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Date: 29th July 2022

Report of: 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

Brief summary

- The report presents the draft statement of accounts for 2021/22 to the committee for information.
- The draft accounts will be approved by the Chief Finance Officer and will be made available for the statutory public inspection period on the council's website from Monday 1st August.
- The accounts will be subject to audit by Grant Thornton over the autumn and winter, and it is anticipated that the final audited accounts will be presented to the committee for approval in February.

Recommendations

- a) Members are asked to note the unaudited statement of accounts for 2021/22, which is to be certified by the Chief Finance Officer

What is this report about?

- 1 The purpose of this report is to present to the Committee the draft unaudited 2021/22 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 given from paragraph 9 below.

What impact will this proposal have?

- 2 This is a factual report from the Chief Finance Officer on the Council's 2021/22 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 main financial issues arising from the statement of accounts are :
 - 3.1 The final outturn position for the year was a £5.5m contribution to the general fund reserve, which represented a £1.5m underspend in comparison to the latest budget.
 - 3.2 The Council's net worth has increased by £971m during the year and stands at £2,342m. The most significant factor in this increase was a reduction in net pensions liabilities of £577m, as a result of changes to actuarial assumptions used in the measurement of the liabilities, and higher than projected income earned on the pension fund's assets.
 - 3.3 The value of the Council's land, property and equipment held on the balance sheet has increased by £377m. This increase included £450m of expenditure on new or existing assets, with assets valued at £64m being disposed of during the year.
 - 3.4 Net borrowing during the year for capital and treasury purposes has reduced by £86m, in comparison to an increase of £112m in the borrowing element of the capital financing requirement. The level of cash and cash equivalents held at the balance sheet date has increased by £21.3m.
 - 3.5 The Council's level of usable reserves has increased by £28.6m, with usable capital reserves increasing by £36.8m and usable revenue reserves decreasing by £8.2m. The reduction in usable revenue reserves includes a reduction of £50.9m in the level of government grants received in advance to compensate the Council for income losses in the Collection Fund arising from the covid pandemic.
 - 3.6 The deficit on the Collection Fund reduced significantly during the year, as the Council and other precepting bodies made significant contributions towards the deficits which had arisen during 2020/21 due to the impact on council tax and business rates income of the coronavirus pandemic. However the position on business rates before these deficit contributions was again a deficit, due to the award of further new reliefs for businesses, for which the Council receives additional grant funding to compensate. £33.2m of grant funding has been carried forward in earmarked reserves to be applied in 2022/23 to offset the impact of the additional reliefs on the 2022/23 precept. The Council's share of the closing business rates deficit is £32.4m and its share of the council tax deficit is £7.3m. These figures include the impact of legislation which allows the portion of the 2020/21 deficits for both council tax and business rates which were not funded by grants to be spread over three years from 2021/22 to 2023/24.

3.7 The Council continued to receive significant 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. For 2021/22 the total value of grants which are not included because the Council was acting as an agent was £57.0m, including £48.2m 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.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

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

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 6 This is a factual report from the Chief Finance Officer on the Council's 2021/22 financial accounts and consequently no public, ward member or councillor consultation or engagement has been sought.

What are the resource implications?

- 7 This is a factual and retrospective report of the Chief Finance Officer on the financial accounts of the Council for 2021/22. There are no additional financial or value for money implications.

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

- 8 The Council's external auditors will provide a risk assessment on the accounts process as part of their annual audit plan, which is expected to be presented to the Committee at the September meeting. 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.

What are the legal implications?

- 9 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 2022, and to be made available for public inspection on or before the first working day of August.

- 10 Responsibilities and timeframes for approving the statement of accounts :

- 10.1 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 made changes to the Regulations to extend the publication deadlines for 2020/21 and 2021/22. 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 2021/22 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 in line with the statutory deadline. For the 2021/22 accounts the Government has extended the deadline for publishing final audited accounts to 30th November 2022. In the event that the audit is not completed by the statutory 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.
- 10.2 To enable members to discharge their responsibilities for approving the accounts at the February meeting of the committee, the following assurances can already be given, or will be given within the approval process :
- a) The Chief Finance Officer in her capacity as the Responsible Financial Officer will sign the draft 2021/22 accounts, confirming that she is satisfied that they present a true and fair view of the Council's financial position.
 - b) The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which represents proper accounting practice for local authorities, as required by the Accounts and Audit Regulations 2015.
 - c) 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.
 - d) 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 2021/22, the public inspection period will commence on 1st August.
 - e) Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the February Committee prior to approving the accounts. In addition, informal briefing sessions will be held for members before the final audited accounts are presented to the Committee for approval.

Options, timescales and measuring success

What other options were considered?

- 11 The report presents the 2021/22 draft statement of accounts to the committee, and does not relate to a proposed course of action requiring options.

How will success be measured?

- 12 The results of Grant Thornton's 2021/22 audit will be reported to the committee.

What is the timetable and who will be responsible for implementation?

13 The report relates to financial performance in the 2021/22 financial year rather than to future actions which would require implementation.

Appendices

- None

Background papers

- None