



## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Monday, 27 September 2021**

<b>REPORT TITLE:</b>	<b>2020/21 DRAFT STATEMENT OF ACCOUNTS UPDATE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES</b>

### **REPORT SUMMARY**

This report brings the draft unaudited 2020/21 Statement of Accounts to the Audit and Risk Management Committee and an update on changes to the accounts.

The Statement of Accounts sets out the Council's financial position as at the 31 March 2021, along with a summary of its income and expenditure for the year ended 31 March 2021.

The draft unaudited Accounts were published on the Council's website ahead of the revised statutory deadline of 31 July 2021.

This report provides background information on the reasons why the Council prepares annual Accounts and the revised publication timetable for 2020/21.

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.

### **RECOMMENDATIONS**

1. The Audit and Risk Management Committee note, and comment as appropriate, on the draft, unaudited Statement of Accounts for 2020/21
2. Note the changes to the draft Accounts as set out in paragraph 3.9.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATIONS**

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 and the Accounts and Audit (Amendment) Regulations 2021. This review of the draft, unaudited Accounts gives the Audit & Risk Management Committee an opportunity to look at the accounts and comment. The final, audited Statement of Accounts will be shared with Audit & Risk Management Committee when available following the completion of the external audit.

### **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 following a change in regulations they must be published by 30 September for years 2020/21 and 2021/22 each year.
- 2.2 This report is intended to update Members on the draft, unaudited Accounts that have 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 2020/21 ("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 31 March 2021.

#### **Revised Publication Timetable for 2020/21**

- 3.4 Under amended legislation, Accounts and Audit (Amendment) Regulations 2021, local authorities had until the 31 July to publish draft accounts. The deadline for completion of the external audit has also been moved to the 30 September. In normal circumstances, the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014 require publication of the draft unaudited accounts by 31 May with publication of the audited accounts by 31 July.

## Publication of the Draft Unaudited Accounts

- 3.5 The draft accounts were completed ahead of the deadline of the 31 July and where published on the Council's website on the 9 July 2021, the draft accounts are attached to this report in Appendix 1 and are also available on the link below:

[Annual accounts | www.wirral.gov.uk](http://www.wirral.gov.uk)

## 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 one:
- 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 2020/21, a £45.622m deficit (2019/20 £55.777m 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 2020/21, the deficit, after taking into consideration all operating expenditure and the receipt of taxation and non-specific general grant income, totals £45.622m (2019/20 £55.777m); 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 2020/21, the Council's assets are valued at £856.918m, offset by liabilities of £934.319m, resulting in net liabilities of (£77.401m). The negative net assets position is largely due to unusable reserves of (£228.338m) 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 2020/21, total cash and cash equivalents were £21.270m (2019/20 £53.672m)

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 unprecedented 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 2020/21, total Council Tax of £181.637m (2019/20 £175.038m) and Business Rates of £34.593m (2019/20 £71.829m) 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 deficit on the Council Tax account overall was £2.126m (2019/20 surplus £0.814m) and on Business Rates a deficit of £40.467m (2019/20 deficit of £0.286). These amounts are then carried forward to offset against the 2021/22 Collection Fund position.

Business Rates expenditure is based on estimates of the income in the January prior to the start of the financial year. In response to the COVID-19 pandemic, central Government subsequently announced a number of Business Rates reliefs, reducing the income recognised and therefore resulting in a significant deficit. Councils and precepting authorities have received additional Section 31 grants to compensate for the reliefs, and recovery of the deficit will be over 3 years from 2021/22.

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 £45.622m differs from the balanced outturn position previously reported to Policy and Resources Committee on the 30<sup>th</sup> June. 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 of Practice 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 2019/20 and it is not unusual to show a significant difference compared to the out-turn position as they are prepared on different bases. The outturn position reported to Policy and Resources Committee on 30 June is unchanged

### 3.8 Summary of the Statement of Accounts 2020/21

#### Comprehensive Income and Expenditure Statement

2019/20				2020/21		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
1,812	-136	1,676	Chief Executive Officer	1,987	-16	1,971
109	-220	-111	Covid-19	34,285	-29,949	4,336
119,941	-111,158	8,783	Resources	132,610	-102,773	29,837
95,244	-28,319	66,925	Neighbourhood Services	81,887	-17,379	64,508
8,905	-2,601	6,304	Law & Governance	8,531	-1,029	7,502
42,620	-12,012	30,608	Regeneration & Place	38,334	-9,687	28,647
329,191	-234,218	94,973	Children, Families & Education	334,478	-246,314	88,164
183,736	-92,648	91,088	Adults Care and Health and Strategic Commissioning	180,332	-87,935	92,397
-471	-3,579	-4,050	Corporate	325	-4,866	-4,541
<b>781,087</b>	<b>-484,891</b>	<b>296,196</b>	<b>Cost of Services</b>	<b>812,769</b>	<b>-499,948</b>	<b>312,821</b>
41,312	0	41,312	Other Operating Expenditure	43,367	0	43,367
56,690	-3,770	52,920	Financing and Investment Income and Expenditure	34,363	-509	33,854
0	-334,651	-334,651	Taxation and Non-Specific Grant Income	0	-344,420	-344,420
<b>879,089</b>	<b>-823,312</b>	<b>55,777</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>890,499</b>	<b>-844,877</b>	<b>45,622</b>
		-46,549	Surplus or deficit on revaluation of PPE			-25,312
		326	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure			4
		-98,467	Remeasurement of the net defined benefit liability / asset			54,677
		<b>-144,690</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>29,369</b>
		<b>-88,913</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>74,991</b>

