



## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**MONDAY 24 JANUARY 2022**

<b>REPORT TITLE:</b>	<b>2020/21 STATEMENT OF ACCOUNTS FOR WIRRAL COUNCIL AND MERSEYSIDE PENSION FUND</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES</b>

### **REPORT SUMMARY**

The Council's constitution allocates responsibility for the approval of the Statement of Accounts to the Audit and Risk Management Committee.

The draft accounts were presented to the Committee on 27 September 2021, and this report is to bring to the Committee the final Accounts and the Audit Findings Reports of both Wirral Council and Merseyside Pension Fund. The report also presents the Annual Governance Statement for consideration and approval by the Committee.

The Statement of Accounts sets out the Council's and Merseyside Pension Fund's financial positions as at the 31 March 2021, along with a summary of its income and expenditure for the year ended 31 March 2021 and comparative data for the preceding year.

The draft accounts were prepared and submitted for external audit on 9 July 2021. The external auditors Grant Thornton UK LLP have substantially concluded on the Audit for 2020/21.

This report summarises the changes to the draft Statement of Accounts position supported by the following documents:

- Wirral Council Statement of Accounts 2020/21 (Appendix 1).
- Changes to Wirral Council Draft Statement of Accounts 2020/21 (Appendix 2).
- Wirral Council Audit Findings Report 2020/21 (Appendix 3).
- Audit Findings Report for Merseyside Pension Fund (Appendix 4).
- Annual Governance Statement (AGS) (Appendix 5).

### **RECOMMENDATION/S**

The Audit and Risk Management Committee is requested to:

1. Note the changes to the draft Accounts, and the External Audit Findings Reports for Wirral Council and Merseyside Pension Fund.
2. Approve the final Accounts (Council and Merseyside Pension Fund) as presenting a true and fair view of the Council's and Merseyside Pension Fund's income and expenditure for the year and its overall financial position.

3. Approve the Annual Governance Statement 2020/21.
4. Approve the Letter of Representation for Wirral Council.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 The Audit & Risk Management Committee has responsibility for approving the Statement of Accounts and the Annual Governance Statement (AGS) on behalf of the Council, which is a requirement under The Accounts and Audit Regulations 2015 and Accounts and Audit (Amendment) Regulations 2021. This update allows the Committee to further comment and allow the publication of the final Accounts.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 The Statement of Accounts are required to be produced in accordance with statutory guidance. 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.
- 2.2 The Accounts were brought to Committee on 27 September and an update of the audit progress by the external auditors Grant Thornton. The accounts now presented are the final Accounts. The audit is substantially complete and any updates will be brought to the Committee at the next sitting.

### **3.0 BACKGROUND INFORMATION**

- 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.
- 3.4 The Accounts published on 9 July 2021 are subject to audit. Under the Public Sector Audit Appointments arrangements for Local Government, Grant Thornton UK LLP act as the Councils appointed auditors. The auditor reports on the financial

statements and on the Value for Money conclusion, as documented within the Audit Findings Reports, see Appendices 3 and 4.

- 3.5 The Director of Resources, as the Section 151 Officer, is required to re-certify the presentation of the Statement of Accounts. The regulations require the Accounts to be considered and approved by Members prior to final publication. For Wirral Council, this role is for this Committee. The Accounts must also be signed and dated by the Chair of the Committee prior to publication on the Council's website; with any certificate, opinion or report issued, by Grant Thornton UK LLP.
- 3.6 The draft Annual Governance Statement (AGS) was considered by Members at the Audit and Risk Management Committee meeting on 5 July 2021, and has been updated (slide 27) to reflect the Council's current financial position and the Council's response to the two external assurance reviews commissioned by the Department of Levelling Up, Housing and Communities.

