



Classification	Item No.
Open / Closed	

Meeting:	Audit Committee
Meeting date:	21/7/21
Title of report:	Unaudited Statement Accounts 2020/21 - background
Report by:	
Decision Type:	Council/Key Decision/Non Key Decision (<i>delete as appropriate</i>)
Ward(s) to which report relates	

1. Executive Summary:

- 1.1 This report presents the unaudited Statement of Accounts for the 2020/21 financial year. The report highlights the overall financial position for the year.
- 1.2 Whilst there is no longer a requirement to present the unaudited accounts to Members before the external audit process commences, the Council has continued this practice as it gives Members early notification of the financial outcome of the previous financial year and is considered to be good practice.
- 1.3 There is a requirement to obtain certification of the accounts by the responsible financial officer, for the Council this is the Joint Chief Finance Officer.

Recommendation(s)

- 2.1 The Committee is asked to consider and note the 2020/21 unaudited Statement of Accounts.

Reasons for the decision:

Other options considered and rejected: N/A

Key considerations

Background

- 3.1 The accounts will be available for public scrutiny from 2 August to 13 September. This will be advertised on the Council's website. The unaudited accounts will be placed on the Council's website on 31 July in line with the Government's policy of increased transparency in the public sector.
- 3.2 The accounts will be subject to external audit.
- 3.3 The style and format of the accounts is largely prescribed by the CIPFA Code of Practice (The Code). Audit Committee should assure themselves that the Narrative Report is consistent with the core financial statements.
- 3.4 The Statement of Accounts for Bury Council comprises of:
 - A narrative statement by the Executive Director of Finance and S151 Officer
 - The statement of responsibilities for the accounts
 - The core financial statements, comprising:
 - The movement in reserves statement
 - The comprehensive income and expenditure statement
 - The balance sheet as at 31 March 2021
 - The cash flow statement
 - The notes to the core financial statements
 - The Housing Revenue Account
 - The Collection Fund
 - The Group Accounts
- 3.5 Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards and also the accounting and financing regulations of central government
- 3.6 This covering report explains the key features of the primary statements and notes that make up the 2020/21 Statement of Accounts. The narrative statement provides further information on the key issues for the benefit of readers of the statements.

Narrative Statement

- 4 The purpose of the narrative statement is to provide commentary on the

financial statements. It includes an explanation of key events and their effect on the financial statements. The information in the narrative statement is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 21st July 2021.

Core Financial Statements

5.1 Movement in reserves statement

Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans, and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2019/20 and 2020/21.

5.2 Comprehensive income and expenditure statement

The comprehensive income and expenditure statement reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit. It is produced in a standard format and is made up of five broad sections:

- Cost of services: Presented in the management structure of the Council. It includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.
- Other comprehensive income and expenditure: Includes items which are not allowed to be accounted for elsewhere, such as increases in the value of land and buildings and changes in the actuarial assessment of pension assets/liabilities.

5.3 Balance Sheet

The balance sheet is a 'snapshot' of the authority's financial position at a point in time, showing what it owns and owes at 31 March 2021. It is divided into two halves that, as the name suggests, balance. These are assets less liabilities (the top half) and reserves (the bottom half).

5.4 Cash flow statement

The cash flow statement sets out our cash receipts and payments during

the year, analysing them into operating, investing and financing activities. Cash- flows are related to income and expenditure but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the comprehensive income and expenditure statement when the transactions occurred, not when the cash was paid or received.

5.5 The Notes to the accounts provide further detail for the figures within the core statements as well as other information we are required to include in the Statement of Accounts.

5.6 Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is intended to record expenditure and income on running a council's own housing stock and related services or facilities which are provided primarily for the benefit of the council's own tenants.

- It is a landlord account recording expenditure and income arising from the provision of housing accommodation.
- It is not a separate account but is a ring-fenced account of defined transactions relating to local authority housing within the General Fund.
- The main expenditure items included are management and maintenance costs, major repairs, loan charges and depreciation costs.
- The main sources of income are from tenants in the form of rents and service charges.

5.7 The Collection Fund

The Collection Fund is a separate account for the administration of Council Tax and Business Rates income from local taxpayers on behalf of the Council, and other major preceptors i.e. the police, fire and mayoral services through the Greater Manchester Combined Authority.

