

## **Report of the Director – Finance and Corporate Services**

### **1. Purpose of Report**

- 1.1 This report presents the Council's statutory Statement of Accounts (Appendix A) for the financial year 2021/22 to be approved by the Governance Scrutiny Group.
- 1.2 The Council's external auditors have provided their audit completion report which is considered as a separate item on this agenda. The Annual Audit Letter and Value for Money Conclusion will be presented to this group in June 2023.
- 1.3 There was a delay in submitting the Statement of Accounts for approval pertaining to two issues both of which were completely outside the Council's and Mazars control. As with the last two years, the audit completion report was again delayed due to assurances surrounding the Pension Fund audit; and an issue identified nationally relating to the treatment of infrastructure assets which had resulted in the delay to signing off the accounts pending the outcome of a CIPFA consultation (which was determined in late December 2022).
- 1.4 It should also be noted a prior period adjustment was required to the 2020/21 audited accounts (see paragraph 4.8) although this had no implications for the 2021/22 Financial Statements.
- 1.5 During the audit, a national issue arose in relation to Infrastructure Assets (see paragraph 4.7). This has led to a delay in completing the audit. The financial statements attached include the adjustments which are subject to final audit agreement. If there are any further changes arising from the audit, we will endeavour to share these prior to the meeting.

### **2 Recommendation**

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Approve the Statement of Accounts for 2021/22 (**Appendix A**) including the Annual Governance Statement at Section B page XXVIII.
- b) If work is still outstanding on the accounts, authority is delegated to the Director of Finance and Corporate Services to make any changes

necessary resulting from the review of Infrastructure Assets and advise both the Chair of Corporate Governance Group and Finance Portfolio Holder accordingly and will be reported to the Members of Corporate Governance Group.

### **3 Reasons for Recommendation**

- 3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('the Code') and various legislation such as the Accounts and Audit Regulations (2015); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

### **4 Supporting Information**

- 4.1 The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('the Code') and the Annual Governance Statement must comply with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.
- 4.2 As part of the final accounts process Mazars, as the Council's appointed auditor, provide a detailed report on the conduct of the audit of the final accounts alongside representations on specific matters such as the Council's financial standing and whether the transactions with the accounts are legal and unaffected by fraud. These issues are addressed in the Audit Completion Report which is considered as a separate item on this agenda.
- 4.3 The Statement of Accounts 2021/22 is included at Appendix A. This includes the Council's Annual Governance Statement (AGS) at section B page XXVIII which, in line with best practice, has been agreed with the Leader and Chief Executive and was approved by Governance Scrutiny Group, 30 June 2022.
- 4.4 This is the final year that the deadline for certifying the accounts will be extended and no significant issues have arisen from the audit regarding the work undertaken by RBC officers. Whilst the audit has been undertaken remotely (again for the third year) the Finance team have worked hard to ensure the process has run smoothly and queries were responded to as quickly as possible. We also appreciate the difficult circumstances the Mazars team have been auditing in and thank them for their work.
- 4.5 There was an increase to the level of review work undertaken on defined benefit pensions (the Pension Fund Accounts where Nottinghamshire County Council are the accountable body) and PPE this year (as with last year) due to a combination of requirements by the Financial Reporting Council (FRC) and the impact of the current economic uncertainty on asset values.
- 4.6 The Audit Completion Report identifies an unadjusted misstatement as identified by Mazars during the audit. This relates to a cumulative £46m difference across the pension fund in the estimate asset values used by the Actuary to prepare the Council's IAS19 pension report. A new report has been

obtained from the actuary and the variance for Rushcliffe is £0.471m or £0.8% of the net pension liability. Management have chosen not to amend the accounts on the grounds of this not being material (as defined by Mazars in the Audit Plan agreed by GSG in June 2022) and Mazars have agreed to this approach.

