

Crawley Borough Council

Report to Audit Committee

15 March 2022

Approval of the 2020/21 Statement of Accounts

Report of the Head of Corporate Finance (FIN/568)

1. Purpose

- 1.1 The purpose of this report is to seek member approval of 2020/21 Statement of Accounts.

2. Recommendations

- 2.1 That the Committee:
- a) Endorse the Annual Governance Statement as signed by the Leader and the Chief Executive.
 - b) Approve the 2020/21 Statement of Accounts.
 - c) Authorise the Chair of the Committee to sign the 2020/21 Letter of Representation.
 - d) Authorise the Chair of the Committee to sign the 2020/21 Statement of Accounts on behalf of the Council.

3. Reasons for the Recommendations

- 3.1 The Council has a statutory responsibility to approve the statement of accounts by 30 September, or as soon as reasonably practicable after the audit if the audit has not been concluded by this date.

4. Background

- 4.1 The Accounts and Audit Regulations 2015 set out the requirements for the accounts and audit of certain public bodies. One of the requirements is for the statement of accounts to be approved by a resolution of a Committee and for the Chair to sign the accounts. The Accounts and Audit (Amendment) Regulations 2021 have moved the latest date for approval to 30 September 2021, though the 2015 regulations allow the approval to be as soon as reasonably practicable after the audit if the audit has not been concluded by this date.
- 4.2 To enable the accounts to be signed by the due date and to encourage a robust review of the accounts, full Council has delegated the approval to this Committee.

- 4.3 This report deals with the Council's accounts as published in the required statutory format. The focus of the report is on recording all the assets and liabilities of the Council rather than a comparison with the original budget plans for the year. A summary of the outturn for 2020/2021 comparing actual expenditure against approved budgets was considered by Cabinet in June.

5. Narrative Statement

- 5.1 The Narrative Statement is attached as Appendix A. The Narrative Statement, Statement of Accounts, and the Annual Governance Statement are shown as separate documents.
- 5.2 The narrative statement includes a brief explanation of the financial statements (see pages 26 to 28).

6. Statement of Accounts 2020/21

- 6.1 The 2020/2021 Statement of Accounts is attached as Appendix B.
- 6.2 As last year, the Comprehensive Income and Expenditure Statement is now prepared on the same basis as the Council is organised – so the services breakdown is on a Portfolio basis. The Expenditure and Funding Analysis links the Outturn report to the Comprehensive Income and Expenditure Statement.
- 6.3 The statement of accounts is a very technical document and is not easy to understand. The main points from the accounts are set out below:
- 6.4 The Movement in Reserves Statement shows a decrease in the General Fund balance (inclusive of Earmarked Reserves) of £19.7 million (page 9). Note 10 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have increased during the year from £78.6 million to £100.9 million. The main reason for this are set out in 6.5 and 6.6 below.
- 6.5 The Business Rates Equalisation Reserve increased during the year from £5.2m to £21.8m. This was due to the business rate reliefs that were awarded to leisure, nurseries and retail and hospitality businesses after the budget for the year was set. The balance of this reserve should be read in conjunction with the Collection Fund Adjustment Account balance in the Unusable Reserves of £18.1m (page 64).
- 6.6 The Council held £1.8m in a Covid Grants reserve for government grants that had been received but not paid out to businesses or individuals by the year-end.
- 6.7 The Balance Sheet (pages 11 - 12) shows that the Council's total assets less liabilities have increased from £701.2m to £797.6m. The main reason for this is the revaluation of assets of £88.1m (page 61).
- 6.8 An explanatory document "Understanding Local Authority Financial Statements" in Appendix E aims to give Members and other stakeholders an introduction to the format of the accounts.

7. Annual Governance Statement

- 7.1 The Accounts and Audit Regulations 2015 establish requirements relating to systems of internal control, and the review and reporting of those systems. Internal control and risk management are recognised as important elements of good corporate governance. The regulations state that:

“A relevant authority must ensure that it has a sound system of internal control which—

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
- (b) ensures that the financial and operational management of the authority is effective; and*
- (c) includes effective arrangements for the management of risk.”*

- 7.2 The Council is required to produce an Annual Governance Statement in line with guidance contained in the CIPFA/SOLACE document “Delivering Good Governance in Local Government”. Details of the 2020/2021 review are set out in Appendix C. The Annual Governance Statement has been approved and signed by the Leader and the Chief Executive.

8. Audit of Accounts for 2020/2021

- 8.1 The audit of the accounts commenced in November. Ernst & Young’s Audit Results Report (elsewhere on the agenda) shows that the audit is substantially complete. Two unadjusted differences have been identified: £1.1m on the valuation of an investment property is down to a difference in professional opinions, and £1.0m on the valuation of pension fund assets is due to an estimated valuation for illiquid assets being used in the pension valuation report provided to the Council.

9. Letter of Representation

- 9.1 The Letter of Representation (Appendix D) are the assurances made by management and members to the auditors that all information pertinent to the audit has been made available to them.

10. Background Papers

[Financial Outturn 2020/21 – Report to Cabinet 30/06/2021 \(FIN/526\)](#)

The Accounts and Audit Regulations 2015

The Accounts and Audit (Amendment) Regulations 2021

Code of Practice on Local Authority Accounting in the UK 2020/2021 (Chartered Institute of Public Finance and Accountancy)

Guidance Notes for Practitioners (Chartered Institute of Public Finance and Accountancy)

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