

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	15 September 2021
Subject:	Statement of Accounts 2020/21
Report of:	Finance Manager
Corporate Lead:	Head of Finance and Asset Management
Lead Member:	Lead Member for Finance & Asset Management
Number of Appendices:	1

Executive Summary:

The Statement of Accounts for 2020/21 shows the financial position of the Council as at 31 March 2021 as well as the performance during the year. This year the statutory deadline for producing the accounts was extended again. The draft accounts had to be published by 31 July and the final audited accounts by 30 September 2021.

Recommendation:

- 1. To APPROVE the Statement of Accounts 2020/21.**
- 2. To delegate authority to the Head of Finance and Asset Management, in consultation with the Chair of the Audit and Governance Committee, to amend the approved Statement of Accounts to reflect advice from the external auditor as appropriate.**

Reasons for Recommendation:

It is a statutory duty for the Council to adopt the Statement of Accounts.

Resource Implications:

Revenue and capital balances as detailed within the report.

Legal Implications:

The process and schedule for approval of the Statement of Accounts are regulated this year by the Accounts and Audit (Amendment) Regulations 2021 which have amended the Accounts and Audit Regulations 2015.

Risk Management Implications:

None

Performance Management Follow-up:

None

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 For 2020/21 the requirements and timeline for the approval of a local authority's Statement of Accounts, as set out in the Accounts and Audit Regulations 2015, was revised again, this time for two years.

1.2 As part of the outcome of the Redmond review, which identified the pressures on authorities and auditors to comply with legal deadlines, regulations were amended to give us additional time to complete the audit of our accounts in 2020/21 and 2021/22. The Accounts and Audit (Amendment) Regulations 2021 came in to force on 31 March 2021 and have amended the Accounts and Audit Regulations 2015.

1.3 The impact on deadlines and timescales was as follows:

- the publication date for final audited accounts moved from 31 July to 30 September 2021 (30 September 2022 for the 2021/22 accounts).

To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead, local authorities must commence the public inspection period on, or before, the first working day of August 2021 meaning the draft accounts had to be published by 31 July 2021 (31 July 2022 for 2021/22 accounts).

1.4 The Committee is asked to review the content of the Statement of Accounts, in line with the information contained in the report, and approve them for publication, subject to any amendments advised by the external auditor which will be dealt with by delegation to the Head of Finance and Asset Management in consultation with the Chair of the Audit and Governance Committee. The external auditor's work is ongoing at the time of the report hence the need for the delegated authority.

2.0 CURRENT POSITION

2.1 The current year has been challenging for the accounts team with not only the continuation of the pandemic but loss of key resources as well. The Finance Manager continued to be redeployed to the Business Grants Team and we lost our Accountancy Team Leader as well. The most senior member of our team was a recently qualified accountant who had been with us for just over four years; however, we managed to recruit an experienced private sector accountant to add to the team.

2.2 The pandemic brought about new challenges as we faced new grant schemes, business rate reliefs and other COVID-19 related returns which only added to the technical knowledge and resources needed within the accountancy team. The team worked tirelessly throughout and even agreed to complete the accounts earlier than the 31 July 2021 deadline to facilitate an early audit window for Grant Thornton. By allowing Grant Thornton to come in on 21 June 2021 we gave up an additional five weeks of time which we could have used to thoroughly check the accounts and improve the document; however, we set the target to drive efficiencies allowing us to undertake the accounts process more effectively and allows the team to focus on other tasks and projects sooner than if we stuck to the statutory deadline.

2.3 Whilst the audit of the accounts has not concluded, we have already sat down to review the current Audit Findings Report (AFR) and taken on board any issues or errors included that could be minimised through a change in processes or year-end procedure as part of our accounts de-briefing session. One of the biggest issues we have is where the error has occurred due to issues outside of our team and, whilst we accept this will always result in problems, we understand that we need to ensure more buy-in and engagement from service leads and key team members.

2.4 It is important to note that the delivery of the accounts (to a shorter timescale than permitted and without key personnel) was only achieved by the hard work, commitment and dedication of the Finance team who should be proud of their efforts especially in the difficult working environment we have all been faced with.

3.0 REVIEW OF THE STATEMENT OF ACCOUNTS

3.1 The Council's accounts are prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK, which is recognised by statute as representing proper accounting practice and meets the requirements of the Accounts and Audit Regulations 2015. The accounts do not show our financial position against budget (which is how we monitor our performance internally); however, this was reported to the Executive Committee on 7 July 2021.

