

Classification	Item No.
Open	

Meeting:	Audit Committee
Meeting date:	01 December 2022
Title of report:	Statement Accounts 2021/22 update
Report by:	James Hopwood
Decision Type:	Non-Key Decision
Ward(s) to which report relates	

1. Executive Summary:

- 1.1 This report presents an update on the unaudited 2021/22 Statement of Accounts. They present the financial position for Bury Council as of 31 March 2022. It should be noted that the audit is still work in progress and the amendments identified below are subject to confirmation by external audit and until the audit is finalised may not be a complete list.
- 1.2 The unaudited 2021/22 Statement of Accounts was completed by 31 July 2022. This was in accordance with the specified timetable set out in the Accounts and Audit (Amendment) Regulations 2021. Since 22 August 2022, the accounts have been subject to external audit.
- 1.3 The Accounts and Audit (Amendment) Regulations 2021 further stipulate that local authority accounts are audited and approved by Audit Committees on or before 30 November 2022.
- 1.4 However, no local authority has been able to complete its audit by 30 November 2022. This is due to a technical issue on infrastructure assets - impacting on all local authorities and preventing their accounts from being fully audited. A resolution to this technical issue is proposed and has been consulted on. However, the resolution awaits the completion of statutory processes, which are expected to be completed by the end of December.

Recommendation(s)

- 2.1 The Committee note current progress to date on the external audit of the 2021/22 Statement of Accounts.

Reasons for the decision:

The Statement of Accounts are a statutory requirement.

Other options considered and rejected: N/A

Key considerations

Background

- 3.1 The draft accounts were available for public scrutiny from 2 August to 13 September 2022, in accordance with regulations.
- 3.2 The style and format of the accounts is prescribed by the CIPFA Code of Practice (The Code). The unaudited Statement of Accounts were presented to Audit Committee on 25 July 2022.

6 Adjusted amendments to the draft unaudited Statement of Accounts

- 6.1 During the external audit, a number of amendments to the draft accounts have been identified by officers and the external audit team. The amendments are detailed below.
- 6.2 The value on the Balance Sheet of Bury's Long-Term Investment in Manchester Airport has reduced. This amendment applies to all Councils in Greater Manchester. The amendment is because the external valuation of the whole of Manchester Airport has changed significantly following a change in methodology. The amendment is backdated to prior years, in accordance with accounting rules. However, the reduced valuation has no cash impact until the Council disposes of the asset, at which time the sales value achieved would be reflected within the accounts and an adjustment made to reflect any difference between that and the valuation within the accounts at the time.
- 6.3 Other amendments to the unaudited accounts relate to legacy issues on the asset register. Management have agreed to adjust for these. Legacy adjustments comprise:
- A technical adjustment moving £5m of revaluation balances from the revaluation reserve into the capital adjustment reserve. This related to an historical error on the asset register. There was no

impact on useable, cash backed, reserves.

- A school that converted to an academy during the 2021/22 financial year, was still shown on the Council's Balance Sheet as of 31 March 2022. Academy conversions were checked as part of the completion of the unaudited statement of accounts. However, an error in the source documentation used for this reconciliation, caused a misstatement. The Balance Sheet has now been amended for this academy conversion. A procedure note and template has been developed for the future, to avoid a re-occurrence. There was no impact on useable reserves following this amendment as all school reserves are ringfenced.
- There were technical adjustments related to depreciation, its sequencing with the asset revaluations and the effective revaluation date of 1 March 2022. These adjustments agreed by management, including the offsetting academy conversion (see above), increased Property, Plant and Equipment by £2.8m. However, the final adjustments are subject to the completion of the external audit.

- 6.4 The Capital Financing Requirement note was changed prior to the start of the external audit but after the submission of the draft accounts. Managers identified the requirement to amend the note to external audit at the start of the audit.
- 6.5 There were other adjustments to disclosure notes with no impact on usable reserves. These amendments included: the Dedicated Schools Grant note, Remuneration disclosure notes and the Expenditure and Funding Analysis by Nature.
- 6.6 There were also offsetting amendments on the balance sheet. Long-term provisions reduced by £1.2m and short-term provisions increased by £1.2m. Debtors and creditors were reduced by £3.7m due to the impact of an incorrect journal.
- 6.7 An historical error dating back to 2014 on a balance relating to Collection Fund debtors was identified during the audit process. As a result, a debtor balance has been reduced by £1.4m, this will impact on useable reserves and reduce the value accordingly.
- 6.8 Once the audit is complete officers will enact all of the agreed adjustments and external audit will validate the adjustments have impacted the accounts as expected.

7 Unadjusted Amendments

- 7.1 As at 31 March 2022, Bury Council had several creditors with Six Town Housing. The resolution of these outstanding creditors was only agreed in September and the two entities agreed to reduce these creditors by £0.667m. It is not proposed to adjust for this in Bury Councils audited 2021-22 accounts. The impact is not material to Bury Council and will be adjusted within the 2022-23 financial year.

8 Infrastructure assets

- 8.1 As noted, a nationwide technical accounting issue has arisen in relation to infrastructure assets. This relates to how Local Government accounting rules remove the value of replaced components from authorities' asset registers. Following the intervention of the Department for Levelling Up, Housing and Communities (DLUHC), a solution was proposed. Currently Local Authorities are awaiting the completion of statutory processes. Following this, local authorities' accounts will be able to complete the audit of their accounts in January 2023.

9 Recommendation

- 9.1 9.1 The Audit Committee is recommended to note this report which provides an update on the 2021/22 Statement of Accounts and to note that once the audit is complete a revised full set of audited accounts will be presented to the Committee for approval.

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>The statement of Accounts is a record of past financial expenditure. It does not determine future resource allocation.</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
The report is for information purposes and does not propose or require a decision.	

Consultation:

Legal Implications:

This report provides Members with an update on the progress in relation to the auditing of the Council's accounts for 2021/22, this report sets out items which have been identified to date. A further report will come to Committee as soon as the audit work has been completed.

Financial Implications:

All financial implication are set out within the report.

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Background papers:

None

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

report.

Term	Meaning