

## **Report to Audit Committee**

**Subject:** Annual Governance Statement and Statement of Accounts 2021/22

**Date:** 10 December 2024

**Author:** Chief Finance and Section151 Officer

### **1 Purpose**

To seek approval of the Council's Annual Governance Statement for 2021/22 and the Statement of Accounts for 2021/22.

#### **Recommendations:**

THAT:

- 1) Members approve the Annual Governance Statement for 2021/22 (Appendix 1);
- 2) Subject to approval of the Annual Governance Statement at recommendation 1, Members approve the Statement of Accounts for 2021/22 (Appendix 2)
- 3) Members note the Narrative Statement on pages 3 to 18 of the Statement of Accounts for 2021/22 (Appendix 2);
- 4) Members agree the letter of Representation (Appendix 3)

### **2 Background**

#### **2.1 Overview**

2.1.1 The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of the system of internal control and to prepare an Annual Governance Statement (AGS). The Council's AGS for 2021/22 is attached at Appendix 1, and also accompanies the Statement of Accounts at pages 104 to 116 of Appendix 2. The Regulations require that the Annual

Governance Statement must be approved in advance of the approval of the Statement of Accounts and accordingly the AGS will be signed by the Leader of the Council and the Chief Executive following its approval at this meeting.

- 2.1.1 In normal circumstances the Regulations also require the responsible financial officer to sign and date the Council's Statement of Accounts by 31 May 2022, and to certify that the Statement presents a true and fair view of the position of the authority and the authority's income and expenditure for the year. However, due a significant fraud being identified in July 2022 Mazars identified a number of additional audit procedures which were needed, the introduction of the Governments backstop arrangements of 13<sup>th</sup> December meant that Mazars had insufficient time to carry out the necessary procedures to provide assurance and complete the audit.
- 2.1.2 Again, in normal circumstances, the Regulations further require that by 31 July 2022 the Statement of Accounts must have been considered and approved by Members, and at Gedling this is within the remit of the Audit Committee. Following approval, the Statement of Accounts must be re-signed by the Chief Financial Officer (CFO) prior to being signed and dated by the Chair of the Audit Committee. The amended Regulations require that this consideration and CFO certification must be undertaken by 30 September 2022.
- 2.1.3 The finalised Statement of Accounts is now presented to Audit Committee for approval.. The accounts should be considered giving due regard to any comments made by the auditor in the Mazars External Audit Report, which is an agenda item.
- 2.1.4 Please note that at the time of writing this report the final External Auditor's Report is in draft format, therefore the attached Statement of Accounts remains subject to audit adjustment. If any final changes are made, these will be highlighted for Members at the meeting.
- 2.1.5 In addition to the Annual Governance Statement and Statement of Accounts, the Council is required to prepare a Narrative Statement which includes comment on the Council's financial performance and the economy, efficiency and effectiveness of its use of resources over the financial year. This forms part of the Statement of Accounts and can be found at pages 3 to 18 of Appendix 2.
- 2.1.6 Once approved, the Council is required to publish the Annual Governance Statement, Statement of Accounts and Narrative Statement on its website.

## 2.2 The Economy during 2021/22

- 2.2.1 The coronavirus outbreak was responsible for huge economic damage to the UK and world economies. After the Bank of England took emergency action in March 2020 to cut Bank Rate first to 0.25% on 11 March, and then to 0.10% on 19 March, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England made it clear that he considered that such a move would do more damage than good, and that more quantitative easing (QE) was the favoured tool should further action have become necessary
- 2.2.2 The Council continued to monitor the external environment to develop and refine its strategies to counter any threats from the wider economy. Ongoing pressures on costs and income streams were experienced during 2021/22 and continued into 2023/24.
- 2.2.3 The Council's continuing robust financial position means that it remains relatively well placed to deal with ongoing challenges and worldwide uncertainty, albeit that there are significant challenges ahead.

### 2.3 Accounting Practice Changes

- 2.3.1 There were no major changes to the CIPFA Accounting Code of Practice in 2021/22.

## **3 Proposal**

### 3.1 Annual Governance Statement

- 3.1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and with proper standards; that public money is safeguarded and properly accounted for; and that it is used economically, efficiently and effectively. In accordance with the Accounts and Audit Regulations the Council conducts an annual review of the effectiveness of the system of internal controls and prepares an Annual Governance Statement (AGS).
- 3.1.2 Following the identification of a significant fraud in July 2022 and the Internal auditors 2021/22 review of the system of internal control, the Audit Committee considered the draft AGS at its meeting on 28 June 2022. Some minor changes have been made to the report since that date and it is proposed that the AGS for 2021/22, attached at Appendix 1, is now approved. Following such approval, the AGS will be signed by the Leader of the Council and the Chief Executive prior to its publication with the Statement of Accounts.

### 3.2 Statement of Accounts 2021/22

#### 3.2.1 Financial Performance

The General Fund outturn figures for 2021/22 were reported to Cabinet on 6 July 2022. Net expenditure totalled £11,654,300, an underspending of £318,100 or 2.7%, when compared with the current approved estimate for 2021/22 as detailed below.

This underspend is primarily due to additional income in Leisure Centres and Waste Services and staffing savings across numerous services due to vacant posts. Whilst budgets have been changed as part of quarterly monitoring to reflect the current position at that time, during the year there still remained a level of uncertainty e.g. when income levels will fully return to pre-Covid levels and estimating when vacant posts will be recruited to.