### **3.7 Amendments to the Statement of Accounts**

- 3.7.1 Amendments to the financial statements are detailed in Appendix 2 – Changes to Wirral Council Draft Statement of Accounts 2020-21. The amendments set out in this report are reflected in the accounts appended to this report. The Committee is asked to note these amendments and agree to these amendments in the final Statement of Accounts, which have been agreed by officers. A small number of disclosure adjustments, to improve the presentation of the financial statements have also been agreed.
- 3.7.2 The Statement of Accounts 2020/21 is included in Appendix 1, and reflects the comments made by the auditors and agreed by officers. They include the Merseyside Pension Fund (MPF) Accounts considered by the Pension Committee on 20 September 2021 and the external auditor Findings Report for the Merseyside Pension Fund in Appendix 4.

### **3.7.3 Changes to Merseyside Pension Fund Accounts**

- 3.7.4 The audit work has identified an adjustment to the financial statements' financial position, due to more up to date valuations being available during the course of the audit for private market assets. Audit testing of level 3 assets identified a sizable difference in the valuation used in the production of the accounts and the valuation now available, for one investment. In discussion with the auditor and recognising the risk of a material difference being identified as further work continued, officers agreed to review valuations of all private market assets to assess whether more up to date valuations were now available. The financial statements have now been updated with the latest available information for private market assets as of 31 March 2021 and the overall value has increased by £135.9m.
- 3.7.5 The audit work identified an adjustment to the reporting of derivatives, there was no change to the overall financial position.
- 3.7.6 A small number of disclosure adjustments, to improve the presentation of the financial statements and annual report, have been agreed.

3.7.7 The Additional Voluntary Contributions disclosure note (note 24), is incomplete, this is due to the Fund still waiting for information from one AVC provider and will be updated as soon as it becomes available. The information from the external party/provider is still not available.

### **3.8 Audit Findings Reports and Opinion**

3.8.1 The final Findings Report for Wirral Council Statement of Accounts will be presented by Grant Thornton to the Committee and is in Appendix 3.

3.8.2 The final Findings Report for MPF was presented by Grant Thornton to the Pension Committee on 20 September 2021 and is appended to this paper in Appendix 4.

3.8.3 The auditor's opinions for the Council and MPF accounts are issued separately, both are for consideration by the Committee and included in the final Audit Findings Reports along with the Letters of Representation.

3.8.4 The Auditors opinion will be included in the audited published Statement of Accounts as soon as practically possible upon approval of the Accounts by the Committee. An unqualified opinion on the Accounts for 2020/21 for the Council is anticipated. MPF accounts have received a unqualified opinion.

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

#### 3.9.1 Comprehensive Income and Expenditure Statement

The following shows the accounting cost in 2020/21 of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. For 2020/21, the deficit, after taking into consideration all accounting adjustments that do not impact on the General Fund (set out in Note 8), operating expenditure and the receipt of taxation and non-specific general grant income. The CIES reports a deficit of £41.59m (19/20 £55.78m), which is due to the statutory accounting adjustments.

2019/20 (restated)				2020/21		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£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	80,421	(17,379)	63,042
8,905	(2,601)	6,304	Law & Governance	8,531	(1,029)	7,502
42,620	(12,012)	30,608	Regeneration & Place	37,678	(9,686)	27,992
315,423	(220,450)	94,973	Children, Families & Education	317,844	(231,586)	86,258
183,736	(92,648)	91,088	Adults Care and Health and Strategic Commissioning	180,331	(87,935)	92,396
(471)	(3,579)	(4,050)	Corporate	325	(4,866)	(4,541)
<b>767,319</b>	<b>(471,123)</b>	<b>296,196</b>	<b>Cost of Services</b>	<b>794,012</b>	<b>(485,219)</b>	<b>308,793</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>865,321</b>	<b>(809,544)</b>	<b>55,777</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>871,742</b>	<b>(830,148)</b>	<b>41,594</b>
		(46,549)	Surplus or deficit on revaluation of Property, Plant and Equipment			(22,831)
		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			34,910
		<b>(144,690)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>12,083</b>
		<b>(88,913)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>53,677</b>

### 3.9.2 Balance Sheet

This shows the value of the assets and liabilities recognised by the Council as at the 31 March 2021. 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 £867.05m (19/20 £900.20m), offset by liabilities of £923.14m (19/20 £902.61m), resulting in net liabilities of £56.10m (19/20 £2.41m).

