

## AUDIT COMMITTEE

---

22 September 2021

### **The Statement of Accounts for the year ended 31 March 2021**

Report of Jan Willis – Interim Executive Director of Finance & Section 151 Officer

Cabinet Member: Richard Wearmouth - Deputy Leader and Portfolio Holder for Corporate Services

---

#### **1. Purpose of the Report**

- 1.1. To present the draft (unaudited) Statement of Accounts for the year ended 31 March 2021 and raise any significant issues arising from the accounts.

#### **2. Recommendations**

- 2.1. It is recommended that Audit Committee consider the Statement of Accounts for the Council for the financial year ended 31 March 2021.

#### **3. Link to the Corporate Plan**

- 3.1. This report is relevant to all priorities included in the NCC Corporate Plan 2018-2021.

#### **4. Key Issues**

- 4.1. The unaudited statement of accounts for Northumberland County Council for the financial year ended 31 March 2021 were authorised by the responsible financial officer (the Interim Executive Director of Finance & Section 151 Officer) and published on the Council's website on 10 September 2021.
- 4.2. The Statement of Accounts will be available for public inspection for the period covering 10 September to 21 October 2021.
- 4.3. The Statement of Accounts will now be reviewed by the External Auditor (Mazars LLP). Following this review, the final (audited) Statement of Accounts will be presented to Members of the Audit Committee for approval.

#### **5. Background**

- 5.1. The Accounts and Audit (Amendment) Regulations 2021 which stipulate a two-stage approval process for the Statement of Accounts, have extended the statutory audit deadlines for 2020-21 and 2021-22 for local authorities.

- 5.2. The first statutory deadline requires that the responsible financial officer, by no later than 31 July should sign and certify that the Statement of Accounts presents a true and fair view of:
  - (a) the financial position of the Council for the year to 31 March previous, and
  - (b) its expenditure and income for the year to 31 March previous,subject to the views of the External Auditor.
- 5.3. The second stage requires that on or before 30 September approval needs to be given to the Statement of Accounts by resolution of a Committee, which for Northumberland County Council is the Audit Committee. This approval will take account of the views of the External Auditor. Once approved, the Statement of Accounts must be formally published on the Council's website.
- 5.4. Despite an extension to the statutory deadlines it has not been possible to publish a draft set of accounts by 31 July due to the delay in the completion of the audit of the 2019-20 Statement of Accounts.
- 5.5. The unaudited Statement of Accounts for the Council for the financial year ended 31 March 2021 was authorised by the responsible financial officer (the Interim Executive Director of Finance & Section 151 Officer) and published on the Council's website on 10 September 2021.
- 5.6. The draft Statement of Accounts will be made available for inspection by the public for 30 days from 10 September 2021 to 21 October 2021.
- 5.7. The Statement of Accounts is now subject to audit by Mazars LLP. The audit of the Statement of Accounts will be commencing in the near future and upon completion the Auditors report will be incorporated into the published version of the document.
- 5.8. Following the completion of the external audit, the final Statement of Accounts for 2020-21 will be presented for approval to the Audit Committee.

## **6. Statement of Accounts**

- 6.1. The Statement of Accounts for the financial year 2020-21 has been prepared in accordance with the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the Accounts and Audit (England) Regulations 2015 and the Code of Practice on Local Authority Accounting 2020-21 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 6.2. The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The Council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.

6.3. To help Members in reading and interpreting the contents, Appendix 1 to this report briefly explains the purpose of each section of the statement.

## **7. Key Information from the Statement of Accounts**

7.1. There are four core statements to provide fundamental information on the financial activities of the Council:

(a) Comprehensive Income and Expenditure Statement (page 31)

(b) Movement in Reserves Statement (page 32)

(c) Balance Sheet (page 33) and

(d) Cash Flow Statement (page 34).

7.2. The Statement of Accounts also includes the accounts of the Housing Revenue Account (commencing on page 147), The Collection Fund Account (commencing on page 155), the Group Accounts (commencing on page 159) and the Firefighters' Pension Fund (commencing on page 173).

7.3. The financial position of the Council remains healthy. The Statement of Accounts shows that the Council's net worth was £133.258 million at 31 March 2021. Although this represents a decrease of £160.131 million during 2020-21, it is mainly due to an increase in the estimated pension liability for employees of £147.919 million which is calculated by the Pension Fund Actuary, and statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

7.4. The Council's usable reserves have increased during 2020-21. The general fund reserve has increased by £13.543 million which includes the planned contribution of £6.536 million. The general fund reserve at 31 March 2021 is £70.469 million. Earmarked reserves, including those held for schools have increased by £51.597 million to £174.430 million.

