

## BIRMINGHAM CITY COUNCIL – PUBLIC REPORT

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Director of Council Management (Interim)</b>
<b>Date of Report:</b>	<b>30 September 2021</b>
<b>Subject:</b>	<b>STATEMENT OF ACCOUNTS 2020/21 SEPTEMBER UPDATE</b>
<b>Wards affected: All</b>	
<b>1 Purpose</b>	
1.1	To brief the Committee on the progress of the audit of the draft Statement of Accounts 2020/21, the proposed timetable to completion, and publishing an audited Statement of Accounts and the process that Birmingham City Council will follow to support the Committee in considering and subsequently approving the audited Statement of Accounts 2020/21.
1.2	The statutory requirements for local authority accounting are set out in the Local Audit and Accountability Act 2014, supported by the Accounts and Audit Regulations 2015 (SI 2015 No 234) or 'the 2015 Regulations'.
1.3	As a result of the Covid pandemic the Accounts and Audit (Amendment) Regulations 2021 (SI 2021 No 263) have amended the 2015 Regulations for the 2020/21 financial year, deferring publication dates and making other consequential changes.
1.4	The regulations determine the format, content and timings of the Statement of Accounts.
<b>2 Decisions recommended:</b>	
	Members are recommended to:
2.1	Note the legislative requirements and proposed review, publication and approvals timetable for the audited Statement of Accounts.
2.2	Note the three items that are currently proposed to change between draft and final Statement of Accounts, and the slight delay to the previously proposed audit timetable.
2.3	Note the proposed briefings offered to the Committee.
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### **3 Compliance Issues:**

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:  
The publication of the Statement of Accounts is a legislative and statutory requirement.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:  
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):  
The statutory requirements for local authority accounting are set out in the Local Audit and Accountability Act 2014, supported by the Accounts and Audit Regulations 2015 (SI 2015 No 234) or 'the 2015 Regulations'.
- 3.4 Will decisions be carried out within existing finances and resources?  
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):  
None.

### **4 Proposed timetable and Progress update**

- 4.1 The proposed timetable to approval and publication of the Statement of Accounts 2020/21 is as follows:

30 September 2021	Briefing to the Audit committee on progress, and key issues, with an updated timetable proposed.
30 September 2021	Publication of notification to delay issuance of the audited Statement of Accounts on our website
Early October	Briefings offered to committee and members on the changes made as required
19 October 2021	<ul style="list-style-type: none"><li>• Grant Thornton present their Audit Findings Report at Audit committee meeting, assuming audit work is substantially complete at this point</li><li>• Audit Committee to approve audited Statement of Accounts, subject to any minor changes</li></ul>
Late October/Early November	<ul style="list-style-type: none"><li>• Director of Council Management (Interim) reconfirms the audited Statement of Accounts</li><li>• Conclusion of Audit and publication</li></ul>
November	<ul style="list-style-type: none"><li>• Conclusion of the VFM Audit</li></ul>

- 4.2 The draft Statement of Accounts 2020/21 were authorised for issue by the Director of Council Management (Interim) as planned, on 30 June 2021, and

published the next day, at which point a period of public inspection also began in accordance with regulation 9(1)(b). This period of inspection lasted for 30 days in accordance with regulation 14(1).

- 4.3 Only one request was received during this period relating to Covid support to businesses.
- 4.4 While some audit work had commenced previously, 1 July 2021 also represented the commencement of the main element of the audit, in line with the audit plan that has previously been shared with the committee.
- 4.5 Briefings were offered to the committee, and members, on the content of the draft Statement of Accounts during July 2021 and a briefing session was held on the evening of 27 July 2021 via Microsoft Teams.
- 4.6 The audit of both the Statement of Accounts, and the separate Value for Money Audit, is, at the time of writing, running slightly behind the expected timetable as set out in the audit plan. An update will be provided verbally at the Committee meeting.
- 4.7 It was intended that a near final set of accounts would be provided to this Committee on 30 September, for approval subject to any further minor changes, with finalisation and publication at some point in early October 2021.
- 4.8 It is not currently expected that the audit will be sufficiently completed by 30 September for the accounts to be presented with enough confidence in completion of the audit.
- 4.9 At this point, no material issues have been identified in the audit to raise with the committee, although it is noted that there are still significant areas of the audit to complete.
- 4.10 As such, we are providing this briefing, which includes notification of three currently proposed changes to the draft accounts, identified by the Council post publication, and an updated timetable, which incorporates final signing and approval of the Statement of Account at the November audit committee.

