

Draft Annual Accounts 2021/22

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Mark Green, Director of Finance & Business Improvement
Lead Officer and Report Author	Paul Holland, Senior Finance Manager (Client)
Classification	Public
Wards affected	All

Executive Summary

This report presents the unaudited Statement of Accounts for 2021/22. The Statement will be subject to external audit prior to it being brought back to the Committee for formal approval in September. It also includes a paper from the external auditors which outlines their risk assessment and how it relates to the role of this committee in approving the Statement of Accounts

Purpose of Report

To give the Committee the chance to review the Statement of Accounts and to raise any questions they may have prior to the external audit.

This report makes the following recommendations to this Committee:

1. That the unaudited Statement of Accounts for 2021/22 are noted.
2. That the external auditor's risk assessment document is noted.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	26 July 2022

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1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims in demonstrating accountability and value for money.	Director of Finance and Business Improvement
Cross Cutting Objectives	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance and Business Improvement
Risk Management	This is detailed within section 5.	Director of Finance and Business Improvement
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2021, and details the council's assets, liabilities and reserves at this date.	Director of Finance and Business Improvement
Staffing	No implications identified.	Director of Finance and Business Improvement
Legal	<p>Under section 151 of the Local Government Act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information.</p> <p>The Council is required to produce a statement of account in accordance with the Accounts and Audit (England) Regulations 2015.</p> <p>It is a function of the Audit, Governance and Standards Committee to review and approve the annual statement of accounts and to consider if appropriate accounting policies</p>	Team Leader Corporate Governance

	<p>have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.</p> <p>The Statement is required to be signed off by the Director of Finance & Business Improvement by 31st July 2022 and following the external audit to be approved and published by 30th November 2022.</p>	
Privacy and Data Protection	No implications identified.	Director of Finance and Business Improvement
Equalities	No implications identified.	Director of Finance and Business Improvement
Public Health	No implications identified.	Director of Finance and Business Improvement
Crime and Disorder	No implications identified.	
Procurement	No implications identified.	Director of Finance and Business Improvement
Biodiversity and Climate Change	<p>The implications of this report on biodiversity and climate change have been considered and are;</p> <ul style="list-style-type: none"> • There are no implications on biodiversity and climate change. 	Biodiversity and Climate Change Officer

2. INTRODUCTION AND BACKGROUND

- 2.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance and Standards Committee by 30th November 2022 in accordance with the amended Accounts & Audit Regulations.
- 2.2 Prior to that the Statement has to be signed by the Director of Finance & Business Improvement as presenting a true and fair view of the Council's financial position by 31st July 2022 and will then be subject to an external audit which is scheduled to commence next month.

2.3 This report gives the Committee the opportunity to review the Statement prior to the external audit and to raise any questions they may have.

2.4 The Statement of Accounts consists of:

Narrative Report – this summarises the Council’s performance over the financial year 2020/21 and highlights the most significant elements of the financial statements.

Comprehensive Income and Expenditure Statement (CIES) – shows the accounting position of the council, and whether operations have resulted in a net surplus or deficit. The accounting position includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

Movement in Reserves Statement – this is a financial statement which details the balances the council held in reserves at 31st March 2021, analysed into usable reserves (such as the general fund, earmarked balances and capital receipts reserve) and unusable reserves (such as the pensions reserve, revaluation reserve and capital adjustment account).

Balance Sheet – this can be seen as a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31st March 2021.

Cash Flow Statement – sets out the authority's cash receipts and payments during the year, and analyses them into operating, investing and financing activities.

Accounting Policies and Supporting Notes – additional information provided to add context to the numbers presented in the main financial statements, and details judgements made by management in preparing this information.

Collection Fund Statement – this sets out income and expenditure in relation to Council Tax and Business Rates, and represents the position of the Council’s role as a billing authority in collection revenue on behalf of other bodies.

2.5 The council’s financial statements must comply with CIPFA’s Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements.

2.6 Due to the impact of the Covid-19 pandemic on local authorities the Government amended the deadlines for the publication and approval of the

accounts. The date for publication was amended from 31st May 2022 to 31st July 2022, and the date for formal approval amended from 31st July 2022 to 30th November 2022.

- 2.7 The Narrative Report is attached at Appendix 1. The unaudited version of the statement is attached at Appendix 2. At this stage members should treat this document as a draft and subject to change.
- 2.8 At the time of writing this report the accounts for 2020/21 remain unsigned by the auditors. The delay has been a consequence of the need to review and agree the accounting treatment adopted for the Brunswick Street and Union Street housing developments. An adjusted statement has been sent to the auditors and we anticipate that this will be sufficient for them to sign the accounts off. A verbal update on the progress will be given at the meeting.
- 2.9 The headline messages from the Statement of Accounts can be summarised as follows:
- Long-Term assets have increased in value by £22.667m, primarily due to asset acquisitions and expenditure, and revaluation adjustments. The major acquisitions include Maidstone House and the buy-out of Kent County Council's share of the Former Royal Mail Sorting Office. Other major items of expenditure include the Innovation Centre, housing developments at Springfield Mill and the construction of the new Mote Park Visitor Centre.
 - Cash and Cash Equivalents have increased by £22.689m, which reflects an increased level of short-term deposits held for cashflow purposes as at the balance sheet date.
 - The increase in Short Term Creditors of £25.963m is largely a consequence of grant and energy rebate monies yet to be paid out still being held from the Covid-19 pandemic.
 - The first Long-Term borrowing (£5.0m) to fund the capital programme is now in place.
 - The movement in the net pension liability has reduced by £4.421m

3. AUDIT RISK ASSESSMENT

- 3.1 Attached at Appendix 3 is a document from Grant Thornton (the external auditors) that outlines their approach to risk assessment during the audit and how it relates to the role of the Committee during this process. This paper also details the approach taken by management to calculating accounting estimates which form part of the financial statements. Members are invited to comment on this.
- 3.2 It also includes a series of questions that the auditors have asked of management and their responses. The Committee may wish to consider these responses and whether they are consistent with their understanding of the position.

4. AVAILABLE OPTIONS

- 4.1 The recommendation being made to the Committee is to note the Statement of Accounts for 2021/22, and the report from the auditors on risk assessment.
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5. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 5.1 That both documents are noted with the Committee having had an opportunity to review them prior to the external audit commencing.
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6. RISK

- 6.1 Failure to meet the statutory deadlines for production and audit of the annual accounts would result in this being highlighted in Public Sector Audit Appointments Limited's report on the results of auditors' work. The impact of this risk materialising would have largely reputational repercussions for the Council and would limit the Council's capacity to demonstrate accountability and value for money in its use of public funds. This risk has been considered with reference to the Council's risk management framework and is considered to be within acceptable levels.
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7. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 7.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this have been published on the Council's website and the statutory period ends on 30th August 2022. To date, no enquiries have been received in relation to this.
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8. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 8.1 The external audit will commence in August 2022.
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9. REPORT APPENDICES

- Appendix 1: Narrative Report 2021/22
 - Appendix 2: Unaudited Statement of Accounts 2021/22
 - Appendix 3: Informing the audit risk assessment 2021/22
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10. BACKGROUND PAPERS

None