

## **AUDIT AND GOVERNANCE COMMITTEE**

### **4 DECEMBER 2020**

## **STATUTORY ACCOUNTS UPDATE**

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### **Recommendation**

- 1. The Chief Finance Officer recommends that the Statutory Accounts update report be noted.**

### **2019/20 Statutory Accounts Process**

2. Following the delegations agreed at the last committee meeting on 2 October 2020, I am happy to confirm that the County Council's and the Worcestershire County Council Pension Fund's 2019/20 Statutory Accounts were signed off on 27 October 2020. Additionally, the external auditor has issued an unqualified Value for Money conclusion for the County Council on the same day.
3. There remains as planned some audit fieldwork around the completion of the Whole of Government Accounts statistical return before the Audit Certificate can be issued. This work is in progress with no matters arising.

### **Progress on 2020/21 Statutory Accounts Process**

4. Whilst the statutory deadline for the 2020/21 accounts process has yet to be confirmed, we will continue with our existing plan to prepare accounts in time for them to be audited and ready for a July committee approval. The Council has well established processes around the production of the accounts and we are expecting to complete our plan as usual.
5. We will continue to work with Grant Thornton around these assumptions and will agree a plan that will be flexible to cater for changing circumstances.

### **Team - Resources**

6. The 2019/20 accounts process saw a significant increase in focus and work on areas such as financial assumptions, reliance on experts, value for money, going concern and the valuation of assets.
7. As a result, a review of staffing resources has been undertaken as part of the Finance Improvement Programme and we are in the process of increasing the number of qualified accountants that directly support the accounts process. This strengthening of resources will enable the Council to respond to the increased reporting and audit scrutiny work, and will be in place from January 2021.

### **IFRS16: Leases**

8. In response to the challenges to financial reporting presented by COVID-19 in 2019/20, CIPFA/LASAAC agreed to defer the implementation of IFRS16: Leases to the 2020/21 financial year, with an effective date of 1 April 2021. Under the new standard,

which replaces IAS 17, leases will no longer be classified as finance or operating leases and all leases will be recognised on balance sheet with the exception of short-term leases (leases of 12 months or less) and low value assets (where the right-of-use asset is less than £10,000).

9. In 2019/20 we carried out a detailed review to consider the Council's lease arrangements and identify where the exemptions in respect of short-term and low-value assets could be applied. As part of the accounts preparation work in 2020/21, we are continuing to collect information to ensure completeness across Directorates, Schools and Land & Property assets.

10. In the 2020/21 Statement of Accounts, we will disclose an estimate of the impact of the application of the new standard in terms of the value of right-of-use assets and lease liabilities to be recognised on Balance Sheet from 1 April 2021 and the depreciation charge and interest expense to be recognised in the Comprehensive Income & Expenditure Statement.

### **Accounting treatment: Dedicated Schools Grant**

11. Subject to parliamentary approval of Statutory Instrument, new regulations will apply to the accounting periods beginning 1 April 2020, 2021 and 2022 in respect of the accounting treatment of the Dedicated Schools Grant (DSG).

12. The new regulations require that where a local authority has a deficit on its school budget, the deficit must not be charged to its revenue account; instead the authority must charge the deficit to a separate account, established and useable solely for that purpose.

13. This unusable reserve will record deficits until the expiry of the statutory override. Whilst the Statutory Instrument is in effect, any surplus positions will not be transferred to this unusable reserve but will continue to be held ring-fenced as they currently are.

14. Following the expiry of the override, the deficit position will be offset by the accumulated surplus at that date. Government will continue to review the position at the end of this period to determine the need for an extension of the Statutory Instrument.

### **2020/21 Accounts planning**

15. In response to the recommendations included in the Action Plan presented by Grant Thornton in the Audit Findings Report for the year ended 31 March 2020, we have identified key areas for improvement in our working papers and, alongside our regular planning processes, will seek to strengthen supporting information in respect of recording of the Council's assets.

16. We have already planned our approach to asset valuations for 2020/21 and will be issuing a work instruction to the external valuer to begin the process in due course.

## **Contact Points**

### Specific Contact Points for this report

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### **Background Papers**

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