## **8. Audit of Accounts**

8.1. The final audit of the Statement of Accounts will shortly commence. At the end of the process the external auditor will provide a completion report. This report will detail their comments and any recommendations for improvement, based on the position as at 31 March 2021.

## IMPLICATIONS ARISING OUT OF THE REPORT

<b>Policy</b>	None.
<b>Finance and value for money</b>	The Statement of Accounts summarises the financial performance of the Council for the 2020-21 financial year and shows its net worth as at 31 March 2021.
<b>Legal</b>	There are no direct legal implications contained within this report.
<b>Procurement</b>	There are no direct procurement implications contained within this report.
<b>Human Resources</b>	There are no direct HR implications contained within this report.
<b>Property</b>	There are no direct property implications contained within this report.
<b>Equalities</b> (Impact Assessment attached) Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	There are no direct equalities implications contained within this report.
<b>Risk Assessment</b>	The risks within the preparation of the Statement of Accounts are well managed through the embedded processes in place. Once the accounts are signed off a full "lessons learned" review will be undertaken to inform arrangements for the 2021-22 year end.
<b>Crime &amp; Disorder</b>	There are no direct crime and disorder implications contained within this report.
<b>Customer Considerations</b>	There are no direct customer consideration implications contained within this report.
<b>Carbon Reduction</b>	There are no direct carbon reduction implications contained within this report.
<b>Health &amp; Wellbeing</b>	The Council's budget is founded on the principle of promoting inclusivity.
<b>Wards</b>	All wards in Northumberland.

### Background Papers:

Northumberland County Council Statement of Accounts 2019-20

Report to Audit Committee 28 July 2020: The Statement of Accounts 2019-20.

Report to Audit Committee 28 July 2020: Statement of Accounts – Group Boundary Review

Report to Audit Committee 22 September 2021: Northumberland County Council – Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2021

### Report sign off:

	<b>Name</b>
Deputy Monitoring Officer/Legal	Helen Lancaster
Interim Executive Director of Finance & S151 Officer	Jan Willis

Relevant Executive Director	Jan Willis
Chief Executive	Daljit Lally
Portfolio Holder(s)	Richard Wearmouth

**Report Author:** Alan Mason – Finance Manager  
(01670) 622167: [alan.mason@northumberland.gov.uk](mailto:alan.mason@northumberland.gov.uk)

Item	Page	Explanation of Purpose and Content
Narrative Report	5	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Independent Auditor's Report to Northumberland County Council	26	Once the audit is complete the Auditor's report will be signed
Statement of Responsibilities	29	Sets out the responsibilities of the Council and of the Interim Executive Director of Finance & Section 151 Officer for the statement of accounts.
<b>Core Financial Statements</b>		
Comprehensive Income and Expenditure Account (CIES)	31	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Movement in Reserves Statement	32	This statement shows the movement in the year on the different reserves held by the Council analysed into 'usable' reserves and other reserves.
Balance Sheet	33	The balance sheet shows the value of the assets and liabilities recognised by the Council as at 31 March. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
Cash Flow Statement	34	The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
Notes to the Accounts	37	The notes are important in the presentation of a true and fair view. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information

Item	Page	Explanation of Purpose and Content
		required by the Code that is not presented elsewhere and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the policies and procedures adopted in compiling the accounts.
Housing Revenue Account	147	The Housing Revenue Account (HRA) is a ring-fenced account and records expenditure and income relating to the running of the Council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants.
Collection Fund Account	155	The Collection Fund is an agent's statement the reflects the statutory obligation for billing authorities, such as the council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Group Accounts	159	The Group accounts consolidate the results and balances of the Council with those organisations considered to be part of the Group. On the 13 November 2018, the Arch Group was re-organised with Arch (Corporate Holdings) Limited being removed as the Group holder and replaced with Advance Northumberland Limited. Arch (Corporate Holdings) Limited remained dormant throughout 2020-21, and on 10 November 2020 was dissolved.
Firefighters Pension Fund	173	The Firefighters' Pension Fund shows Employee and Employer contributions being paid into the fund, offset by Pension payments being paid out of the fund. The shortfall is met by central government grant from the Home Office.

Item	Page	Explanation of Purpose and Content
Glossary of Terms used in the Accounts	177	To assist readers in understanding terminology used in the statement of accounts.