

London Borough of Enfield

General Purposes Committee

4 August 2021

Subject: Draft Statement of Accounts 2020/21

Cabinet Member: Cllr Maguire, Cabinet Member for Finance & Property

Executive Director: Fay Hammond, Executive Director Resources

Key Decision: No

Purpose of Report

1. To brief the Committee on the draft Statement of Account ahead of publication on 1 August 2021 and submission to the external auditors, BDO.

Proposal

2. General Purposes Committee is recommended to note the report.

Reason for Proposal

3. It is good practice to brief Committee on the draft accounts at the time of submission to BDO to commence their external audit. Committee will be required to approve the Statement of Accounts later in the year when the audit is concluded, and the opinion issued

Relevance to the Council Plan

4. Sound finances contribute to all the objectives in the Corporate Plan.

Background

5. The Audit and Accounts Regulations require local authorities to prepare their annual accounts to 31 March each year. The regulations were amended in light of the Covid-19 crisis and the requirement for the S151 Officer to sign off the draft accounts for audit was relaxed from 31 May to 31 August for the 2019/20 accounts only. Similarly the deadline for sign off of the final Statement of Accounts and issuing of the opinion by the external auditor was put back from 31 July to 30 November, again for 2019/20 only.
6. In light of experience of the 2019/20 accounts process and the Redmond review MHCLG consulted with all stakeholders on timescales for draft accounts and audit opinions for the next two years, earlier this year. The outcome is that for 2020/21 and 2021/22 accounts the regulations have again been amended. Local authorities have until 1 August to publish their accounts and external auditor until 30 September to complete their work and issue the opinion. As reported at earlier meetings this is putting the external auditor sector under great pressure.
7. The draft Statement of Accounts are required to be certified by the s151 Officer and the Final Accounts by the s151 Officer and the Chair of the General Purposes Committee following approval by the Committee.

8. The Audit and Accounts Regulations also stipulate the way in which the Statement of Accounts should be presented, both format and content. In order to achieve this on a consistent basis across all local authorities, the Chartered Institute of Public Finance and Accountancy produces a Code of Practice which defines proper accounting practices for local authorities, the Code, which has legal force, is based on International Financial Reporting Standards.
9. The Council has been undertaking significant improvement work on its accounting arrangements over the past two years, which has been reported on a regular basis at General Purposes Committee. For 2020/21, the focus of this work has been on more extensive quality review throughout the entire closedown process to ensure the accounts, working papers and the listings from which BDO to draw samples are all of the appropriate standard. This will enable a smoother and more timely audit.

Main Considerations for the Council

10. The Council's General Fund Earmarked reserves have grown from £91.8m to £124.2m. This was driven by the Collection Fund reliefs of £13.8m and the decision to make in-year savings of £6.2m. The Council's General Fund Balance was maintained at its policy level of £13.950m. The Council's frugal position has put the Council on a firmer footing to be able to withstand the continued uncertainty and financial challenges ahead. It is important to remember the Collection Fund reliefs are meant to offset the Collection Fund deficit of £17.9m so these monies are not available to fund services.
11. A general rebound in property valuations of £94m was also a key story of the Accounts, as Property, Plant & Equipment grew from £1.835bn to £2.016bn. A similar growth of £33m in Investment Properties contained £14m of fair value movement which demonstrated market resilience in Enfield. The remaining balance was delivered by the Council's ambitious capital programme.
12. The Council saw its Cash & Cash equivalents reduce from £109m to £49m, as it chose to run down its balances rather than borrow unnecessarily. This showed up in the Treasury borrowing of £935m, down from £995m at the end of 2019/20.
13. The Council's cautious approach can be seen in the growth in provisions from £13.7m to £20.8m, as the Council remains concerned about the wider economic environment. This growth in provisions also reflects a deeper understanding of the risks of the authority and Finance consulted on these items with colleagues in Legal, Human Resources and other services.
14. The historically low interest rates have continued to cause the Pensions Liability to grow from £496m to £604m. The statutory IAS 19 calculation is based on interest rates and when they are low, the liability increases. While concerning, the actuaries assume higher rates of return and the most recent triennial valuation assumed over 100% funding level, even at the Council's conservative 80% probability of success approach.
15. The Finance Team is continuing to review the draft Statement of Accounts and it is possible that amendments will be made to the set attached at Appendix 1 before publication on 1 August 2021.

Safeguarding Implications

16. None arising directly from this report.

Public Health Implications

17. None arising directly from this report.

Equalities Impact of the Proposal

18. None arising directly from this report.

Environmental and Climate Change Considerations

19. None arising directly from this report.

Risks that may arise if the proposed decision and related work is not taken

20. The report is recommending noting only. The Statement of Accounts have been prepared in accordance with the statutory requirements.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

21. There is a risk of misstatement in Statement of Accounts. This is been mitigated by the extensive quality review that has been undertaken.

Financial Implications

22. The financial implications are set out above.

Legal Implications

23. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to the taxpayers with regards to the use and accounting for public monies. This report contributes to the discharge of these duties.

Workforce Implications

24. None arising directly from this report.

Property Implications

25. None arising directly from the report.

Other Implications

26. None.

Options Considered

27. None.

Conclusions

28. The draft 2020/21 Statement of Accounts build on the improvement work undertaken over the past two years primarily on asset accounting but have also been subjected to far greater quality review to ensure a smooth, more timely review and sign off by external audit.

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Appendices

Appendix 1: Draft Statement of Accounts 2020/21

Background Papers

None