

AUDIT AND GOVERNANCE COMMITTEE
30 JULY 2020**DRAFT ANNUAL STATUTORY FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 2020

Recommendation

- 1. The Chief Financial Officer recommends that the draft Final Accounts Pack, including the Statement of Accounts for the financial year ended 31 March 2020, be noted.**

Background

2. The Council and Pension Fund are required to prepare annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015, and the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the Council and the Pension Fund, reflecting the Council's outturn position and the Pension Fund net asset position.
3. This report sets out the key issues arising from work completed to date on the external audit of the Statutory Accounts and the process for their publication. The external audit is being carried out by the Council's External Auditor, Grant Thornton UK LLP, who has provided an Update Letter on progress for the County Council and Pension Fund accounts which is included as a separate Agenda Item at today's meeting, which should be read in conjunction with this report.

Key issues arising

4. In response to an unprecedented situation relating to the COVID-19 pandemic and the need to reduce the immediate pressure on councils and auditors to meet statutory audit deadlines, the Accounts and Audit Regulations 2015 have been amended to allow the publication of the statement of accounts and public inspection of the accounts to be delayed.
5. Notwithstanding this, the Council has continued to prepare its accounts according to its existing timetable, at the same time increasing its output by producing new Group Accounts and enhancing the supporting evidence and working papers considering the uncertainty around COVID-19.

6. The Council has worked with Grant Thornton throughout and recognised that whilst audit fieldwork could be completed with only minor disruption, it was always likely to be the case that the additional consideration of the impact of COVID-19 on the accounts and in particular asset valuations and overall financial impact was likely to take longer for the External Audit team to consider, especially as circumstances continue to change.

7. It is anticipated that we will still be able to complete all parts of the accounts process well within statutory deadlines, with unaudited accounts being presented today, and audited accounts at the next Committee meeting on 2 October 2020.

Table 1: Accounts Process

Area	Council Plan	Statutory Deadline
Publication of Draft Accounts	30 July 2020	31 August 2020
Public Inspection Period	7 August 2020 to 18 September 2020	Commence on or before 1 September 2020
Publication of Audited Accounts	2 October 2020	30 November 2020

8. The Council provided draft accounts to Grant Thornton on 5 June 2020. These draft accounts and the draft Annual Governance Statement were also reported to Cabinet at its meeting on 25 June 2020.

9. The financial position reported in the Council's Statutory Accounts for 2019/20 was an overspend of £0.3 million against the net budget of £330 million, with an accounting deficit taking into account pension's actuarial costs, capital costs and other financial adjustments, of £16.1 million. The County Council's General Fund reserve balance remains at £12.2 million, whilst there has been a decrease of £5.2 million on available earmarked reserves taking their balance at 31 March 2020 to £76.3 million.

Table 2: Reserves

	Balance at 31 March 2019	Transfers out	Transfers in	Balance at 31 March 2020
	£m	£m	£m	£m
Directorate Reserves	28.7	-14.9	15.1	28.9
Grant / Funding Reserves	13.8	-5.5	5.4	13.7
Corporate Funding / Insurance	21.6	-14.3	21.8	29.1
Schools / DSG Reserves	4.9	-12.8	3.0	-4.9
PFI Reserves	12.5	-7.8	4.8	9.5
Total	81.5	-55.3	50.1	76.3

10. The above table includes a net deficit for schools/Dedicated Schools Grant of -£4.9 million, this comprises a surplus of Schools Balances of £1.4 million offset by a deficit in DSG High Needs Block of £6.3 million. The Council has complied with CIPFA Bulletin No.5 and included this deficit reserve within overall earmarked

reserves which in total are in surplus.

11. The financial impact of the COVID-19 lockdown on the Council and Pension Fund's assets has given rise to further work to ensure the accounts reflect any possible over or understatement of assets. To a great extent this is a matter of professional judgement with RICS guidance having been issued to property valuers that there is a risk of material uncertainty as a result, and the Pension Fund Actuary having similar considerations. Nevertheless, there has not been a material impact on any asset category nor evidence since the valuation data that needs to be taken into account.

12. To provide additional comfort, members will recall for this year that Grant Thornton have had to employ their own property valuation experts to support an enhanced scrutiny on this part of the balance sheet in response to wider Financial Reporting Council requirements. This happened before COVID-19.

13. The value of the Pension Fund's net assets decreased by £160.3 million from £2,795.3 million at 31 March 2019 to £2,635.0 million at 31 March 2020. During the year a surplus resulted on the Pension Fund accounts totalling £9.2 million, a decrease of £7.6 million from a surplus of £16.8 million in the previous year.

14. The external audit has identified a number of presentation/classification adjustments from the work completed to date which have been agreed and completed.

15. The Value for Money assessment is still ongoing and members will be updated at the 2 October 2020 Committee meeting.

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

Michael Hudson, Chief Financial Officer

Tel: 01905 845560

Email: mhudson@worcestershire.gov.uk

Mark Sanders, Chief Accountant

Tel 01905 846519

Email: mssanders@worcestershire.gov.uk

Supporting Information

- Appendix: Annual Financial Report and Statement of Accounts

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.