3.2 Income and Expenditure

As already mentioned, the 2020/21 financial year was unlike any other year due to more volatile income and expenditure trends and COVID-19 specific grants and reliefs. The Comprehensive Income and Expenditure Statement (CIES) shows the performance of the Council on a statutory basis and is not how we manage our budgets internally. The Expenditure and Funding Analysis (Note 5 in the financial statements) shows how the outturn position we reported to Executive Committee (£14.4m surplus) maps to the performance reported in the CIES (£9.4m surplus). Whilst it looks like we have profited during the pandemic, the reality is that most of the surplus is due to some of the quirks that the pandemic has created. The table below shows the outturn against budget:

	Full Year Budget	Outturn Position	Savings/Deficit
	£	£	£
Employees	10,543,453.00	9,928,123.65	615,329.35
Premises	614,421.00	598,593.29	15,827.71
Transport	86,630.00	35,069.39	51,560.61
Supplies & Services	1,991,284.00	1,997,834.93	- 6,550.93
Payments to Third Parties	5,810,076.00	5,982,995.00	- 172,919.00
Transfer Payments - Benefits Service	- 69,796.00	- 98,046.60	28,250.60
COVID-19 Costs	-	1,069,443.00	- 1,069,443.00
Projects Funded Externally	61,591.00	- 910,634.38	972,225.38
Income	- 7,321,348.00	- 8,611,995.59	1,290,647.59
Services Total	11,716,311.00	9,991,382.69	1,724,928.31
Treasury activity	11,700.00	- 251.00	11,951.00
Commercial activity	- 2,713,904.00	- 2,870,978.00	157,074.00
New Homes Bonus	- 3,762,756.00	- 3,762,756.00	-
Business Rates Income Budget	- 2,585,070.00	- 3,372,918.00	787,848.00
Business Rates COVID-19 Reliefs	-	- 4,938,381.00	4,938,381.00
Business Rates 2019/20 Surplus	-	- 3,524,341.00	3,524,341.00
Council Tax	- 82,200.00	- 369,244.00	287,044.00
COVID-19 Grants	-	- 2,177,703.00	2,177,703.00
Other adjustments	- 3,847,266.00	- 3,408,077.00	- 439,189.00
Reserves	1,263,185.00	14,433,266.00	-13,170,081.00

3.3 Variance Analysis

Direct Service Expenditure

The outturn position for direct service expenditure and income shows a surplus of £1,724,928 and is mainly attributable to the major items outlined below:

- The employees' full year budget is underspent largely as a result of staff turnover and vacancies in a number of service groupings.
- Transport is underspent due to staff working from home and being unable to attend meetings or training in person.
- Payments to third parties is showing a significant overspend because several provisions were raised, at year end, for planning appeals lodged in the financial year. It is anticipated that these appeals will need specialist legal representation.
- It should also be noted that within payments to third parties that the outturn position for the Ubico contract, budgeted at £4.058m, reported a surplus of £160,455.
- Costs that were directly attributable to COVID-19 total £1,069,443 and include:
 - A management fee of £442k paid to Places for People. This was to help with the unavoidable costs of closing during the pandemic.
 - Additional staff costs across various departments. Some full-time staff were redeployed fully to the COVID-19 response, for example, administering grant schemes. Therefore, agency staff were contracted to backfill the day jobs. More staff were also needed to cope with demand, such as additional cleaners and IT support.

- £115k of additional Ubico costs due to additional staff, vehicles, PPE and cleaning products in order to be COVID secure.
- Projects funded externally contains the costs and income of the JCS, CIL and Garden Towns. The balances on these individual funds are moved to reserves at year end. The surplus seen is additional government funding received, particularly relating to the Garden Town.
- Council income is showing additional income levels of £1.29m over the budgeted position. The majority of fees and charges budgets were under target due to the pandemic with the exception of planning fees which had a surplus of £115k. The large variance is therefore as a result of substantial external grant income being received during the year. The Council has received grants for a range of activities including homelessness prevention, carbon reduction and supporting the leisure centre. The Council also received a further £2.18m of grant funding for COVID-19 to relieve our spending pressures and compensate our losses. These have been included in the corporate codes and are detailed further down in the report.