## **5 Items of note**

- 5.1 Given the short turnaround of the draft Statement of account, we have continued to review the contents and disclosures contained in it post publication, and in parallel with the audit.
- 5.2 We have identified three changes that we are proposing to make, as set out below. The auditors have been notified of these changes and are currently considering them. Should they agree, each will be made in the final Statement of Accounts, which will be subsequently provided to, and approved by this committee. The three items are set out below:

Update to accounting treatment for the business support COVID grant

- 5.3 Across three large grants (Small business Grant fund/Retail Hospitality; the Leisure Grant fund; and the Local Authority Discretionary grant fund) we received £231.5m of funding.
- 5.4 Of this income received, we allocated and provided £226.4m to local businesses based on the funding criteria. The remaining £5.1m is to be returned to BEIS (The Department for Business, Energy and Industrial Strategy)
- 5.5 For all material grant streams, we are required to assess whether the Council is acting as an agent (where we have no control, and just pass funds through), or a principle (where we control amounts, destination and criteria for distribution).
- 5.6 If it is concluded that we have acted as an agent, then we do not show the income, or expense, in our Comprehensive Income & Expenditure Statement (CIES). If we have acted as the principle, then we show both income and expense in full.
- 5.7 The net impact on the CIES, all reserves and cash is the same in both cases. It is simply a change in how the fund flow is disclosed but does alter the presentation of the CIES for both income and expense.
- 5.8 Post publication, and on further review, we have revised our conclusion on the element of this funding that relates to the small business grant fund/retail hospitality and the leisure grant fund (amounting to £216.8m). In the draft Statement of Account, we have accounted for these funds as if we were the principle, showing both income and expense. We are content that the Local Authority Discretionary Grant Fund element should continue to be disclosed as principal and shown in the CIES.
- 5.9 We have now concluded that the correct disclosure should be to treat the funds as if we are an agent.
- 5.10 The proposed change will reduce income and expense by £216.8m, but have no impact on reserves, the net CIES or cash.

#### Updated presentation of our financial instruments disclosures

- 5.11 In our Statement of Accounts we are required to provide information on our financial instruments – transactions that give rise to a financial asset or liability.
- 5.12 Although our disclosures in past years had been audited and it was agreed they met the requirements of relevant standards, as part of our continuous improvements we wish to present this information differently, with greater detail and additional information to aid the users of the accounts. In order to do this we also need to adjust prior year comparators.

- 5.13 We had initiated discussions with the external auditors prior to publishing the draft Statement of Accounts in June 2021 but there was insufficient time to agree the changes and the draft accounts were based largely on the prior year format. If the auditors agree to our proposed changes these will be made for the audited version of the Statement of Accounts and these will act as a template for future years.
- 5.14 The proposed changes are presentation and have no impact on reserves, the net CIES or cash

Streamlining of our IFRS15 (Revenue from contracts with customers) disclosures

- 5.15 IFRS 15 (Revenue from contracts with customers) requires certain disclosure of the income that we receive from customers.
- 5.16 Historically, we have provided a specific note to incorporate this requirement, which in the draft Statement of Accounts 2020/21 is Note 14, on page 67.
- 5.17 This note currently supports £71.1m (2019/20 £88.7m) of CIES income and £15.8m (2019/20 £12.0m) of Net assets.
- 5.18 Amounts for, and disclosure of revenue from contracts with customers are included in a number of other parts of the Statement of Account. On review of the standard, we have noted that there is likely to be sufficient other disclosure that this note can be completed removed, and we will still be compliant with the standard, and the code.
- 5.19 Our Statement of Accounts is a significant document, which can be hard to digest. One aim we have set ourselves is to simplify this document, and reduce content where it is not required and adding no value to the reader. This will also make production of the document more efficient, and remove potential areas of further challenge.
- 5.20 It should be noted that across Local Government, there are many other Councils who do not include this note. So removing it, would also make us more consistent with the approach taken across the sector.
- 5.21 We have produced an IFRS15 disclosure checklist, and at the moment, on the grounds of other disclosures included elsewhere, and materiality, we are proposing to remove this note. If the audit team agree with this, it will not be included in the final set of accounts that this committee approves.

**6 Timetable and approach**

- 6.1 After Members have approved the Statement of Accounts, regulation 10 sets out the requirements for publication, which requires publication of the Statement of Accounts together with any certificate or opinion entered by the local auditor

- 6.2 Regulation 10(1) requires publication to take place by 30 September. If the audit opinion has not been given by the relevant date, regulation 10(2) requires that a notice be published as soon as reasonably practicable stating that the Statement of Accounts has not been issued, giving reasons why publication has not been possible. The Statement of Accounts must then be published as soon as reasonably practicable after the receipt of the report of the auditor's final findings (which can be a report issued before the conclusion of the audit)
- 6.3 The original audit timetable was set, assuming that the final statement of accounts would miss the 30 September 2021 deadline, and be completed during October 2021.

The timetable is now such that we are planning on offering a briefing to members on the final document at the October meeting alongside a near final external auditors Audit Findings Report (AFR) and that the Committee at that meeting should be able to approve the Statement of Accounts, subject to any further minor changes, with finalisation and publication at some point in late October 2021.

**Signature:**

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**Rebecca Hellard, Director of Council Management (Interim)**