- 4.7 An issue was raised nationally regarding the treatment of infrastructure assets and specifically how some authorities had accounted for replacement and alienation of these assets. Mazars could not conclude their opinion on the accounts until a decision had been made by CIPFA on how to gain the required assurance (a statutory override has subsequently been issued). This issue mainly affects highways and therefore highways authorities however, the Council does hold some infrastructure assets. As a result of the work on Infrastructure Assets it was determined that the Council should re-classify some of its Infrastructure Assets to be Operational Land and Buildings (namely car park surfacing). The accounts attached show a change in the 2020/21 balance sheet to reflect this and as result this impacts on the 2021/22 accounts.
- 4.8 During the audit of the 2021/22 accounts it was concluded by Mazars that a prior period adjustment would be required to the 2020/21 audited accounts. This opinion arose from identification of a deferred capital receipt (£4.068m) in relation to the sale of land at Sharphill that was recognised in the 2021/22 CIES that should have been recognised in 2020/21 and held on the balance sheet as a deferred capital receipt (unusable reserve). The Section 151 Officer's opinion is that it is arguable whether the misstatement is material and whether a prior period adjustment is therefore necessary as, in accordance with the CIPFA code of practice, the transaction is only material if the omission or misstatement influences the decisions of the readers of the accounts. The Council had healthy reserves at 31 March 2021 and no external borrowing. The £4m would have been held in an unusable reserve and unavailable for capital financing and would therefore not have affected any financing decision or financing calculations in either year. Note 34 Contingent Assets also states the position on the deferred receipt and makes clear to the reader that the receipt was expected. The balance sheet at 31 March 2022 is correct and not affected by the omission in the 2020/21 accounts. Furthermore, it has been regularly reported in the Council's Medium Term Financial Strategy to fund future capital expenditure. Despite our reservations, given this is a subjective judgement we have agreed with Mazars to amend the 2020/21 figures and avoid the risk of the accounts being qualified.
- 4.9 A summary of salient points from the Statement of Accounts 2021/22 is provided below:
- Net Revenue surplus of £1.662m with the impact of Covid not as significant as expected on income generation from Car Parking and planning

- Net Transfer to reserves £1.142m (£6.219m surplus) net of capital transfer the overall transfer is £1.210m. Most significantly relating to revenue surplus and Business Rates grants.
- Transfer to Collection Fund Reserve of £3.179m to allow for timing differences in the collection fund deficit resulting from additional Covid reliefs.
- Creation of vehicle replacement reserve of £1m, planning £0.169m, other reserve commitments of £0.815m and carry forwards of £0.845m
- Overall Net Budget Variance of £0.211m surplus
- Council overall Net Worth has increased by £14.292m (to £46.848m) mostly from the movement in the value of the pension fund.
- Investments held at 31 March 2022 totalled £67.785m (up from £47.45m)
- Overall Earmarked Reserves balance at 31 March 2022 of £23.575m (up from £22.365m)
- General Fund balance remains at £2.604m
- Main areas of Capital Expenditure were assets under construction; Bingham Hub £10.6m, Crematorium £1.04m and other grants and contributions (Disabled Facilities Grants, Better Care Fund, Registered Housing Providers and Green Energy Grants) £1.541m. Capital Expenditure in the year was mostly funded by capital receipts and grants (no external borrowing)
- Business Rates position for the entire fund as at 31 March 2021 is £12.4m deficit and for Council Tax £1.6m deficit. The Council's liability is £4.98m and £0.16m respectively.
- Rushcliffe Enterprises Ltd (REL) which is the parent company for Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd recorded a net surplus of £0.281m after pension adjustments (£44k net deficit before pensions adjustment)
- Major Service Developments include the Freeport and Development Corporation, Bingham Hub, Crematorium, Digital by Design and Carbon Reduction measures
- Under significant financial challenges the Council has maintained its focus on achieving a viable MTFs, securing Value for Money and delivering services. The Council's reserve balances remain healthy ensuring the Council is in a good position to both respond to unexpected financial shocks and invest in service delivery.

## 5 Risk and Uncertainties

- 5.1 Failure to adhere to professional accounting practice could lead to potential criticism from the Council's external auditors and inadequate Financial Statements.

## 6 Implications

### 6.1 Financial Implications

The annual fee scale for cost of audit in 2021/22 has increased from £31,792 to £40,626. Such fee changes can be met from existing resources.

### 6.2 Legal Implications

There are no legal implications identified for this report.

### 6.3 Equalities Implications

There are no equalities implications identified for this report.

### 6.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no Crime and Disorder implications

## 7 Link to Corporate Priorities

Quality of Life	The Statement of Accounts relates to the funding of the Council's Corporate Strategy and the Council achieving all of its Corporate Priorities
Efficient Services	
Sustainable Growth	
The Environment	

## 8 Recommendation

- a) It is RECOMMENDED that the Governance Scrutiny Group approve the Statement of Accounts for 2021/22 (**Appendix A**) including the Annual Governance Statement at Section B page XXVIII.
- b) If work is still outstanding on the accounts, authority is delegated to the Director of Finance and Corporate Services to make any changes necessary resulting from the review of Infrastructure Assets and advise both the Chair of Corporate Governance Group and Finance Portfolio Holder accordingly and will be reported to the Members of Corporate Governance Group.

<b>For more information contact:</b>	Name: Peter Linfield Director - Finance and Corporate Services 0115 914 8439 Email: <a href="mailto:plinfield@rushcliffe.gov.uk">plinfield@rushcliffe.gov.uk</a>
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<b>Background papers Available for Inspection:</b>	
<b>List of appendices (if any):</b>	Appendix A – Statement of Accounts 2021/22