



WEST OXFORDSHIRE
DISTRICT COUNCIL

WEST OXFORDSHIRE DISTRICT COUNCIL

Name and date of Committee	Audit and General Purposes Committee: Wednesday 24 November 2021
Report Number	Agenda Item No. 5
Subject	Statement of Accounts 2020/2021
Wards affected	All
Accountable member	Cllr Suzi Coul, Cabinet Member for Finance Email: suzi.coul@westoxon.gov.uk
Accountable officer	Elizabeth Griffiths, Chief Finance Officer Email: elizabeth.griffiths@westoxon.gov.uk
Summary/Purpose	This report presents the Council's audited Statement of Accounts for the period 1 April 2020 to 31 March 2021 to enable the Committee to consider and approve the Council's accounts.
Annexes	Annex A – Grant Thornton report: “The Audit Findings for West Oxfordshire District Council” Annex B – Statement of Accounts 2020/21 including the Annual Governance Statement Annex C – Letter of Representation
Recommendations	a) That the Grant Thornton Audit Findings for West Oxfordshire District Council report be noted; b) That the Statement of Accounts 2020/21, including the Annual Governance Statement be approved; and c) That the Chief Finance Officer and the Chair of the Committee be authorised to write a letter of representation on behalf of the Committee and Council to Grant Thornton to enable the opinion to be issued.
Corporate priorities	Modern Council Services and Sustainable Finance: Delivering excellent modern services whilst ensuring the financial sustainability of the Council
Key Decision	No
Exempt	No
Consultees	N/A

I. BACKGROUND

- 1.1. The Council's Chief Finance Officer is responsible for ensuring that the statement of accounts is prepared and published by 31 May following the end of a year. In a more typical year, the draft Statement of Accounts would have been presented to the July meeting of this Committee for review. The Government extended the deadline for the production of the draft accounts to 31st July and the audit of the Accounts from 31st July to 30th September.
- 1.2. The Council submitted its draft Statement of Accounts to the External Auditors, Grant Thornton, on 1st July.
- 1.3. The public inspection period ran from 2nd August to 10th September. There were no objections received during this inspection period.
- 1.4. Due to resourcing difficulties on the part of the external auditors Grant Thornton, mainly caused by a general backlog in Council audits from the previous year, the audit of the accounts for the year ended 31st March 2021 did not meet the 30th September publication date. A revised target deadline of the November 24th Audit Committee meeting was agreed.
- 1.5. It is the role of Audit & General Purposes Committee to formally approve the Statement of Accounts, along with the Grant Thornton Audit Findings Report, on behalf of the Council, following the completion of the audit process. The Audit is now substantially complete with no material errors or adjustments to the financial statements identified.
- 1.6. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code'). The Council is statutorily obliged under the Accounts and Audit Regulations 2015 to prepare its Statement of Accounts in accordance with the Code.

2. STATEMENT OF ACCOUNTS

- 2.1. The four core statements within the Accounts are:

Comprehensive Income & Expenditure Statement:

The statement shows the accounting cost of services in accordance with generally accepted accounting practices (GAAP). The 'below the line' funding & accounting entries that bring the statement back to the movement on the General Fund (reversing items such as depreciation and accounting for pension contributions) form part of the Movement in Reserves Statement below.

Movement in Reserves Statement:

The statement details the movement in the year between reserves, from the surplus/deficit on provision of services in the Comprehensive Income & Expenditure Statement, to the position on the Balance Sheet at 31 March, splitting the reserves into the usable reserves (which are available to spend) and unusable reserves which represent reserve held for accounting purposes (and are not available for use).

Balance Sheet:

The balance sheet depicts the assets and liabilities of the Authority, with the overall position representing the 'net worth' of the Council.

Cash Flow Statement:

The statement shows the year on year change in cash and cash equivalents (i.e. on demand deposits) available to the Council, as opposed to simply showing the movement in the bank balance.

- 2.2. The 'notes to the accounts' provide additional breakdown and disclosure of balances to support the primary statements.

