



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Governance and Audit Committee

20 October 2021

Report of: Councillor Adam Stokes

Cabinet Member for Finance and
Waste Services



Statement of Accounts and Annual Governance Statement 2020/21

The Statement of Accounts 2020/21 is presented to the Governance and Audit Committee for approval. This report covers:

- Accounts and Audit (Amendment) Regulations 2021
- Accounts and Audit Regulations 2015
- Section 21(2) Local Government Act 2003
- Revised Statement of Accounts
- Commentary on the outcome of the audit of the Statement of Accounts

Report Author

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Corporate Priority:	Decision type:	Wards:
A high performing Council	Administrative	All Wards
Reviewed by:	Gillian Goddard (Senior Accountant)	13 October 2021
Approved by:	Richard Wyles (Assistant Director of Finance & s151 Officer)	13 October 2021
Signed off by:	Councillor Adam Stokes (Cabinet Member for Finance and Waste Services)	14 October 2021

Recommendation to the decision maker

1. **It is recommended that the Governance and Audit Committee:**
 - **Approve the 2020/21 Statement of Accounts**
 - **Note the outcome of the audit work**
 - **Approve that the letter of representation be signed by management**

1 The Background to the Report

Introduction

- 1.1 The draft Statement of Accounts 2020/21 were published on 30 July 2021. The external audit process has now been completed and the Statement of Accounts has been updated to reflect the changes identified by the Finance Team and those agreed with our external auditors, Grant Thornton.
- 1.2 In accordance with the Accounts and Audit (Amendment) Regulations 2021, the target date for completing the 2020/21 audit and publishing the final accounts was 30 September 2021. This date was not met due to the impact of Covid-19 on both the complexity of the audit, the pace at which it could be completed and the increased assurance work that auditors are required to carry out nationally with respect to asset valuations. These issues have been commonplace amongst local authorities and over 90% of Councils have not met the deadline for reasons beyond their control (interestingly there are still 70 incomplete audits for the 2019/20 financial year).
- 1.3 The Narrative Report section of the Statement of Accounts provides a guide to the most significant matters reported. It explains the Council's financial position and assists in the interpretation of the accounting statements. It provides information about the district, including issues and challenges affecting the Council and its accounts, the political composition, the ambitions of the Council and an overview of the many achievements that have been made to improve the quality of life of the residents, businesses and visitors.
- 1.4 Pages xv to xvi of the Narrative Report provide a review of the core statements.
- 1.5 The Council is required to produce an Annual Governance Statement (AGS) in accordance with the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" in order to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015. The statement is an open and transparent review of the effectiveness of the Council's system of governance, risk management and internal control, including performance across all its activities.
- 1.6 The AGS has been presented to members as a draft statement at the meeting held on 21 July 2021 and comments were invited on the draft version to ensure the statement presents an open and transparent reflection of the governance arrangements for that financial year. Comments that were provided at the meeting have been incorporated into the final version that is presented in the Statements for final approval.
- 1.7 Group accounts have been prepared to reflect the Council's relationship with Gravitass Housing Ltd and have been included in the final Statement of Accounts at page 71. This is the only Council owned company interaction with the Council that meets the materiality threshold for group accounts requirements and therefore no other companies are included.

Accounts and Audit (Coronavirus) Amendments Regulations 2015

- 1.8 The external auditor must complete their audit and issue the relevant audit opinion to ensure the statutory deadline is met. The external auditor's report is a separate item on this agenda. The purpose of the external audit of the financial statements is to give an opinion on:
- whether they present a true and fair view of the financial position of the audited body and its expenditure and income for the year in question

- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Auditors must provide reasonable assurance that, subject to the concept of materiality, the financial statements:

- are free from material misstatements, whether caused by fraud or other irregularity or error
- comply with the statutory and other requirements applicable to the accounts of the audited body and
- comply with all relevant requirements for accounting presentation and disclosure.

