

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – TUESDAY,  
24 NOVEMBER 2020**



<b>Title of Report</b>	<b>ANNUAL STATEMENT OF ACCOUNTS 2019/20</b>	
<b>Presented by</b>	Tracy Bingham Head of Finance	
<b>Background Papers</b>	<a href="#"><u>2019/20 Draft Statement of Accounts (unaudited)</u></a>	<b>Public Report:</b> Yes
<b>Purpose of Report</b>	For the Committee to consider and approve the Annual Statement of Accounts for 2019/20.	
<b>Recommendations</b>	<b>THAT THE COMMITTEE:</b>  <b>(A) APPROVES THE ANNUAL STATEMENT OF ACCOUNTS;</b>  <b>(B) AUTHORISES THE COMMITTEE CHAIR TO SIGN THE ACCOUNTS AS APPROVED</b>  <b>(C) DELEGATES AUTHORITY TO THE COMMITTEE CHAIR AND SECTION 151 OFFICER TO APPROVE ANY MINOR NON MATERIAL AMENDMENTS, AS AGREED WITH THE AUDITOR, TO THE ACCOUNTS ON BEHALF OF THE COMMITTEE</b>	

**1.0 BACKGROUND**

- 1.1 The unaudited accounts were signed off by the Head of Finance and Section 151 Officer on 14 August 2020 in line with the revised statutory deadlines put into place to take account of the pandemic. The final audited version of the statements are due for approval by 30 November 2020, again, in line with the revised statutory requirements, subject to the completion of the external audit.
- 1.2 The Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties with clear and comparable information about the authority's finances.
- 1.3 The accounts of local authorities in the United Kingdom are required to be developed in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit Regulations to 'present a true and fair view' of the financial position of the authority.

- 1.4 The Code is based on International Financial Reporting Standards ('IFRS'), amended as necessary in respect of legislation governing local authorities.
- 1.5 The Council prepares its accounts in line with the 'Code' (and therefore IFRS) and its local accounting policies that were agreed by the Committee at its March 2020 meeting.
- 1.6 The format of the accounts is effectively prescribed and is set out as follows:

<b>Section of Statements</b>	<b>Purpose</b>
Narrative	To provide the reader with an understanding of North West Leicestershire as a place, the council and its priorities, the wider economic background and the non-financial and financial performance of the council in 2019/20
Statement of Responsibilities	Shows the responsibilities of the Council and Chief Financial Officer for these accounts
Comprehensive Income & Expenditure Account (I&E)	Presents the cost of each functions and how they were financed. This is a core statement.
Movement in Reserves Statement	Presents the movement in reserves during the year between usable and unusable reserves, and the actual change to the reserves after all adjustments. This is a core statement.
Balance Sheet	Presents all of the Council's assets and liabilities at the year end, both long and short term. This is a core statement.
Cash Flow Statement	Sets out the flow of cash into and out of the Council. This is a core statement.
Notes to the Financial Statements	These explain in more detail the makeup of the various amounts included in the core statements.
Accounting Policies	Technical explanation of main policies and assumptions used in preparing the accounts.
HRA (Housing Revenue Account) Income & Expenditure Account	This statement shows income and expenditure regarding Council dwellings.
Collection Fund	Sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business Rates as they are more commonly known.
Special Expenses Accounts	Summarises spending in the special expenses areas of the district with details of how this is paid for.
Auditor's Report	This is the report of the external auditors, the Audit Commission, on the accounts for the year.

- 1.7 The Statements must comply with the Code so that comparisons can be made across different authorities and for this reason it is essential that authorities define individual costs in line with the Service Reporting Code of Practice (SERCOP). There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.
- 1.9 During the audit of the draft statements, information surrounding the value of the council's pension liability has required an adjustment to the figures contained in the draft statements. The final statements at Appendix A include revised figures in respect of pensions. More detail can be found surrounding the reasons for this in Section 2.

## **2.0 RESTATEMENT IN RESPECT OF THE COUNCIL'S PENSION LIABILITY**

- 2.1 The Council has a pension liability on its balance sheet due to the scheme being in deficit. A pension scheme is in deficit if it doesn't have enough money to pay the pensions of the people who are entitled to receive one in the future (based on the level of future contributions and the performance of scheme assets).
- 2.2 The Council receives an annual 'IAS19' report that details an actuarial valuation of the pension scheme at the end of the financial year. The report for 2019/20 was received in June 2020 and was used to report the council's position in respect of pensions in the draft annual accounts.
- 2.3 Following the government's announcement in August on the McCloud (ongoing legal case) remedy consultation, the council's pension provider (Leicestershire County Council) informed the council that the estimated impact for McCloud may be as much as half of the previous estimate included in the current (June report) balance sheet position.
- 2.4 The Council therefore requested a revised IAS19 report to be produced and this was received in September. The revised report also takes account of the most up to date fund investment figures, as estimates were used in the original report. The impact on the balance sheets is a £309,000 reduction in the pension liability in relation to the revised McCloud estimate and £9,000 increase due to the revised valuations of the fund investments. The net impact is a £300,000 reduction in the pension liability.
- 2.5 The final accounts presented in Appendix A included an adjusted position for the council's pension liability which is in line with actual performance for 2019/20 year and the updated McCloud judgement estimates.

## **3.0 MATERIAL UNCERTAINTIES**

- 3.1 The outbreak of COVID-19 has affected global financial markets and this has impacted on the valuation of the Council's land, buildings and investments properties and the valuation of the Council's share of the Leicestershire Pension Fund property assets. Both the Councils and Pension Fund's valuers have included a 'material valuation uncertainty declaration within their reports. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.
- 3.2 Note 9 - Movement on Assets (page 66) and Note 33 – Pension Schemes Accounted for as Defined Contribution Schemes (page 87) have been updated with disclosures in relation to the 'material valuation uncertainty' declaration.

## **4.0 OTHER CHANGES TO ACCOUNTS**

- 4.1 At the time of writing this report, aside from those outlined in section 2 and 3 surrounding the council's pension liability and material uncertainties within the valuations, there are no further audit adjustments to the draft accounts required by the auditors.
- 4.2 There has been some minor non material amendments to the statements in relation to updating the outturn position in the narrative to reflect the final position and correcting some typographical errors.

- 4..3 It is therefore recommended to delegate authority to approve any further minor non-material amendments (as agreed with the external auditors) to the Head of Finance and Section 151 Officer in liaison with the Committee Chair.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	Effective management of the council's finances underpins the delivery of all council priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	External Auditors (Mazars)
Risks:	The presentation of audited accounts giving a true and fair view assists in maintaining the council's financial standing and reputation.
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