Accounting Policies

- 2.3. The Council's Financial Rules state that the Chief Finance Officer is responsible for setting the Council's accounting policies. The Statement of Accounts is prepared based upon these policies.
- 2.4. Whilst it is the Chief Finance Officer's responsibility to set the policies, it is seen as best practice for this Committee to also agree the policies. The policies have a significant influence upon the Accounts which the Committee has responsibility for approving, following completion of the audit process.
- 2.5. The accounting policies are set out on pages 54 to 63 of the attached Statement of Accounts. There are no significant changes to note.

Revenue Outturn and Performance

- 2.6. The Council's approved revenue budget for 2020/21 was £15,307,830. The final outturn position saw the Council generate an under-spend of £48,753 against the revenue budget for the year.
- 2.7. The revenue outturn position was reported to Cabinet on 21st July 2021 (for a full breakdown of the outturn for the year, please refer to the Cabinet report, agenda item 6). At their meeting, Cabinet recommended to Council to transfer £10,267,787 of the revenue surplus to earmarked reserves and to increase the General Fund Balance by £48,753. Council subsequently approved the appropriations on 28th July 2021.

Reconciling the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement to the Revenue Outturn position reported to Cabinet

- 2.8. The Comprehensive Income and Expenditure Statement (CI&ES) (page 8 of the Accounts) shows the accounting cost in the year of providing services. The statement is prepared based under International Financial Reporting Standards (IFRS) and therefore does not match the figure presented to Cabinet as part of the year-end outturn report, which is prepared on the basis of internal reporting practices. To reconcile the figures, the CI&ES and Movement in Reserves Statement (MiRS) need to be read together as the MiRS reverses out or adjusts some Income and Expenditure items to make them compatible with the Code of Practice on Local Authority Accounting, and UK statutory requirements.

- 2.9. Note BI “Expenditure and Funding Analysis” on page 12 of the Accounts reconciles the difference between statutory financial reporting and those figures reported internally to Cabinet. The CI&ES declares a surplus on the provision of services of £2,768,463. This figure includes changes in asset values and pension fund accounting which are not reported to Members as they are statutory accounting adjustments and do not impact upon council tax payer financing of the Council. These are set out in the column headed “Adjs. between accounting and funding basis” and amount to £5.9m. Once adjustments to earmarked reserves of £8.035m are taken into account, the net contribution to the Council’s General Fund Balance is £48,753 ($£2,768k + £5,929k - £8,649k = £48k$).

Key Balance Sheet Movements

- 2.10. The balance sheet represents the value or ‘net worth’ of the Council as at 31st March 2021. The key movements in the balance sheet between 31st March 2020 and 31st March 2021 and the reasons for the largest changes are summarised below.
- 2.11. The value of Property, Plant and Equipment has decreased by £1.3 million. This is primarily due to the revaluation downwards of our operational buildings, leisure facilities and car parks, reflecting the difficult market conditions created by Covid in the office & leisure sectors.
- 2.12. Non-current (long term) debtors have increased by £7.2m year-on-year. This is primarily as a result of a loan of £5.8 million given to Cottsway Housing Association to facilitate the delivery of affordable and social housing developments within the district; and a loan of £2m to Southill Solar to deliver on the Council priority of taking action locally on climate change.
- 2.13. Short term debtors have increased by £13.2 million and short term creditors have increased by £15.9 million. While in a normal year fluctuations in these balances would be expected, in 2020/21 these were hugely exacerbated due to the size of transactions with central government departments and the Council’s partners. Specifically the Business Rates deficit, S31 compensation grant and Business Support grants.
- In short term creditors the Council is required to return to Central Government £9.6m for S31 grant and £5.6m for Business Support grants.
- In short term debtors Central Government’s debt to the Council rose by £9.3m, representing their share of the Business Rates deficit, with Oxfordshire County Council’s share of the deficit standing at £3.1m.
- 2.14. The valuation of the pension fund net assets and liabilities which is shown in note F1 to the accounts, has shown an increase in liability of £5.58 million. The valuation of the pension fund does fluctuate each year and is based upon a number of actuarial assumptions. At 31 March 2020 the Council’s share of the Oxfordshire Pension Fund stands at a net liability of £35.003 million.
- 2.15. The triennial pension fund valuation was completed in March 2019 and establishes the authority’s pension fund contributions for the next three years with effect from 1 April 2020. The annual valuation for accounting purposes does not therefore impact upon the Council’s physical pension fund contributions during 2020/21.

