other assets, rather than the amount to be funded from taxation. A similar deficit was reported for 2018/19 and it is not unusual to show a significant difference compared to the out-turn position as they are prepared on different bases. The out-turn position reported to Cabinet on 27th July is unchanged.

Public Inspection Period

- 3.8 The public inspection of the accounts began on the first working day in September. Members of the public and other interested parties have thirty working days (until 12th October) to request access to documents relating to the financial statements for 2019/20 and related notes. Requests for information are subject to restrictions around commercial confidentiality and the protection of personal information. During the same period, a local elector may also raise questions relating to the accounts with the External Auditor. A notice setting out the rights to public inspection of the accounts along with relevant contact details has been published on the Council's website, available on the following links:

<https://www.wirral.gov.uk/about-council/budgets-and-spending/annual-accounts/audit-accounts-year-ended-31-march-2020-notice>

<https://www.wirral.gov.uk/about-council/budgets-and-spending/annual-accounts/notice-public-rights>

Arrangements for External Audit

- 3.9 Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they are required to comply with the relevant statutory requirements, namely the Local Audit and Accountability Act 2014.
- 3.10 Grant Thornton are currently undertaking the audit and the statutory deadline for completion of their work is 30th November 2020. Under local government legislation Grant Thornton are required to give their opinion on the Accounts, whether in their professional opinion a true and fair view is reported. The opinion can be "unqualified" (with no material objections) or "qualified" (with material objections).
- 3.11 At the end of the process, Grant Thornton will also issue an Audit Findings Report outlining the conclusions from their audit, which include lessons to be learned and suggested improvements to processes and procedures for the Council to consider.
- 3.12 It is anticipated that the Audit Findings Report and audit opinion will be shared with Members at the next proposed Audit and Risk Management Committee meeting on the 16th November 2020, subject to satisfactory completion of the audit by Grant Thornton. Audit & Risk Management Committee will be requested to authorise the final Statement of Accounts for issue and publication to meet the 30th November 2020 deadline.

4.0 FINANCIAL IMPLICATIONS

- 4.1 None arising directly from this report. The outcome of the audit of the Statement of Accounts does however always have the potential to result in a change in the Council's financial position.

5.0 LEGAL IMPLICATIONS

- 5.1 None arising directly from this report. However, the outcome of the external audit could potentially result in changes to the final position reported for 2019/20.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 None arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 None arising directly from this report.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The draft, unaudited Statement of Accounts for 2019/20 are currently out for public inspection and subject to external audit.

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.
- 9.2 There are no equality implications arising specifically from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 No direct implications. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

REPORT AUTHOR: **Simon Fillingham**
(Finance Business Partner - Strategy, Policy & Financial Accounts)
telephone: 0151 666 3477
email: simonfillingham@wirral.gov.uk

APPENDICES

Appendix 1 – Draft unaudited Statement of Accounts 2019/20

BACKGROUND PAPERS

The report has drawn upon a number of sources of information including the Draft Unaudited Statement of accounts and supporting working papers and reports, plus published statutory guidance and legislation.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee – Statement of Accounts for 2018/19 for Wirral Council & Merseyside PF	23 rd September 2019
Audit & Risk Management Committee – Statement of Accounts for 2017/18 for Wirral Council & Merseyside PF	23 rd July 2018
Audit & Risk Management Committee – Statement of Accounts for 2016/17 for Wirral Council & Merseyside PF	25 th September 2017