

North Tyneside Council

Report to Audit Committee

Date: 31 May 2023

ITEM

Title: Annual Statement
of Accounts 2021/22

Report from: Finance

Responsible Officer: Jon Ritchie, Director of Resources Tel: 643 5701

Wards affected: All

PART 1

1.1 Executive summary:

- 1.1.1 The purpose of this report is to provide the Audit Committee with an update on the progress for the completion of the 2021/22 Audited Annual Statement of Accounts in accordance with Section 9 (2) of the Accounts and Audit Regulations.
- 1.1.2 The draft Audit Results Report was shared with the Committee at its meeting held on 22 March 2023. The Executive Summary listed the outstanding items of audit work that still needed to be completed and it was noted at the meeting that the majority of the audit work had been completed or resolved by the time of the meeting. The only outstanding item was the receipt of the Pension Assurance Statement from the Tyne and Wear Pension Fund.
- 1.1.3 EY has confirmed that this has now been received from the Pension Fund, however due to the continued delay in the audit opinion being issued, further work is now required on the valuation of the pension fund. This report sets out the implications of the pension valuation on the Authority's accounts.
- 1.1.4 In addition, this report also highlights one further area that has arisen in respect of the 2021/22 Annual Statement of Accounts, the treatment of the Dedicated Schools Grant (DSG) reserve.

1.2 Recommendation(s):

The Audit Committee is recommended to:

- (a) Note the progress to date of the audit and the clearance of the vast majority of items mentioned in the draft Audit Results Report and the receipt of the Pension Assurance Statement;

- (b) Note the revised timescale for publication of the Audited Annual Statement of Accounts 2021/22 to mid-June 2023; and
- (c) Note that at the Committee's meeting held on 22 March 2023 delegation for the approval of the Audited Annual Statement of Accounts 2021/22 was given to the Director of Resources (Chief Finance Officer) in consultation with the Chair of the Audit Committee.

1.3 Forward plan:

- 1.3.1 This report is contained in the forward plan of the Audit Committee.

1.4 Council plan, policy framework:

- 1.4.1 The Annual Statement of Accounts covers all the service responsibilities as identified within the Council Plan.

1.5 Information

1.5.1 Background

It is a requirement of Section 9 (2) of the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code that the Authority approves its audited Annual Statement of Accounts 2021/22 for the financial year.

The requirements and timeline for the approval of a local authority's Annual Statement of Accounts are set out in the Accounts and Audit Regulations 2015. However, due to the impact of the COVID-19 pandemic the Ministry of Housing, Communities and Local Government (MHCLG) put in place revised regulations that came into force on 31 March 2021. The Accounts and Audit (Amendment) regulations 2021 extended the statutory audit deadlines for 2021/22 for all local authorities. The publication date for audited accounts moved from 31 July to 30 November 2022 for all local authority bodies.

The Committee will recall there have been two external factors that have led to the delay to approval and publication of the Authority's 2021/22 Annual Statement of Accounts. The were two main issues being:-

- National issue in relation to the reporting on infrastructure assets; and
- The audit delay of the Tyne and Wear Pension fund.

These were highlighted to the Committee at its meetings on 16 November and 22 March. The national issue relating to reporting on infrastructure assets was resolved following the Government issuing a statutory accounting override in January 2023. The Pension Fund Assurance Statement was received by the Authority's external auditors in April. The impact of this and the implications for the Authority are described in section 1.5.2 below.

1.5.2 Pension asset and liability valuation

The Authority's external auditors have now received the IAS19 (pensions) assurances from the auditor of the Tyne and Wear Pension Fund over the asset values reported in the accounts. However, as a consequence of the delay in the audit process, in line with a nationally agreed approach by external audit firms, the Authority has requested and received a high level report from the actuary which shows that the pension liability has decreased by £63.21m to (£332.77m). As the variation is material to the accounts, a full actuarial report has been requested from the actuary, which is expected to be received on Friday 19 May. When the report is received the 2021/22 accounts will have to be updated to reflect this change. This work will commence week beginning Monday 22 May with the aim of finishing no later than Friday 26 May. This lead in time is required as the following statements will need to change as a result of the revised pension valuation and a full review of the accounts will be required to ensure that all statements are correct:

- Comprehensive Income & Expenditure Statement (CI&ES)
- Movement In Reserves Statement (MIRS)
- Balance Sheet
- Cashflow Statement
- Note 3 Adjustments between Accounting Basis and Funding Basis Under Regulations
- Note 9 Pensions
- Note 11 Financing and Investment Income & Expenditure
- Note 31 Useable Reserves – Pensions

In turn the Authority's external auditors will have to review the above statements and sign-off the changes. This work is expected to commence week beginning Monday 5 June.

Dedicated Schools Grant Reserve (DSG)

- 1.5.3 Following a review of the 2021/22 accounts management have identified that the DSG reserve needs to be shown as an unuseable reserve and named 'Dedicated Schools Grant Adjustment Account'. This change is in line with CIPFA guidance and has been introduced to separate out DSG deficits from the General Fund. The DSG deficit at the close of 2021/22 is £12.851m and is currently shown within Useable Reserves. This will transfer to Unuseable Reserves, there is no bottom line impact and total reserves for the Authority will remain at (£224.656m). However, total Useable Reserves will increase to (£151.985m), previously (£138.958m) and total Unuseable Reserves will change to (£72.671m), previously (£85.522m). As with the pension change this will be subject to external audit review.

Summary

- 1.5.4 It is expected that the 2021/22 accounts will be ready for sign-off in mid-June by external audit and the Authority.

1.6 **Decision options:**

The options available are:

- (a) To accept the recommendations made in section 1.2.; or
- (b) To reject the recommendations made within this report.

1.7 Reasons for recommended option:

The production of an Audited Annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015.

1.8 Contact officers:

Jon Ritchie, Director of Resources, Tel 643 5701
Claire Emmerson, Head of Finance (Deputy S151 Officer), Tel 643 8109
Peter Weir, Principal Accountant, Tel 643 8066

1.9 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Accounts and Audit Regulations 2015 can be inspected at the Authority's offices.
- (b) Revenue budget 2021/22
<https://my.northtyneside.gov.uk/category/455/council-finances>
- (c) Investment Plan 2021-26
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=597&Ver=4> (Agenda reports pack - Appendix D)
- (d) Reserves and Balances Policy
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=597&Ver=4> (Agenda reports pack - Appendix G)
- (e) CIPFA Code of Practice 2021/22
Can be inspected at the Authority's offices.
- (f) Outturn Report 2021/22
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=815&Ver=4>

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report itself.

2.2 Legal

The Authority is required under the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy's Code to prepare and approve its audited accounts for the financial year 2021/22 by 30 November 2022.

2.3 Consultation/community engagement

In line with statutory requirements the draft Annual Statement of Accounts for the year ended 31 March 2022 was published by 4 July 2022 and was available on the Authority's website.

Members of the public were able to inspect the accounts under the statutory public inspection of accounts period from 11 July to 19 August 2022.

2.4 Human rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and diversity

There are no direct equalities and diversity implications arising from this report.

2.6 Risk management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no direct environmental and sustainability implications arising from this report.