Balance Sheet

<b>31 March 2020</b>			<b>31 March 2021</b>
<b>£000</b>	<b>Notes</b>		<b>£000</b>
655,993	14	Property, Plant and Equipment	669,455
14,308	15	Heritage Assets	18,411
24,680	16	Investment Property	19,033
165	17	Intangible Assets	19
0	18	Long-Term Investments	0
30,356	18	Long-Term Debtors	22,327
<b>725,502</b>		<b>Long Term Assets</b>	<b>729,245</b>
33,185	18	Short-Term Investments	16,937
257		Inventories	226
86,737	19	Short-Term Debtors	89,240
53,672	21	Cash and Cash Equivalents	21,270
<b>173,851</b>		<b>Current Assets</b>	<b>127,673</b>
-146,792	18 & 29	Short-Term Borrowing	-101,198
-68,995	22	Short-Term Creditors	-81,443
-10,798	23	Provisions	-12,084
<b>-226,585</b>		<b>Current Liabilities</b>	<b>-194,725</b>
-3,227	23	Provisions	-3,444
-162,340	18 & 29	Long-Term Borrowing	-149,434
-36,865	18, 22 & 29	Other Long-Term Liabilities	-34,877
-472,389	42	Pension Liability	-551,582
-357	36	Grants Receipts in Advance - Capital	-257
<b>-675,178</b>		<b>Long Term Liabilities</b>	<b>-739,594</b>
<b>-2,410</b>		<b>Net Assets</b>	<b>-77,401</b>
-97,410	24	Usable Reserves	-150,927
99,820	25	Unusable Reserves	228,328
<b>2,410</b>		<b>Total Reserves</b>	<b>77,401</b>

- 3.9 Amendments to the financial statements (draft to final) are detailed below for Wirral Council Accounts and will be reflected in the final accounts to be brought back to this Committee later in the year. The Committee is asked to note these changes.

<b>Description</b>	<b>Amount £m</b>	<b>Financial impact on CIES and Balance Sheet</b>
Note 13 – realign where income is reported from Non-IFRS to IFRS line	n/a	n/a
Note 14 – Depreciation and revaluation incorrectly processed	Gross £2.500m / Net £1.500m	No change to Outturn. PPE, Unusable reserves, cashflow, MIRS and CIES primary notes that will be impacted.
Note 35 DSG table updated to reflect where corporate costs for PFI should have been reported	n/a	n/a
Hoylake Golf Resort	£0.495m	No restatement of the accounts due to it not being material and within the limits of Grant Thornton thresholds.
CIES and Comparative Note – overstatement of income and expenditure as internal recharges have not been eliminated	Net nil 19/20 £13.768m 20/21 £16.297m	CIES and comparative note .

### **Public Inspection Period**

- 3.10 The public inspection of the accounts began on the 12 July 2021. Members of the public and other interested parties had thirty working days (until 20<sup>th</sup> August) to request access to documents relating to the financial statements for 2020/21 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 link:

[Annual accounts | www.wirral.gov.uk](http://www.wirral.gov.uk)

### **Arrangements for External Audit**

- 3.11 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.
- 3.12 Grant Thornton are currently undertaking the audit and 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).



- 3.13 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.
- 3.14 Subject to satisfactory completion of the audit by Grant Thornton. The Audit Findings Reports and audit opinions will be shared with members of Audit & Risk Management Committee at the next available meeting once the reports are available. The Committee will be requested to authorise the final Statement of Accounts for issue and publication at that meeting. The deadline for publication of the final accounts following the change in the regulations is 30<sup>th</sup> September, however, we believe the audit will go beyond this date and the accounts will be brought to the next available Audit and Risk Management Committee meeting.

#### **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 2020/21.

#### **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 2020/21 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.

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## **APPENDICES**

Appendix 1 – Draft unaudited Statement of Accounts 2020/21

## **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)**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	11 January 2021
Audit & Risk Management Committee – Statement of Accounts for 2018/19 for Wirral Council & Merseyside PF	23 September 2019
Audit & Risk Management Committee – Statement of Accounts for 2017/18 for Wirral Council & Merseyside PF	23 July 2018