Report No: 121/2021
PUBLIC REPORT

AUDIT AND RISK COMMITTEE

28 September 2021

STATEMENT OF ACCOUNTS 2020/21

Report of the Strategic Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mrs K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Saverio Della Rocca, Strategic Director for Resources (s.151 Officer)	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Finance Manager	01572 758152 amerry@rutland.gov.uk
Ward Councillors	Not Applicable	

DECISION RECOMMENDATIONS
That the Committee delegates the signing of the Statement of Accounts for 2020/21 (shown at Appendix A including the Annual Governance Statement) to the Chair of the Committee and the Strategic Director for resources.

1 PURPOSE OF THE REPORT

1.1 This report presents the statutory Statement of Accounts (SoA) 2020/21 (Appendix A) in the form prescribed by regulations to meet the statutory requirement for the Council to approve and publish the SoA by 30 September 2021.

1.2 The Council is asking for delegation for the accounts to be signed due to the audit of revised actuary report (see 3.1.1) not being completed at the time of the report. The revised accounts (Appendix A) do incorporate the changes. It is expected that the audit will be completed by the date of the committee, where an update will be provided. The Council is still expected to completely publish its audited accounts, with auditors' opinion by the 30 September.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 The SoA is produced in line with International Financial Reporting Standards (IFRS) requirements which determine the contents and format of the Statements.

2.2 The financial outturn reported to Cabinet on (Report 66/2021) is incorporated into the SoA and Note 1 in Appendix A reconciles the reported figure to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

2.3 The SoA was certified as presenting a true and fair view of the authority's financial position by the Strategic Director for Resources (Section 151 officer) by 30 June 2021 (thus complying with the Accounts and Audit Regulations 2011). The SoA together with supporting working papers were then submitted to the external auditor to start their audit on 5th July and questions and issues raised during the course of the audit were logged and responded to promptly. The external auditor will report on their findings from the audit and give their opinion on whether the accounts provide a true and fair view.

2.4 At the Audit and Risk Committee meeting held on 20th July 2021 a draft Annual Governance Statement was reviewed (Report 85/2021). The Annual Governance Statement was submitted to the external auditor with the Statement of Accounts by 30 June 2021 in accordance with the regulatory requirements. The final Annual Governance Statement has been amended and changes reported separately to Members. The main change relates to including a short statement regarding the decision to withdraw the Local Plan made at the Council meeting on 1st September 2021.

3 CHANGES MADE TO DRAFT ACCOUNTS PUBLISHED ON 29 JUNE 2021

3.1 There have been some changes to the SoA since the draft accounts were published following comments raised by the external auditors and updated information relating to the Local Government Pension Scheme (LGPS). A summary of the changes is given below:

3.1.1 **Pension Changes** – The initial report from the actuaries included estimated values at 31st March 2021 for some of the assets held within the Pension Fund. These values have now been updated (revised report from actuaries received 14th September) as further information on performance of investments has been received. The improved valuation has decreased the pension liability on the Council's balance sheet by £1.88m. This is a material change to the accounts.

3.1.2 **Council Tax and Business Rates received in advance** – Previously in the accounts, the Council had shown the net position of debt solely within debtors. This included prepayments for Council Tax and Business Rates in the Debtors figure on the Balance Sheet, thus reducing the amount shown as owing. The prepayment figures have now become material (more residents using direct debit and changes to payment dates). In consultation with the auditors the Council has agreed that this is better shown separately with the prepayments shown in creditors. The Debtors and Creditors figures on the Balance Sheet have therefore been amended. The Council has made a decision to also adjust this in the 2019/20 figures also to aid comparisons (Note 39 - Prior Period Adjustment).

4 ITEMS OF NOTE WITHIN THE ACCOUNTS

4.1 The 2020/21 accounts have been unusual, this section aims to explain some of the anomalies in the 2020/21 accounts, compared to prior year accounts

4.2 Collection Fund Position

4.2.1 The Collection Fund holds all income and expenditure relation to Council Tax and Business Rates and has been significantly affected by Covid and Central Government support.

4.2.2 The SoA shows that business rates made a deficit of £4.99m on Business Rates of which 49% (c£2.5m) relates to the Council (50% is made good by the Government and 1% by the fire authority). The reason for the deficit is not down to actions taken by the Council but relates to the Council collecting less income (due to the award of nationally decided reliefs during the pandemic) than it originally envisaged. The Council has received grant to compensate for these losses but these grants are held outside of the Collection Fund (in the Revenue Account as per regulations). We then hold them to clear the deficit in the following year by transferring the grant funds into the Collection Fund (22/23).

4.2.3 Council Tax shows a deficit of £154k owing to lower than expected collection rates and extra reliefs given during pandemic. The Council is liable for c86% (£132k). The Council has received a grant to compensate (c£75k) for some of these losses through the Tax Income Guarantee scheme. This grant is again received in the Revenue Account and has been transferred to a reserve to clear the deficit in 22/23.

4.2.4 The Council is holding £2.8m in reserves to meet these deficits so there is no impact to the Medium Term Financial Plan (MTFP).

4.3 Fixed Assets

4.3.1 The Council are holding Assets with a value of £75.1m with £38.7m relating to Road Infrastructure, £0.7m for Vehicles, Plant and Equipment (VPE) and £35.5m relating to Buildings/Land.

4.3.2 There was a review of all VPE during the year and a large proportion had been fully depreciated, with some at the end of their useful life. This led to assets of £1.5m being de-recognised in the SoA. Examples include the old finance system £830k (just being used as data store to meet requirement to keep records for 7 years), Audio and Visual equipment in the Council Chamber £186k which was replaced and £180k of IT Network equipment replaced as more systems become cloud based. So, whilst some of the assets still exist and are being used, they are no longer shown in the SoA.