Section 21(2) Local Government Act 2003

- 1.9** Section 21(2) of the Local Government Act 2003 requires that the Statement of Accounts is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2015. The Statement of Accounts which accompanies this report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 based on International Reporting Standards (the Code) produced by CIPFA which sets out proper accounting practices.

Statement of Accounts

- 1.10** The draft Statement of Accounts were published on 30 July 2021. Following the completion of the external audit, the Statement of Accounts has been amended to reflect the outcome of this work. An updated set of accounts is presented on the Committee agenda and a commentary setting out the main findings from the audit and subsequent amendments is provided for members consideration and approval.

1.11 Audit Adjustments

The Finance team were required to amend the accounts as follows:

The pension liability has reduced following the completion of the audit of the West Yorkshire Pension Fund accounts as the value of investments has increased.

The balance on the revaluation reserve and capital adjustment account reserve have been amended to reflect adjustment for the historic cost depreciation charge. This adjustment does not impact on the overall total of the unusable reserves. Note 5 on page 8 of the Statement of Accounts provides further detail of this adjustment.

The Group Accounts have been amended following the completion of the audit of the Gravitas Housing Ltd annual accounts. The S106 contribution payable had been fully accounted for in the accounts, this has been adjusted to account for 9/11th of the cost in 2020/21 to reflect the number of properties sold at that time.

Table 1 details the changes between the draft and final Statement of Accounts:

Table 1 – Amended Statements and Notes

Page	Note	Description
2	N/A	Comprehensive Income and Expenditure Statement
3	N/A	Movement in Reserves Statement
4	N/A	Balance Sheet
8	5	Prior Period Adjustment - New note to explain adjustments made to the accounts
16	13	Officer Remuneration
24	30	Financial Instruments
43-48	33	Defined Benefit Pension Scheme
50	35	Unusable Reserves
50	35a	Revaluation Reserve
51-52	35b	Capital Adjustment Account
53	35c	Pensions Reserve
59	40	External Audit Note
65	4	Major Repairs Reserve
72	N/A	Group Movement in Reserves Statement
73	N/A	Group Comprehensive Income and Expenditure Statement
74	N/A	Group Balance Sheet
75	N/A	Group Cash Flow Statement
76	G1	Group Assets Held for Sale
76	G3	Group Cash Flow

2 Consultation and Feedback Received, Including Overview and Scrutiny

2.1 The Governance and Audit Committee is asked to approve the Statement of Accounts, note the outcome of the audit work and approve that the letter of representation be signed by management.

3 Available Options Considered

3.1 Not applicable

4 Preferred Option

4.1 Not applicable

5 Reasons for the Recommendation (s)

5.1 Section 21(2) of the Local Government Act 2003 requires that the Statement of Accounts is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2015. In accordance with the Accounts and Audit (Amendment) Regulations 2021 these accounts can now be published.

6 Next Steps – Communication and Implementation of the Decision

6.1 The statement of accounts will be made publicly available on the Council's website.

7 Financial Implications

7.1 There are no specific financial matters arising from this report.

Financial Implications reviewed by: Richard Wyles, Assistant Director of Finance & s151 Officer

8 Legal and Governance Implications

8.1 In accordance with the Accounts & Audit (Amendment) Regulations 2021 the target date for the Statement of Accounts to be approved by the Governance and Audit Committee is 30 September 2021. The reasons why the accounts have not being finalised in accordance with the target date are explained in the report. The Committee has the opportunity to review the audited Statements prior to their publication.

Legal Implications reviewed by: Mandy Braithwaite, Legal Executive

9 Equality and Safeguarding Implications

9.1 Not applicable.

10 Risk and Mitigation

10.1 Risk has been considered as part of this report and no specific risks have been identified. The accounts have been thoroughly audited by Grant Thornton in their capacity as the Council's external auditors.

11 Community Safety Implications

11.1 Not applicable.

12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

12.1 Not applicable.

13 Appendices

13.1 2020/21 Statement of Accounts