

Draft Statement of Accounts 2020/21

Date: 30th July 2021

Report of: the Chief Finance Officer

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

- The report presents the draft statement of accounts for 2020/21 to the committee for information.
- The draft accounts have been approved by the Chief Finance Officer and will be made available for the statutory public inspection period on the council's website from Monday 2nd August.
- The accounts will be subject to audit by Grant Thornton over the summer and autumn, and it is anticipated that the final audited accounts will be presented to the committee for approval in November.

Recommendations

- a) Members are asked to note the unaudited statement of accounts for 2020/21, which have been certified by the Chief Finance Officer.

Why is the proposal being put forward?

- 1 The purpose of this report is to present to the Committee the draft unaudited 2020/21 Statement of Accounts. The Statement of Accounts is included with the agenda as a separate document for Committee members and is also published on the Council's internet site with the Committee papers. Details of roles, responsibilities and timescales for approving the statement of accounts are set out below.

What impact will this proposal have?

Wards Affected:

Have ward members been consulted? Yes No

- 2 This is a factual report from the Chief Finance Officer on the Council's 2020/21 financial accounts. The accounts present the council's financial position for the year in the format required by accounting standards, incorporating technical transactions relating to non-spendable reserves in addition to the outturn position which members will already be aware of.
- 3 The financial statements reflect the unprecedented impact of the pandemic upon the council's finances during 2020/21, and the statements show some significant variances in comparison to previous years, particularly in the balance of funding between local taxation income and government grants. The main financial issues arising from the statement of accounts are :
 - 3.1 The final outturn position for the year was a £3.8m use of the general fund reserve, which represented a £1.1m underspend in comparison to the latest budget.
 - 3.2 The Council's net worth has decreased by £238.5m during the year and stands at £1,304.0m. The most significant factor in this decrease was an increase in net pensions liabilities of £425m, largely as a result of changes to actuarial assumptions used in the measurement of the liabilities.
 - 3.3 Net borrowing during the year for capital and treasury purposes has increased by £70m, in comparison to an increase of £68m in the borrowing element of the capital financing requirement. The level of cash and cash equivalents held at the balance sheet date has decreased by £114.8m, reflecting a return to a more normal position after the decision to hold high cash balances at the onset of the pandemic in March 2020.
 - 3.4 The Council's level of usable reserves has increased by £118.3m. This includes £103.1m of earmarked revenue reserves representing government grants received in advance, of which £85.7m relates to losses in income in the Collection Fund which will impact on the General Fund via precepts in future years.
 - 3.5 The impact of the covid pandemic on local taxation income has been severe, with a £12.5m deficit on Council Tax and a £193.8m deficit on business rates being recorded for the Collection Fund as a whole. The share of these deficits attributable to the Council is £10.6m for council tax and £90.8m for business rates. The deficit on business rates was largely due to additional reliefs being granted to businesses by the government in response to the pandemic, and the Council has received additional grant funding to compensate for these reliefs. These additional grants have been

carried forward and are included within the earmarked reserves figures given in paragraph 3.4 above.

3.6 The Council has received various government grants during the year for distribution to businesses and individuals in Leeds. Accounting standards require that where the terms of grants are such that the Council is acting as an agent for the government in distributing them, the income and expenditure should not be recognised within the Council's accounts. The draft accounts therefore include those grants for distribution where the Council itself determined the eligibility criteria, but they do not include grants where the government specified the eligibility criteria. The total value of grants which are not included because the Council was acting as an agent was £236m, including £224m of grants to businesses.

4 A full analysis of these and other financial issues is included in the Foreword of the Chief Finance Officer which can be found at the front of the accounts.

What consultation and engagement has taken place?

5 This is a factual report from the Chief Finance Officer on the Council's 2020/21 financial accounts and consequently no public, ward member or councillor consultation or engagement has been sought.

What are the resource implications?

6 This is a factual report of the Chief Finance Officer on the financial accounts of the Council for 2020/21. There are no additional financial or value for money implications.

What are the legal implications?

7 The accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of July 2021, and made available for public inspection on or before the first working day of August.

8 Responsibilities and timeframes for approving the statement of accounts :

8.1 The Accounts and Audit Regulations 2015 determine the roles and responsibilities for approving local government accounts. In response to the ongoing impact of the coronavirus pandemic the government has made changes to the Regulations to extend the publication deadlines for 2020/21. Under the Regulations it is the responsibility of the Responsible Financial Officer to certify that the draft accounts are a true and fair view of the Council's financial position, and for 2020/21 this must be done before the 31st July. The accounts must then be available for public inspection for thirty working days. This Committee is charged with approving and publishing the final audited accounts on or before the 30th September 2021. In the event that the audit is not completed by this date, as has been indicated by Grant Thornton is likely to be the case, a notice must be published on the council's website by this date to explain the delay.

8.2 To enable members to discharge their responsibilities for approving the accounts at the November meeting of the committee, the following assurances can already be given, or will be given within the approval process.

- On 20th July 2021 the Chief Finance Officer in her capacity as the Responsible Financial Officer signed the draft 2020/21 accounts, confirming that she is satisfied that they present a true and fair view of the Council's financial position.
- The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which represents proper accounting practice for local authorities, as required by the Accounts and Audit Regulations 2015.
- Grant Thornton will be undertaking a detailed audit of the accounts to ascertain that, in their view, the accounts show a true and fair view of the Council's financial position. They will report any significant issues back to this Committee in the autumn.
- Stakeholders have thirty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered an eligible objection the auditors would investigate the complaint or questions and determine whether the accounts needed amendment. Any significant issues raised in this way would be reported back to this Committee in September. For 2020/21, the public inspection period will commence on 2nd August.
- Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the November Committee prior to approving the accounts

What are the key risks and how are they being managed?

- 9 The Council's external auditors provide a risk assessment on the accounts process as part of their annual audit plan, which is presented to the Committee as part of this agenda. The specific areas identified as audit risks will be covered as part of their audit work, and any issues arising will be reported to this committee at the meeting at which the final audited accounts are presented for approval.

Does this proposal support the council's 3 Key Pillars?

- Inclusive Growth
 Health and Wellbeing
 Climate Emergency

- 10 The report relates to the council's underlying financial position rather than to any particular aspect of service delivery.

Options, timescales and measuring success

a) What other options were considered?

- 11 The report presents the 2020/21 draft statement of accounts to the committee. It does not relate to a proposed course of action requiring options.

b) How will success be measured?

- 12 The results of the 2020/21 audit will be reported to the committee.

c) What is the timetable for implementation?

- 13 The report relates to the 2020/21 financial year.

Appendices

14 None.

Background papers

15 None.