4.3.3 The Council operates a 3-year rolling revaluation process for all building/land assets. The assets revalued in 20/21 increased in value by £2.3m.

4.4 Covid Grants

4.4.1 The Council received significant Covid grants during 2020/21. Certain adjustments are required for accounting purposes only. These grants generally fall into two categories:

a) Items which have to be removed from our accounts because we are acting as an intermediary for the government to implement its policy e.g. The adult social care support grants fall under this category as Government gave the Council the funding purely to distribute to Care Homes.

b) Presentational Changes – where accounting regulations require the Council to present expenditure in a certain way. This was generally to split the Covid funding and expenditure away from showing corporately (as per the management accounts) but instead to show under the relevant service area.

4.5 **Pensions**

4.5.1 The table below shows the movement on the pension liability. The net pension liability effectively shows the amount we would have to pay the Pension Fund if we were asked to settle the liability today.

	2019/20 (£m)	**2020/21 (£m)**	**Movement (£m)**
Assets	71.83	90.84	19.01
Liability	(111.79)	(148.39)	(36.60)
Net Liability	(39.96)	(57.55)	(17.59)

4.5.2 The value of the assets in the Council's pension fund has increased because investment returns have been significantly greater than expected due to the improved market outlook at 31st March 2021. However, the value of the liabilities has increased by a larger amount leading to a higher net liability overall. There are two main reasons for the increase in liabilities:

a) Changes in Financial Assumptions

- the discount rate, which is the rate used to value the current cost of pension obligation, has reduced since 31 March 2020;
- government reforms to Retail Price Index have been announced;
- a higher Consumer Price Index has been assumed in the medium term (pre-2030) to longer term (post-2030) over which pensions will be paid, due to the recovery from Covid-19, Brexit, and the impact of other government policy choices such as climate change. This leads to the projections for future pension increases and future salary increases being higher, which in turn increase the amounts due to future pensioners;

b) Changes in Demographic Assumptions – life expectancy assumptions since 31st March 2020 have increased very slightly, leading to pensions being paid for longer.

4.5.3 At this stage, the data is not clear as to what effect the Covid-19 pandemic will have on life expectancy of pension fund members in the future. Life expectancy overall may decrease with the ongoing threat of catching the virus or could increase due to there being a reduction in older, more vulnerable members during the pandemic, leaving healthier individuals who may live longer.

4.5.4 We pay employer contributions to the Pension Fund. Rates are set every three years and will generally increase as one way to close the deficit. The current rate is 19.5% plus a lump sum payment of c£714k. The MTFP assumes the rate will increase. If it did not, the impact would be very positive on the MTFP e.g., a one-year freeze on contribution rates would save c£125k per annum. Conversely increases in rates to recover the rate would have a negative impact on the MTFP.

4.6 **Bad Debts**

4.6.1 The Councils bad debt provision is made up of two main elements

a) Commercial Property;

b) Council Operational Debt.

4.6.2 The Commercial property provision has seen a decrease from 2019/20. The main reason for this was at the end of 2019/20 the Council increased the debt provision due to the potential impact of the pandemic. The actual impact has been less severe than the Council had originally planned, resulting in reducing the provision from £167k to £125k. A number of tenants have arrangements in place and all are sticking to the repayment agreements. There is one tenant where the current arrears will not be cleared by the end of the financial year 21/22 but they do have an arrangement in place and are making payment in full for rent.

4.6.3 The Council's operational debt has seen a significant increase from £104k in 2019/20 to £205k in 2020/21. High risk debt – mainly adult social care related debt has increased by c£40k. As the Council paused recovery action on debts during 20/21, and only recommenced in 21/22, the age of debt has increased from £459k to £619k resulting in an additional £60k needed for the provision.

5 CONSULTATION

5.1 Under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 the public have been able to view and comment on the accounts from the 30 June 2021 until 10 August 2021. At the time of writing the report there had been no requests to view or comment on the accounts to the Council.

6 ALTERNATIVE OPTIONS

6.1 The Audit and Risk Committee could choose not to approve the Statement of Accounts 2020/21 and the Annual Governance Statement. However, doing so would result in the Council not meeting its statutory duty to approve and publish audited accounts by the 30 September. There are no specific sanctions for this and it should be noted that any delay is not down to the Council itself at this stage.

7 FINANCIAL IMPLICATIONS

7.1 There are no direct implications associated with approving the Statement of Accounts.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

8.1 Section 3 of Part 3 of the Councils Constitution state that it is the responsibility of the Audit and Risk Committee to approve the Councils Annual Statement of Accounts and Annual Governance Statement.

8.2 Other than the statutory required to publish the signed audited accounts by the 30 September 2021, there are no further legal considerations.

9 DATA PROTECTION IMPLICATIONS

9.1 A Data Protection Impact Assessments (DPIA) has not been completed for the following because there are risks/issues to the rights and freedoms of natural persons.

10 EQUALITY IMPACT ASSESSMENT

10.1 An Equality Impact Assessment (EqIA) has not been completed because the report does not represent the introduction of a new policy or service or a change / review to an existing policy or service.

11 COMMUNITY SAFETY IMPLICATIONS

11.1 There are no community safety implications.

12 HEALTH AND WELLBEING IMPLICATIONS

12.1 There are no health and wellbeing implications.

13 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

13.1 This report presents the audited Statement of Accounts for the financial year 2020/21, highlights some of the key matters, and asks the Audit and Risk Committee to approve them in line with its constitutional responsibility.

14 BACKGROUND PAPERS

14.1 Financial outturn (66/2021)

14.2 Draft Annual Governance Statement (85/2021)

15 APPENDICES

15.1 Appendix A – Statement of Accounts

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.