

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 15 September 2021

Subject: Draft Statement of Accounts and Annual Governance Statement 2020/21

Report by: The Treasurer

Author: Colin Sharpe, Deputy Director of Finance, Leicester City Council

For: Decision

Purpose

1. The purpose of this report is to provide the Corporate Governance Committee with an opportunity to consider the draft Statement of Accounts and Annual Governance Statement (AGS) 2020/21, before they are presented to the Combined Fire Authority for formal approval.

Recommendation

2. The Committee is asked to consider the draft Statement of Accounts and Annual Governance Statement for 2020/21, appended to this report, and approve the submission of the documents to the Combined Fire Authority (CFA) for approval, noting that they may be subject to amendment following the external audit.

Executive Summary

3. The Accounts and Audit Regulations (England) 2015 state that the accounts must be published with the audit opinion and certificate and be approved by Members by 31 July. For 2020/21, this deadline has been extended to the 30 September 2021 due to the Covid-19 pandemic.
4. The draft Statement of Accounts was signed by the Treasurer and submitted to the external auditor (Mazars) and published on the Authority's website on 31 July 2021. The public inspection period commenced on 1 August 2021, in compliance with the amended Regulations.
5. The draft accounts are subject to ongoing review by Mazars before they conclude their audit opinion and Value for Money assessment. As reported to the Committee's meeting on 14 July 2021, Mazars has insufficient capacity to complete all their audits on time and hence the LFRS audit is delayed. Mazars expect it to be completed by the end of November.
6. The Constitution provides that the CFA formally agrees the Statement of Accounts and AGS. It is intended that the final version will be presented to the CFA for approval at its meeting on 15 December 2021, subject to completion of the external audit. The 30 September deadline detailed in Paragraph 3 will

therefore not be met. This will be the case for many local councils and fire authorities, due to widespread external audit delays as the audit firms struggle with capacity.

Background

7. The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. Separate management accounts were presented to the CFA in July, which set out the revenue and capital outturn position. The financial position of the Authority is presented in a different way in the Statement of Accounts. The outturn reports focus on the in-year financial performance in a format consistent with the Authority's budgets. The Statement of Accounts shows the in-year performance in a standard format adopted by all local authorities, including a balance sheet showing the underlying financial position.
8. The draft set of accounts as distributed to Mazars for audit and published on the website is appended to this report.
9. Despite the wide variations in the way the position is presented, the key point is that both the outturn reports and the accounts are consistent. The core financial statements are:
 - i. Movement in Reserves Statement - This shows the movement in the year on the different reserves held by the Authority. This statement distinguishes between "usable reserves" which can be used to fund expenditure or reduce local taxation and "unusable reserves" which are effectively accounting entries and not available to spend.
 - ii. Comprehensive Income and Expenditure Statement (CIES) - This shows the actual performance for the year in accordance with the Code of Practice. This means that the accounts are prepared on a different basis to that used to set the budget and raise council tax. A number of statutory adjustments are made to the surplus or deficit shown on this statement to arrive at the balance on the General Fund shown in the Movement in Reserves Statement above.
 - iii. Balance Sheet - The balance sheet shows the net worth of the Authority in terms of its assets and liabilities. It shows the net value of the organisation including the balances and reserves, its long-term indebtedness, and its fixed and net current assets employed in its operations.
 - iv. Cash Flow Statement - This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the local and fire authority context.

10. When producing the Statement of Accounts, a number of accounting estimates are used. These estimates rely on the professional judgement of experts in the relevant areas. As these estimates are material to the accounts, it is important that the Committee understand them and the impact on the accounts. For the Authority, the main estimates are Property, Plant and Equipment remaining useful lives and asset values, and Pension Schemes Liability.
11. Approval and ownership of the Annual Governance Statement (AGS) is required at a corporate level. The draft AGS is published with the Statement of Accounts and complies with the CIPFA/SOLACE “Delivering Good Governance Framework” (2016).
12. The draft Annual Governance Statement should assure the people of Leicester, Leicestershire and Rutland that the Authority operates in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse.

Report Implications/Impact

13. Legal (including crime and disorder)

Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require the CFA to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.

Reflecting the potential disruption to relevant authorities caused by the pandemic, the Accounts and Audit (Amendment) Regulations 2021 amended the 2015 Regulations referred to above to extend the deadlines for relevant authorities to publish and make available for public inspection, their annual accounts and supporting documents in relation to the financial year beginning on 1 April 2020. The amendment regulations stipulate that the CFA must publish its Statement of Accounts and AGS by no later than 30 September 2021.

14. Financial (including value for money, benefits and efficiencies)

These are contained within the report and appendix.

15. Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)

The Statement of Accounts is prepared in line with the final Revenue and Capital Outturn 2020/21 report. Mazars have commenced their audit and expect to complete it by the end of November.

The Accounts and Audit (England) Regulations 2015 require the approved AGS to accompany the Statement of Accounts.

16. Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

The arrangements and changes for the posts of Treasurer, Monitoring Officer and Chief Fire Officer are reflected within the AGS.

17. Environmental

Hard copies of the Annual Report (which will include the Statement of Accounts) are only produced on request. An electronic copy is available on the CFA's website.

18. Impact upon "Our Plan" Objectives

It is important to ensure that the budget set by the CFA reflects and enables progress to be made against the CFA's corporate objectives. The Medium-Term Financial Plan reflects the CFA's strategic plan, "Our Plan". It also reflects national and regional strategies and policies at the time of issue.

One of the CFA's corporate aims is achieving excellence in managing our Service. This is underpinned by the objective of efficiency and provision of a Value for Money service. The production of the AGS supports both the aim and objective.

Background Papers

Report to Corporate Governance Committee, 14 July 2021 – External Audit Progress
<https://leics-fire.gov.uk/wp-content/uploads/2021/07/item-10-external-audit-update.pdf>

Report to the CFA, 28 July 2021 – Revenue and Capital Outturn 2020/21
<https://leics-fire.gov.uk/wp-content/uploads/2021/07/agenda-item-8-1.pdf>

Appendix

Draft Combined Fire Authority 2020/21 Statement of Accounts and Annual Governance Statement

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