

Draft (Unaudited) Statement of Accounts 2020/21

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Purpose of the Report

1. The purpose of this report is to present the 2020/21 Draft (Unaudited) Statement of Accounts to Audit Committee for review and discussion.

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 30th September 2021. The Audit Committee's approval of the audited 2020/21 Annual Statement of Accounts is anticipated to be sought at its meeting on 25th November 2021.

Public Interest

3. As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. By preparing and publishing the annual Statement of Accounts the Council achieves the objective of accountability.

Recommendations

4. That Audit Committee:
 - a) Reviews the draft statement of accounts.
 - b) Notes that it is anticipated that the audited statement of accounts, along with the external auditor's opinion on them, will be presented to its meeting on 25th November 2021.

Background

5. The Accounts and Audit Regulations (England) 2015 came into force on 1 April 2015, bringing a requirement for the Responsible Finance Officer (the S151 Officer) to certify the annual accounts no later than 31 May and to publish these, along with the audit opinion and after having been approved by Members, no later than 31 July.
6. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) superseded these requirements and extended the statutory audit deadline for 2020/21 for all local authorities, to 30 September 2021. Due to the completion of the statement of accounts taking longer than anticipated and therefore not being provided to the external auditors in line with the agreed timetable SSDC's accounts will not be signed off by the



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required date. It is anticipated that the audited statement of accounts will be presented at the 25 November Audit Committee.

7. Under the Accounts and Audit Regulations (England) 2015 regulations, the Responsible Finance Officer was required to ensure that the period for the exercise of public rights includes the first 10 working days of June. The period for the exercise of public rights (which includes the rights of objection, inspection and questioning of the external auditor) may only be exercised within a 30 day period.
8. However, the Accounts and Audit (Coronavirus) Amendments Regulations 2020 superseded this requirement. The regulations now state that Local authorities had to commence the public inspection period on or before the first working day of August 2021. The accounts, confirmed by the Responsible Finance Officer, were published on the 30 July 2021 and the 30 day inspection period ended on 10 September 2021.
9. In previous years Audit Committee considered the Statement of Accounts once it had been audited alongside the external audit opinion and the audit findings report.
10. The interim S151 Officer has decided to take a change in approach with the statements being presented at this Audit Committee for review in their draft pre-audited stage. This will allow Audit Committee to take more time in reviewing the statements in detail and asking officers questions on the figures and information included in the accounts. The subsequent meeting in November will enable committee members to focus on the audit finding report, the audit opinion and the changes to the statements as a result of the audit. Members will also then be asked to agree the audited Statement of Accounts for the financial year 2020/21.

Key Features of the 2020/21 Statement of Accounts

11. The Statement of Accounts must include a narrative statement, including commentary by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the relevant financial year.
12. The external auditor – Grant Thornton – has yet to review the annual Statement of Accounts and supporting working papers, the audit is anticipated to start in October and that their opinion as to whether the Statements present a true and fair view of the financial position of South Somerset District Council at 31 March 2021, and its income and expenditure for the year end, will be presented at Audit Committee in November 2021.
13. A copy of the Draft Statement of Accounts has been circulated separately with this agenda. The Statement of Accounts contains four core statements and the Group Accounts, reflecting the financial position of the Council as at 31 March 2021. These are:
 - Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet
 - Cash Flow Statement
 - Group Accounts
14. There is also an additional statement and notes relating to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).

15. It is a statutory requirement for all local authority financial statements to be International Financial Reporting Standards (IFRS) compliant.
16. The accounts include a section for Group Accounts. The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. In previous years our arrangements in respect of Groups have not been material, i.e. the figures involved were not significant enough to report separately.
17. The Group accounts follow the same format of the single entity accounts and include the four core statements (as listed in 19 above), accounting policies for the groups and notes to the financial statements where there are material differences to the disclosures made in the single entity accounts.

