



AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 11 January 2021

REPORT TITLE:	2019/20 STATEMENT OF ACCOUNTS FOR WIRRAL COUNCIL AND MERSEYSIDE PENSION FUND
REPORT OF:	DIRECTOR OF RESOURCES

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 21st September and then 23rd November, and this report is to bring to the Committee the final Accounts and the Audit Findings Reports. 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 Funds financial positions as at the 31st March 2020 along with a summary of its income and expenditure for the year ended 31st March 2020 and comparative data for the preceding year.

The draft accounts were prepared and submitted for external audit on 27th August 2020. The external auditors Grant Thornton UK LLP, have concluded on the Audit for 2019/20.

This report summarises the changes to the draft Statement of Accounts position, a full set of accounts is appended to this paper (see Appendix 1), Changes to Wirral Council Draft Statement of Accounts 2019/20 (Appendix 2), the External Audit Findings Report for Wirral Council and External Auditors Opinion (Appendix 3 and Appendix 3.1), the External Audit Findings Report for Merseyside Pension Fund in Appendix 4 and the Annual Governance Statement (AGS) (Appendix 5).

RECOMMENDATION/S

The Audit and Risk Management Committee is recommended 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 Pension Fund) as presenting a true and fair view of the Council's and Pension fund income and expenditure for the year and its overall financial position.
3. Approve the Annual Governance Statement 2019/20.

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 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. 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. The Accounts are subject to review by the appointed Auditor and must normally be published by 31st July each year. Due to the unprecedented spread of coronavirus this year, the national statutory deadline for publication of local authority accounts was extended to 30th November 2020.
- 2.2 The Accounts were brought to Committee on 23rd November with an update on the changes and an update 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 on 11th January 2021.

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 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.
- 3.4 The Accounts published on 27th August 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 Appendix 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 Councils 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 21st September 2020 and 23rd November 2020.

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 2019-20. 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.
- 3.7.2 The Statement of Accounts 2019/20 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 2nd November 2020 and the external auditor Findings Report for the Pension Fund in Appendix 4.
- 3.7.3 The Committee will be updated at the Audit, Risk and Management Committee meeting on 11th January of the audit work, findings, and alterations to the Statement of Accounts. The AGS, see Appendix 5, has had additional text under section Financial Resilience, page 23 of the report to report the projected deficit and capitalisation directive application to HM Treasury via the Ministry of Housing, Communities and Local Government.

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.
- 3.8.2 The final Findings Report for MPF was presented by Grant Thornton to the Committee on 23rd November 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 19/20 for the Council and MPF accounts is anticipated, with an adverse value for money opinion for the Council Accounts. There have been no changes to the Outturn position presented to Cabinet in July 2020.

3.9 Summary of the Statement of Accounts 2019/20

3.9.1 Comprehensive Income and Expenditure Statement

The following shows the accounting cost in 2019/20 of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. For 2019/20, 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 £55.78m (2018/19 £49.85m), which is due to the statutory accounting adjustments.

2018/19 (restated)				2019/20		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
20,613	(5,431)	15,182	Economic & Housing Growth	23,024	(7,085)	15,939
135,773	(100,743)	35,030	Business Management	135,473	(118,769)	16,704
0	0	0	Covid-19	109	(220)	(111)
87,498	(27,233)	60,265	Delivery Services	109,463	(31,865)	74,598
330,654	(245,078)	85,576	Childrens Services	333,100	(234,710)	98,390
170,853	(81,631)	89,222	Adult Care & Health	182,918	(92,242)	90,676
745,391	(460,116)	285,275	Cost of Services	781,087	(484,891)	296,196
38,699	(582)	38,117	Other Operating Expenditure	41,312	0	41,312
33,429	(1,497)	31,932	Financing and Investment Income and Expenditure	56,690	(3,770)	52,920
0	(305,477)	(305,477)	Taxation and Non-Specific Grant Income		(334,651)	(334,651)
817,519	(767,672)	49,847	Surplus or Deficit on Provision of Services	879,089	(823,312)	55,777
	(42,728)	(42,728)	Surplus or deficit on revaluation of PPE		(46,549)	(46,549)
	2,042	2,042	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure		326	326
	47,956	47,956	Remeasurement of the net defined benefit liability / asset		(98,467)	(98,467)
	7,270	7,270	Other Comprehensive Income and Expenditure		(144,690)	(144,690)
851,519	(760,402)	57,117	Total Comprehensive Income and Expenditure	879,089	(968,002)	(88,913)

3.9.2 Balance Sheet

This shows the value of the assets and liabilities recognised by the Council as at the 31st March 2020. 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).

Restated 31 March 2019			31 March 2020
£000	Notes		£000
644,487	14	Property, Plant and Equipment	655,993
14,308	15	Heritage Assets	14,308
27,357	16	Investment Property	24,680
549	17	Intangible Assets	165
1,550	18	Long-Term Investments	0
35,255	18	Long-Term Debtors	30,356
723,506		Long Term Assets	725,502
10,988	18	Short-Term Investments	33,185
134		Inventories	257
57,655	19	Short-Term Debtors	86,737
26,855	21	Cash and Cash Equivalents	53,672
95,632		Current Assets	173,851
(94,233)	18 & 30	Short-Term Borrowing	(146,792)
(57,234)	23	Short-Term Creditors	(68,995)
(12,310)	24	Provisions	(10,798)
(163,777)		Current Liabilities	(226,585)
(2,376)	24	Provisions	(3,227)
(164,541)	18 & 30	Long-Term Borrowing	(162,340)
(39,556)	18 & 30	Other Long-Term Liabilities	(36,865)
(539,381)	44	Pension Liability	(472,389)
(830)	38	Grants Receipts in Advance – Capital	(357)
(746,684)		Long Term Liabilities	(675,178)
(91,323)		Net Assets	(2,410)
(87,392)	25	Usable Reserves	(97,410)
178,715	26	Unusable Reserves	99,820
91,323		Total Reserves	2,410

4.0 FINANCIAL IMPLICATIONS

- 4.1 The amendments to the Statement of Accounts 2019/20, have not changed the level of General Fund Balance or reserves and provisions as at 31 March 2020 which remains as reported to Cabinet on 27 July 2020.

5.0 LEGAL IMPLICATIONS

- 5.1 The Statement of Accounts have been completed in accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. It is a legal requirement to publish the Statement of Accounts. This would ordinarily be completed by 31st July; due to the Coronavirus this deadline was extended under regulation to 30th November 2020. 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 2019/20 where available for public inspection, the deadline for this was 12th October. The Council did not receive any responses. 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.
- 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: Diane Grisdale

Senior Finance Manager Strategy, Policy & Financial Accounts
email: dianegrisdale@wirral.gov.uk

APPENDICES

Appendix 1 – Wirral Council Statement of Accounts 2019-20

Appendix 2 – Changes to Wirral Council Draft Statement of Accounts 2019-20

Appendix 3 – Wirral Council External Audit Findings Report 2019-20

Appendix 3.1 – Wirral Council External Auditors Opinion 2019-20

Appendix 4 - Merseyside Pension Fund External Audit Findings Report 2019-20

Appendix 5 – Wirral Council Annual Governance Statement 2019-20

BACKGROUND PAPERS

Terms of Engagement

External Audit Plan

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	23 rd November 2020
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	21 st September 2020
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