Non-Service Expenditure

- With regards to commercial activity, the Council acquired two new commercial investment properties in the year at a cost of £19.7m which has resulted in a surplus of gross rental generation against budget of £157,074. This completed the acquisition phase for the Council with the portfolio investment totalling £59.3m and producing a gross rental income of £3.4m, a yield of 5.78%.
- The overall position on the retained business rates scheme shows a surplus of £9.1m for the full year. This surplus is constructed from several elements as follows:
 - £4.9m of business rates relief funding was given to us by government in advance of the 100% relief given to businesses impacted by the pandemic. This is grant funding to cover the loss of income from businesses not being required to pay business rates. The loss of income manifests itself into a collection fund deficit at year end which is not realised until the following financial year. Therefore, we must hold the £4.9m in a reserve to fund the future deficit that will form part of outturn next year.
 - Similarly, the 2019/20 surplus of £3.5m on the business rates collection fund has been realised in the 2020/21 outturn. This derived from the release of provisions being held against the potential successful appeals by a number of businesses. This position was reported in the outturn report for 2019/20 and was earmarked to replenish the Medium Term Financial Strategy reserve after it was used to pay the levy due on the collection fund surplus.
 - The remaining surplus of £705k is a genuine gain on budget. This includes additional income from growth of new businesses within the borough and the Gloucestershire Business Rates Pool reported an estimated gain of £420k
- The Council Tax surplus reported in the table above comprises of two Government grants. Firstly, the Council was awarded £532k in Council Tax Hardship. This is a central government scheme administered by local authorities where those residents, who were most impacted by the pandemic, could have additional relief on their Council Tax of £150. At year end the remaining balance was £123k. The other grant received was specifically to compensate the Council for 75% of their losses in Council Tax, as a result of the COVID-19 impact. The Council received £127k which will be transferred to reserves in order offset any

future deficits linked to COVID-19. In addition to these grants, Tewkesbury's share of the Council Tax Collection Fund surplus has been released.

- As mentioned earlier, the Council received a general grant from central government to relieve expenditure pressures relating to COVID-19. This was given in four tranches throughout the year totalling £1.25m. These were not ringfenced for specific services, which is why they have been included in the corporate codes. The balance of the £2.178m received relates, in the main, to new burdens funding for administering the numerous grant schemes introduced by central government throughout the various stages of the pandemic. In addition, the Council claimed £450k of compensation from the government for losses incurred in its sales, fees and charges income streams as a result of the pandemic.

3.4 Overall, the Council is able to transfer to reserves a gross total of £14.4m. The Council has gained overall in 2020/21, despite the impact of the coronavirus, as compensation for lost fees and charges and other grant funding from the government have met the majority of costs.

3.5 Balance Sheet

The total net worth of the Council, the aggregate value of all of the assets and liabilities in the balance sheet, has increased to £26m. The change in net worth is summarised in the Movement in Reserves Statement which is on Page 3 of the accounts, and there are a number of movements which contribute to this, including:

- an increase of £19m in Investment Properties due to the purchase of two new properties in the year;
- short term investments decreased by over £20m as we used existing resources to pay for the new investment properties (since interest rates were so low) rather than borrowing more; and
- the pension deficit has decreased by over £8m due a change in financial assumptions and demographic assumptions.

3.6 Collection Fund Balances

The balance on the Collection Fund for Council Tax at the year-end was a surplus of £438k. Any balance on the Council Tax Fund will be redistributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police and ourselves, based on a proportion of the total precept demand from each body. £240k has already been allocated, based on an estimate of the outturn position in January 2021. The remaining balance of £198k will be incorporated in to the 2021/22 estimate of outturn in January 2022. The balance on the Collection Fund for business rates at the year-end was a deficit of £11.65m (£8.65m surplus in 2019-20) which is mainly due to additional COVID-19 related business rate reliefs being introduced after National Non-Domestic Rates 1 had been completed. Our share of this deficit is £4.7m and this will be covered by the specific business rates reserve created from the s31 grant received from the government.

3.7 Capital Resources

The total balance of capital resources at 31 March 2021 is £1.2m including capital grants. Expenditure on capital projects was £21.2m in 2020/21 and included £19.7m on two new investment properties, £40k on two new mowers, £792k on the Ashchurch Bridge project and £425k on Disabled Facilities Grants.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The Committee can amend the accounts if required, or not approve them (which would contravene the Accounts and Audit (England) Regulations 2015 and the amended Accounts and Audit (Coronavirus) (Amendment) Regulations 2020).

5.0 CONSULTATION

- 5.1 The accounts and supporting documents were available for inspection by any person interested between 2 August 2021 and 13 August 2021; however, no one exercised these rights. Between the 2 August 2021 and 13 August 2021, the auditor has been available to receive questions and objections relating to the accounts from local electors. Both these opportunities were placed on the Council's website.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 6.1 The control and good management of financial resources is essential to effectively deliver the Council's priorities.

7.0 RELEVANT GOVERNMENT POLICIES

- 7.1 The process and schedule for approval of the Statement of Accounts are regulated this year by the Accounts and Audit (Amendment) Regulations 2021 which have amended the Accounts and Audit Regulations 2015.

8.0 RESOURCE IMPLICATIONS (Human/Property)

- 8.1 None

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

- 9.1 None

10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

- 10.1 The Statement of Accounts is available in a number of different formats depending on the users' needs.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

- 11.1 Executive Committee on 7 July 2021 approved the inclusion of earmarked reserves and the financing of capital expenditure.

Background Papers: None

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Appendices: Appendix A – Statement of Accounts 2020/21