Comprehensive Income and Expenditure Statement

18. This account gives detailed information about the total expenditure on the services the Council provides. It also shows the council tax and government grants received to help pay for those services. The net operating expenditure figure is reconciled to the outturn spend position reported to District Executive in the following way:

CIES extract for 2020/21

	£'000
Total Spend Reported to the District Executive	92,165
Amounts not reported to management but included on Costs of Services in Comprehensive Income and Expenditure Statement.	-54,307
Net Cost of Services (Statement of Accounts Note 7)	37,858

Movement in Reserve Statement

19. Reserves represent the Council's net worth and shows its spending power. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

MIRS extract for 2020/21

	Useable Reserves	Unusable Reserves	Total £'000
31 March 2020	48,549	-36,674	11,875
Movement	20,888	-40,959	-20,071
31 March 2021	69,437	-77,633	-8,196

20. With regard to unusable reserves, the pension reserve liability increased by £21.097m due to actuarial assumptions, asset valuations and employer contributions.

Balance Sheet

21. The Balance Sheet provides a snapshot of our financial position as at the 31 March 2021. The Council's net assets amounted to (£8.196m) (£11.875 at 31 March 2020). This comprises both usable resources and unusable reserve account balances.



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22. The balance in the statement of accounts include the large pension fund liability balance, which will be recovered over the long term, with the Council making contributions and lump sum payments each year to reduce the balance.

23. In practice, the amount of “net worth” that can be used is £69.437m. This can be broken down into:

Usable Capital Receipts	£18.222m
Capital Grants Unapplied	£7.785m
Earmarked Reserves	£38.464m
General Fund Balances	£4.316m
Share in Joint Venture	£0.650m

24. In addition, Members will note the contingent liabilities disclosed in note 49. Contingent liabilities are possible future obligations; they are not accounted for within the balance sheet as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

Cash Flow Statement

25. This statement outlines the changes in cash and cash equivalents of the Council during 2020/21.

26. There has been a net decrease in cash and cash equivalents of £6.270m.

27. Cash Equivalents are short-term highly liquid investments that are readily convertible within 24 hours to known amounts of cash and which are subject to an insignificant risk of change in value.

Collection Fund

28. The total amount of Council Tax due for the year, which the council has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Police and Crime Commissioner, Devon & Somerset Fire & Rescue Authority and town/parish councils), was £114.695m. There is a deficit balance of £1.244m on the Council Tax element of the Collection Fund account at the year-end. This deficit is split in proportion to the amount of each authority’s precept.

29. Business Rates Retention (BRR) is intended to provide incentives for local authorities to drive economic growth locally. The funding regime is based on performance and has increased the need to monitor and proactively agree priorities to maximise business rate income. Business rates income collected is distributed between Central Government, South Somerset District Council, Somerset County Council, and Fire and Rescue Authority under the Business Rates Retention (BRR) funding system. For 2020/21 the distribution was Central Government 50%, SSDC 40%, SCC 9%, and Fire 1%.

30. The final business rates funding end of the year position for 2020/21 has delivered positive news regarding the resources available to all parties within the Somerset Business Rates Pool. There is a pooling gain of £5.154m at the year-end, and this Council’s share is £0.811m.

Auditor's Opinion

31. Grant Thornton UK LLP will issue their audit opinion at the conclusion of the audit of the accounts, if the opinion is unqualified it is good news and endorses that the accounts provide a true and fair view of the financial statements as at 31st March 2021.
32. Grant Thornton will also provide an opinion if the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion and provides a positive endorsement that the Council has proper arrangements in all significant respects to ensure it delivered value for money.
33. The audit of the accounts will identify any material misstatements. In 2019/20 there were material misstatements, a number of misclassification and disclosure requirements which have had to be addressed. If this is the case in the 2020/21 audit these misstatements will be addressed with the audit finding report providing details of the misclassifications and misstatements.

Financial Implications

34. There are no financial implications associated with these recommendations.

Council Plan Implications

35. The Statement of Accounts are closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the council to continue to fund its priorities for the local community.

Carbon Emissions and Climate Change Implications

36. There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

37. There are no equality or diversity implications

Privacy Impact Assessment

38. There is no personal information included in this report.

Background Papers

39. There are two background papers:
 - Revenue outturn 2020/21
 - Capital outturn 2020/21