<b>(Restated)</b>				
<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		671,002
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 & 19	Long-Term Debtors		22,327
<b>725,502</b>		<b>Long Term Assets</b>		<b>730,792</b>
33,185	18	Short-Term Investments		16,937
257		Inventories		226
86,737	19	Short-Term Debtors		89,240
54,523	21	Cash and Cash Equivalents		29,856
<b>174,702</b>		<b>Current Assets</b>		<b>136,259</b>
(851)	21	Cash and Cash Equivalents		(8,586)
(146,792)	18 & 29	Short-Term Borrowing		(101,198)
(68,995)	22	Short-Term Creditors		(81,443)
(10,798)	23	Provisions		(12,084)
<b>(227,436)</b>		<b>Current Liabilities</b>		<b>(203,311)</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		(531,815)
(357)	36	Grants Receipts in Advance - Capital		(257)
<b>(675,178)</b>		<b>Long Term Liabilities</b>		<b>(719,827)</b>
<b>(2,410)</b>		<b>Net Liabilities</b>		<b>(56,087)</b>
(97,410)	24	Usable Reserves		(150,927)
99,820	25	Unusable Reserves		207,014
<b>2,410</b>		<b>Total Reserves</b>		<b>56,087</b>

## 4.0 FINANCIAL IMPLICATIONS

4.1 The amendments to the Statement of Accounts 2020/21, have not changed the level of General Fund Balance or reserves and provisions as at 31 March 2021 which remains as reported to the Policy and Resources Committee on 30 June 2021.

## 5.0 LEGAL IMPLICATIONS

5.1 The Statement of Accounts have been completed in accordance with the Accounts and Audit (Amendment) Regulations 2021. It is a legal requirement to publish the Statement of Accounts. This would ordinarily be completed by 31<sup>st</sup> July; due to the Coronavirus and recommendations from the Redmond review this deadline is extended under regulation to September. As the audit was not concluded upon by that date, the Council issued a public notice explaining the reasons for this under

Section 10.2a. The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2015.

## **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 None arising directly from this report.

## **7.0 RELEVANT RISKS**

7.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in qualification of the accounts, which may lead to further audit costs.

7.2 If any concerns identified by Grant Thornton are not addressed by the Council then there is a risk that the Council will not be able to meet its statutory requirements in respect to the Statement of Accounts as well as impacting upon the Value for Money and Financial Resilience of the Council and the Council's reputation.

## **8.0 ENGAGEMENT/CONSULTATION**

8.1 The draft unaudited Statement of Accounts for 2020/21 where available for public inspection, the deadline for this was 20 August 2021. The Council did receive responses for copy documents which were all supplied, no public questions were received and all requests were fulfilled.

8.2 The Annual Governance Statement has been approved by the Senior Leadership Team and signed by the Chief Executive and Council Leader.

## **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. A number of the appendix are not equality compliant and therefore paper copies are available upon request.

9.2 There are no further equality implications arising specifically from this report.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 Audits are currently undertaken remotely as a consequence of the pandemic and the authority will support this continuing were practically possible to reduce our carbon footprint. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

11.1 The content and/or recommendations contained within this report have no direct implications for community wealth.

**REPORT AUTHOR: Diane Grisdale**  
Senior Finance Manager  
email: [dianegrisdale@wirral.gov.uk](mailto:dianegrisdale@wirral.gov.uk)

**APPENDICES**

- Appendix 1 – Wirral Council Statement of Accounts 2020-21
- Appendix 2 – Changes to Wirral Council Draft Statement of Accounts 2020-21
- Appendix 3 – Wirral Council External Audit Findings Report 2020-21
- Appendix 4 - Audit Findings Report Merseyside Pension Fund 2020-21
- Appendix 5 – Wirral Council Annual Governance Statement 2020-21

**BACKGROUND PAPERS**

- Terms of Engagement
- External Audit Plan
- Draft Statement of Accounts
- CIPFA Code of Practice

**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	27 September 2021
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	23 November 2020
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	21 September 2020
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