

AUDIT AND GOVERNANCE COMMITTEE 24 SEPTEMBER 2021

ANNUAL STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Recommendation

- 1. The Chief Financial Officer recommends that:**
 - a) The Final Accounts Pack, including the Statement of Accounts for the financial year ended 31 March 2021, be approved; and**
 - b) He be authorised to sign the Letters of Representation on behalf of the County Council.**

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 the key issues arising from the external audit of the Statutory Accounts and the process for their publication. The external audit was carried out by the Council's External Auditor, Grant Thornton UK LLP, who has provided audit reports for the County Council and Pension Fund accounts. Grant Thornton are required to report on any amendments from the draft Statement of Accounts as part of the submission of the final version to the Audit and Governance Committee. The full report arising from this audit is included in the ISA 260 report to those charged with governance, which is included in the committee papers, and should be read in conjunction with this document.

Key issues arising

4. In response COVID-19 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 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 with the majority of audit fieldwork completed remotely by the External Audit Team with minimal on-site presence.

7. Draft unaudited accounts were presented to the last Committee meeting in July 2021, and if approved today will be within statutory deadlines.

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. Consideration of the financial impact of COVID-19 on the Council and Pension Fund's assets has been made 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. 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 has identified a number of presentation/classification adjustments and where appropriate these have been reflected in the accounts.

15. The Value for Money fieldwork to inform the audit opinion will continue over the period to December 2021 and members will be updated on audit progress at the 3 December 2021 committee meeting.

Contact Points

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 – **To follow**

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.