

AUDIT AND GOVERNANCE COMMITTEE
29 JULY 2021**DRAFT ANNUAL STATUTORY FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 2021

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 2021, 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 2020/21 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 an update of the 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, and their audit plans and progress for the County Council and Pension Fund accounts is included as a separate Agenda Item at today's meeting and should be read in conjunction with this report.

Key issues arising

4. In response to COVID-19, the requirement to prepare draft accounts by 31 May has been extended to 31 July and the requirement for the public inspection period has been amended to commence on or before the first working day of August 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020-21 and 2021-22 for all local authorities.
5. Notwithstanding this, the Council has completed the 2020/21 draft accounts according to its planned timetable and has continued to enhance its supporting evidence and working papers, particularly in areas where professional judgement has been applied.
6. The Council has worked with Grant Thornton throughout and it is planned that audit fieldwork will be completed remotely by the External Audit team with minimal on site presence. Audit field work commenced on 28 June 2021 and supporting working papers and audit evidence were provided to the team on this date.

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 24 September 2021.

Table 1: Accounts Process

Area	Council Plan	Statutory Deadline
Publication of Draft Accounts	30 July 2021	31 July 2021
Public Inspection Period	1 August 2020 to 13 September 2021	Commence on or before 1 August 2021
Publication of Audited Accounts	24 September 2021	30 September 2021

8. The Council provided draft accounts to Grant Thornton on 21 June 2021. These draft accounts and the draft Annual Governance Statement were also reported to Cabinet at its meeting on 24 June 2021.

9. The financial position reported in the Council's Statutory Accounts for 2020/21 was an underspend of £0.8 million against the net budget of £346.3 million, with an accounting surplus taking into account pension actuarial costs, capital costs and other financial adjustments, of £28.9 million. The County Council's General Fund reserve balance has increased by £0.8 million to £13.0 million and there has been an increase of £25.3 million on available earmarked reserves taking their balance at 31 March 2021 to £96.9 million. Additionally, School reserves of £4.0 million and £13.8 million of Private Finance Initiative (PFI) reserves are retained.

Table 2: Reserves

	Balance at 31 March 2020	Transfers out	Transfers in	Balance at 31 March 2021
	£m	£m	£m	£m
Directorate Reserves	28.1	-4.0	23.8	47.9
Grant Reserves	10.9	-0.2	6.6	17.3
Corporate Funding/Insurance	32.6	-27.1	26.2	31.7
Schools Reserves	1.4	-1.4	4.0	4.0
Dedicated School Grant	-6.2	0.0	6.2	0.0
PFI Reserves	9.5	-0.5	4.8	13.8
Total	76.3	-33.2	71.6	114.7

10. The cumulative DSG deficit brought forward from last financial year was £6.2 million which will now be increased by £0.3 million deficit from 2020/21 and the deficit to carry forward into 2021/22 is now £6.5 million. In line with the School and Early years Finance (England) Regulations 2020, the DSG earmarked reserve was reclassified as an unusable reserve from 1 April 2020 and therefore now excluded from the above table.

11. The financial impact of the COVID-19 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. This is a matter of professional judgement and guidance from RICS, in respect of property valuations, and the Pension Fund Actuary has been considered. Nevertheless, there has not been a material impact on any asset category nor evidence since the valuation date that needs to be taken into account.

12. We appointed external valuers Wilks Head & Eve to perform the Land & Building asset valuations in 2020/21 in line with our rolling programme. Valuations were completed as per the planned timetable and revaluations have been processed to update carrying values at 31 March 2021 and are reflected in the 2020/21 draft accounts.

13. The value of the Pension Fund's net assets increased by £719.4 million from £2,645.4 million at 31 March 2020 to £3,364.8 million at 31 March 2021. During the year a surplus resulted on the Pension Fund accounts totalling £116.6 million, an increase of £107.4 million from a surplus of £9.2 million in the previous year.

14. The external audit fieldwork and Value for Money assessment will continue over August and September and members will be updated on audit findings at the 24 September 2021 committee meeting.

Contact Points

Specific Contact Points for this report

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Supporting Information

- Appendix: Draft Annual Financial Report and Statement of Accounts 2020/21

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.