- 2.16. The 'general fund balance' has increased by £48,754 from 1 April to 31 March. The movement represents the remaining underspend in the year (after transfers to earmarked reserves). The general fund balance represents the unallocated revenue reserves of the Council. At 31 March the General Fund balance stood at £12,808,751.
- 2.17. The Council's 'earmarked reserves' represent resources that have been set-aside by the Council for specific projects or money to provide particular schemes in the future. Overall contributions to earmarked reserves amounted to £13.301 million, including £2.2m of ARG and COMF grants, £1 million to help deliver Covid-19 response and recovery initiatives in 2021/22, £7m to fund the Council's share of the Business Rates deficit and £1.5m to fund growth in the Publica contract. Expenditure amounted to £5.266m. Of the money spent, £3.6m was a one off additional contribution to the pension fund, £369,000 funded the continued roll out of high speed broadband and £192,000 funded the implementation of a new Revenues & Benefits system. The value of earmarked reserves has therefore increased by £8.035m.
- 2.18. The 'Net Assets' or 'Net Worth of the Council has decreased by £5,523,781. The main contributing factor is the increase in pension liability. Although the Council faces significant challenges in 2021/22 and beyond, the Council is generally in a healthy position at the end of the 2020/21 financial year with an appropriate level of reserves. The Council remains financially secure and sustainable for the foreseeable future.

3. AUDIT FINDINGS

- 3.1. At the time of writing this report, the audit is materially complete.
- 3.2. Attached to this report at Annex A is the Audit Findings Report for West Oxfordshire District Council. The report details all of the work that Grant Thornton has undertaken as part of their formal audit of the accounts. It outlines the key findings and matters arising from the statutory audit process.
- 3.3. The Statement of Accounts attached to this report represents the audited accounts following the completion of the audit and incorporate a number of recommendations of minor changes required following review by Grant Thornton.
- 3.4. Grant Thornton's work in the areas of Financial Instruments and the Collection Fund is still to be finalised but they have indicated that they expect to offer an unqualified audit opinion on 24th November.
- 3.5. Grant Thornton has not yet completed work on the Value for Money (VFM) conclusion in respect of the Council's arrangements for the year ended 31 March 2021. This work is still ongoing and at the time of preparing this report, the auditors have not identified any significant weaknesses in arrangements that require them to make a recommendation, however they will continue to undertake work on the Council's arrangements and update the Audit Committee.

Summary of changes resulting from the audit

- 3.6. The only audit adjustments currently made relate to misclassification and disclosure changes as outlined below.

Misclassification and disclosure changes

- 3.7. There is an unadjusted misstatement of £77,000 relating to the fair value of long term investments which have been understated on the balance sheet. Due to the timing of the finding and the level of misstatement no adjustment has been made as it is not considered material to the accuracy of the financial statements.
- 3.8. A small number of other misclassification and disclosure changes have been made to the accounts. These changes represent minor amendments, including changes to notes where expanded explanation has been necessary and other presentational adjustments (such as rounding within tables and the correction of spelling mistakes) to improve the quality of disclosures in the accounts. These have not been reported separately with Grant Thornton's report due to their insignificant nature. Although a number of changes have been made, they do not affect the 'net worth' of the Council.

The letter of representation

- 3.9. To complete the Audit process the Council is required to submit a letter of representation to Grant Thornton to complement the financial statements and to outline the areas considered in stating that the financial statements give a 'true and fair view' on the accounts, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.
- 3.10. The Chairman of the Audit & General Purposes Committee and the Chief Finance Officer are asked to sign the Letter of Representation, under Recommendation (c) to this report. Grant Thornton is not able to issue their opinion on the accounts until the letter of representation has been received.

4. FINANCIAL IMPLICATIONS

- 4.1. This report has no financial implications.

5. LEGAL IMPLICATIONS

- 5.1. The Council is required to approve its Statement of Accounts in order to comply with Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

6. RISK ASSESSMENT

- 6.1. If the Audit and General Purposes Committee do not approve the audited Statement of Accounts the Council will not comply with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

7. BACKGROUND PAPERS AND RELATED DECISIONS

- 7.1. The following decisions are related to the report:
 - 26th February 2020 – The Council approved the 2020/21 budget.
 - 21st July 2021 – Cabinet approved the Revenue Outturn 2020/21 report.