



WEST OXFORDSHIRE
DISTRICT COUNCIL

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| Name and date of Committee | Audit & Governance Committee - Thursday 10th of August 2023 Background paper for item 5 |
| Subject | Statement of Accounts 2021/22 |
| Wards affected | All |
| Accountable member | Cllr Dan Levy Cabinet Member for Finance Email: dan.levy@westoxon.gov.uk |
| Accountable officer | Elizabeth Griffiths, Section 151 Officer Email: elizabeth.griffiths@westoxon.gov.uk |
| Summary/Purpose | This report presents the Council's unaudited Statement of Accounts for the period 1 April 2021 to 31 March 2022 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 including the Annual Governance Statement Annex C Letter of Representation |
| Recommendation | a) That the Grant Thornton Audit Findings for West Oxfordshire District Council report be noted; b) That the Statement of Accounts 2021/22, 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 |

BACKGROUND

1.1 In a more typical year, the draft Statement of Accounts would have been presented to the July meeting of this Committee for review. Under section 10 of the Accounts and Audit Regulations 2015, the Council is required to publish its annual Statement of Accounts by 31 July each year; the publishing deadline has been extended for 2021/22 to 30 November 2022.

1.2 The Council submitted its draft Statement of Accounts to Grant Thornton on 18th August 2022.

1.3. The public inspection period ran from 22nd August to 30th September 2022. There were no objections received during this inspection period.

1.4. Due to resourcing difficulties on the part of the Council Finance Team and 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 2022 did not meet the 30 November publication date. After consultation with Grant Thornton it was agreed to take a break from Audit activities between December 2022 and February 2023 allowing for the Council to complete the Budget setting process as discussed at this committee on 30th March 2023. The External Auditors are still awaiting assurance over the Pension Scheme liability from the Ernst & Young, the Auditors of the Oxfordshire LGPS. Until this assurance is provided we are unable to sign off the 2021/22 Statement of Accounts. There is as yet no confirmed date from Ernst & Young for their work to be completed.

1.5. 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.

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 67 of the attached Statement of Accounts. There are no changes to consider in 2021/22.

Revenue Outturn and Performance

2.6. The Council's approved revenue budget for 2021/22 was £14,168,952. The final outturn position saw the Council budget underspent by £4,592.

2.7. The revenue outturn position was reported to Cabinet on 13th July 2022 (for a full breakdown of the outturn for the year, please refer to the Cabinet report, agenda item 43). At their meeting, Cabinet recommended to Council to transfer £6,925,782 of the revenue surplus to earmarked reserves and to increase the General Fund Balance by £4,592. Council subsequently approved the appropriations on 20th July 2023.

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 £3,307,527. 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 £4.597m. Once adjustments to earmarked reserves of £1.294m are taken into account, the net contribution from the Council’s General Fund Balance is £4,592 (£3,307k - £4,597k + £1,294k = £4,592).

Key Balance Sheet Movements

2.10. The balance sheet represents the value or ‘net worth’ of the Council as at 31st March 2022. The key movements in the balance sheet between 31st March 2021 and 31st March 2022 and the reasons for the largest changes are summarised below.

2.11. The value of Investment Property increased by £3.248 million. This is due to the acquisition of an Industrial property in Carterton for £2.4 million and gains on revaluation.

2.12. Short term debtors have decreased by £3.154 million and short term creditors have increased by £5.013 million. Whilst fluctuations in these balances would be expected year on year, in 2021/22 these were 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 Collection Fund balances. The level of Aged Debt balances remained high at £2,408,446.

2.13. The valuation of the pension fund net assets and liabilities which is shown in note F1 to the accounts, has shown a decrease in liability of £10.849 million. The valuation of the pension fund does fluctuate each year and is based upon a number of actuarial assumptions. At 31 March 2022 the Council’s share of the Oxfordshire Pension Fund stands at a net liability of £24.931 million compared to a liability at 31st March 2021 of £35.003 million. The future value of pension liabilities is based on the discount rate, which is based on the yield on investment grade corporate bonds. There has been a rise in yield over the period which has led to an increase in the discount rate, which in turn has had a positive effect on pension scheme liabilities. Whilst the scheme is in deficit it represents the net value of what the Council owes across all future years. The Council are making contributions to cover liabilities accruing for employees that are current members.

2.14. There was a £11.332 million increase in our cash and cash equivalents year on year due to a significant amount of Government funding being received at the end of March 2022 for Business Support Grants and additional S31 Grant compensating for the impact of Government legislation changes on Business Rates income.

2.15. The 'general fund balance' has increased by £4,592 from 1 April to 31 March. The movement represents the remaining surplus in the year (after transfers to earmarked reserves). The general fund balance represents the unallocated revenue reserves of the Council. At 31 March 2022 the General Fund balance stood at £12,813,345.

2.16. 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 £8.681 million, including £5.212m to the Business Rates Deficit Reserve, £970,580 to a COMF Reserve, £450,000 for the delivery of Council Priorities and £800,000 to Inflation Reserves. Expenditure amounted to £9.976m. Of the money spent, £6.877m funded the repayment of the Business Rates deficit relating to 2020/21 and £1.762m for ARG. The value of earmarked reserves has therefore decreased by £1.294m.

2.17. The 'Net Assets' or 'Net Worth of the Council has increased by £17,608,059. The main contributing factor is the decrease in pension liability of £10.849m and an increase in cash and cash equivalents. The Council was generally in a healthy position at the end of the 2021/22 financial year with an appropriate level of reserves. It was considered that the Council would remain financially secure and sustainable for the foreseeable future. However, with increasing costs, a reduction in Government Funding and the change in the Retained Business Rates regime due in the next couple of years, the MTFS calculates that reserves will be completely depleted by 2027/28.

AUDIT FINDINGS

3.1. At the time of writing this report, the audit is materially complete.

3.2. The Audit Findings Report for West Oxfordshire District Council 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 for assurance over the pension scheme liability is awaiting confirmation from Ernst & Young, the External Auditors for the Oxfordshire LGPS. Until this assurance has been received, we are unable to sign off the Statement of Accounts and the Audit Opinion cannot be issued. Subject to the satisfactory resolution of this outstanding issue, Grant Thornton anticipate giving an unqualified opinion on the Council's financial statements for 2021/22.

Summary of changes resulting from the audit

3.5. The revaluation table in note D1 included £0.109m misclassified in Land and Buildings valuations at 31 March 2022. This balance relates to Plant & Equipment and is held at historic cost rather than being revalued.

3.6. Note F2 within Financial Instruments, did not fully disclose cash and cash equivalents balances and was inconsistent with the Balance Sheet.

3.7. 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 some changes have been made, they do not affect the 'net worth' of the Council.