	<b>Current Estimate 2021/22</b>	<b>Actual 2021/22</b>	<b>Variance to Current Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Community Development	1,473,200	1,394,500	(78,700)
Health & Housing	2,932,500	2,457,700	(474,800)
Public Protection	1,575,800	1,881,100	305,300
Environment	5,105,500	5,041,100	(64,400)
Growth & Regeneration	909,800	531,100	(378,700)
Resources & Reputation	2,918,800	1,939,700	(979,100)
<b>Net Portfolio Budget</b>	<b>14,915,600</b>	<b>13,245,200</b>	<b>(1,670,400)</b>
Transfers to/(from) Earmarked Reserves	(3,261,300)	(1,909,000)	1,352,300
<b>Net Council Budget</b>	<b>11,654,300</b>	<b>11,336,200</b>	<b>(318,100)</b>
Less Financing:			
Business Rates (net of coll. fund deficit)	(1,713,700)	(1,235,400)	478,300*
Council Tax	(6,471,100)	(6,471,100)	0
Council Tax Share of (Surplus) / Deficit	47,600	47,600	0
Lower Tier Services Grant	(131,000)	(131,000)	0
Local CTRS Support Grant	(117,700)	(117,700)	0
New Homes Bonus	(106,500)	(106,500)	0
<b>Transfer to/(from) General Fund Balance</b>	<b>(3,161,900)</b>	<b>(3,243,600)</b>	<b>160,200</b>

The General Fund Balance as 31 March 2022 is £4,601,000.

### 3.2.3 Capital Outturn 2021/22

Capital investment during 2021/22 totalled £6.331m and this was financed by the use of capital receipts, grants and contributions, S106 and CIL, General Fund revenue contributions and borrowing. The Council's total

external debt at 31 March 2022 was £10.812m, all held with the Public Works Loan Board.

#### 3.2.4 Collection Fund

Council Tax - The Council collects its own council tax and, as billing authority, for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and twelve parish councils. This has a significant impact on cashflow with nearly £78.564m collected but only around £6.471m retained for spending on services.

Business Rates - Under the Business Rates Retention Scheme the proportion of a local authority's income that arises from business rates will change according to movements in its local business rates income, providing an incentive for supporting local business growth. The Council's share of its business rates income in 2021/22 was £9.396m.

#### 3.2.5 Balance Sheet

The Council's net worth increased during the year from a net liability of £31.940 m on 1 April 2021 to one of £12.822m at 31 March 2022.

##### ➤ Pensions

The pension deficit decreased by £18.639m to £50.817m during 2021/22, mainly due to changes in the discount rate and technical calculations based on actuarial assumptions. Whilst the deficit has a significant impact on the Council's net worth (see above) it will be made good by increases in future contributions, and the technical valuation bears no relation to the cash position on the Pension Fund. Due to the requirements of local authority accounting, changes in the pension fund valuation do not have an immediate impact at taxpayer level.

##### ➤ Short-term Creditors

The value of short-term creditors increased by £1.859m.

##### ➤ Short-term Debtors

The value of short-term debtors decreased by £5.138m.

#### 3.2.6 Earmarked Reserves

The balance on earmarked reserves at 31 March 202 was £6.122m, a decrease of £1.909m.

### 3.3 Significant Issues arising in 2021/22

- 3.3.1 There were no significant technical accounting issues arising in 2021/22 that required inclusion in the draft Statement of Accounts signed by the Chief Financial Officer and published on 31 July 2022.
- 3.3.2 The Council's pension liability of £50.817m represents a significant amount and requires a statement of assurance from the Nottinghamshire Pension Fund auditors. Gedling's external auditors, Mazars, have advised that this has now been received.

#### 3.4 Audit of Accounts Process

The Accounts are scrutinised by the Council's external auditors, Mazars, with whom the Chief Financial Officer discusses progress frequently.

Mazars requires each authority to provide a letter of representation, providing certain assurances about the completeness and accuracy of its Statement of Accounts. A copy of the draft letter of representation for 2021/22 is attached at Appendix 3.

The procedures that Mazars expects authorities to follow in providing a letter of representation are that it should be dated on or near the date that the auditors sign the audit opinion, and that it is signed by the person with responsibility for the financial statements after consultation with the Monitoring Officer on legal matters, and other matters as appropriate. It must be agreed by an appropriate committee of the Council, and in Gedling's case this is the Audit Committee.

As noted at 2.1.3 above, once the Audit Committee has considered and approved the Statement of Accounts, the Chief Financial Officer re-signs it prior to its signature by the Chair of the Audit Committee. The final External Auditors' Report, and the Auditors' Opinion, cannot be issued until this has been done.

## **4 Financial Implications**

There are no financial implications directly arising from this report.

## **5 Legal Implications**

The approval of the Annual Governance Statement and the Statement of Accounts is a process that is set out in statute namely the Accounts and Audit Regulations 2015, as detailed in the report. The Council is required to comply with this statutory process which ensures openness and transparency in financial management.

## **6 Equalities Implications**

There are no equalities implications directly arising from this report.

## **7 Carbon Reduction/Environmental Sustainability Implications**

There are no carbon reduction/environmental sustainability implications arising from this report.

## **8 Appendices**

1. Annual Governance Statement 2021/22;
2. Statement of Accounts 2021/22;
3. Draft Letter of Representation.

**Statutory officer Approval:**

**Drafted by:** Chief Financial Officer

**Date:** 3 December 2024

**Approved by:** Monitoring Officer

**Date:** 3 December 2024