5.8 The Group Accounts

This brings together entities where the Council has a material financial interest and holds a significant level of control. For Bury this includes

- Six Town Housing Ltd.,
- Bury MBC Townside Field Ltd.,
- The Persona group of companies, Persona Care and Support Ltd and Persona Group Ltd.,

6 Points of Note

- 6.1 At the end of 2019/20 the council's useable reserves were £51.063m, these have increased to £74.849m at the end of 2020/21. Reserves have increased largely as a consequence of the benefit from the review undertaken in 2019/20 which released £10m from the collection fund and the decision made as part of budget setting to create a £5.8m transformation reserve.
- 6.2 The level of reserves has increased over the year and are available to support the Council in managing the financial risks going forward. Some significant grants were received at the end of the financial year relating to COVID-19 and are therefore fully committed and will be fully utilised in 2021/22. Monitoring of reserves will be a key part of the overall financial strategy to manage the impact of COVID-19 in 2021/22 and future years.
- 6.3 The increasing prominence of council tax and business rates in helping fund council services means that the collection fund is monitored on an ongoing basis. The outturn position is an in year deficit of £28.995m which is offset by a small surplus brought forward from 2019/20 of £0.255m bringing the overall outturn deficit to £28.740m. The council's share of the deficit is £28.362m and the Greater Manchester Combined Authority's share is £0.377m (for police and fire and rescue services).
- 6.4 The deficit on the collection fund is Covid related as a result of government mandated reliefs for retail and nursery establishments for which the Council has received increased compensatory grants of £24.899m which will partially mitigate this.
- 6.5 Ordinarily, the reliefs are estimated in January (prior to the start of the financial year) and the compensatory grant is received on account throughout the year to offset this, hence no deficit arises due to reliefs.
- 6.6 However, in the governments' response to COVID, additional reliefs were mandated after the January estimates and this led to a deficit being reported.
- 6.7 It is anticipated that in 2021/22 that there will be a similar part year impact as the government did not confirm the extension of the additional reliefs until after the budget setting estimates in January 2021.
- 6.8 The government also introduced the Taxation Income Guarantee scheme (TIG) for 2020/21 to alleviate some of the impact of COVID on loss of income in the collection fund and for Bury this will be £2.474m
- 6.9 The compensatory grant and TIG amounts are held in reserves and will be released in 2021/22 to contribute towards the repayment of the council's share of the deficit as required in the regulations.
- 6.10 Due to the impact on the Council's ability to collect both Council Tax and Business Rates, an important change to Collection Fund accounting was introduced for 2020/21, which (with the exception of the £24.899m Government grant funded Business Rate reliefs) gives the ability to

smooth the impact of COVID related deficits over three financial years, thus reducing the impact on the revenue budget. The Council's 2021/22 budget and future years budget estimates have been prepared using this new facility.

- 6.11 Central Government Debtors and Creditors –the Central Government debtors and creditors have increased significantly. This relates to the requirements in reporting the various COVID grants received where the Council is acting as an agency for central government in paying out grants eg. Business Grants.
- 6.12 The impact of COVID has also impacted on Manchester Airport that Bury Council holds shares in, leading to lost dividend income during the year of approximately £5.9m. The impact is anticipated to last for several years and this has been factored into the MTFs so that the 2021/22 budget has been adjusted.
- 6.13 There has been a net increase in earmarked reserves of £48m, which includes
 - £10.5m increase - COVID grants for use in 2021/22
 - £4.5m increase - CCG contribution to ongoing funding of several transformation schemes beyond 2020/21
 - £17.8m net increase in Earmarked external funding, these are usually items with set criteria for how they can be utilised, which includes £15.6m of Business Rate Section 31 grants.
 - £7.4m increase in the Volatility and Fiscal mitigation reserves, including the Airport (£4.0m) and Levy Equalisation reserves (£3.1m)
 - £5.8m contribution agreed in the February 2020 budget setting to Council Transformation from the Collection Fund surplus
 - £2.5m net increase in Management of Financial Risk - Directorate

Community impact/links with Community Strategy

Equality Impact and considerations:

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) *eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*

- (b) *advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
- (c) *foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Equality Analysis	<i>Please provide a written explanation of the outcome(s) of either conducting an initial or full EA.</i>

**Please note: Approval of a cabinet report is paused when the 'Equality/Diversity implications' section is left blank and approval will only be considered when this section is completed.*

Assessment of Risk:

The following risks apply to the decision:

Risk / opportunity	Mitigation

Consultation:

Legal Implications:

To be completed by the Council's Monitoring Officer

Financial Implications:

All financial implication are covered within the report and the attached Statement of Accounts.

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Background papers:**Outturn Report 2020/21**

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning