

Audit Committee June 2021

DRAFT STATEMENT OF ACCOUNTS 2020/21
SHORT ACCOMPANYING HIGHLIGHTS BRIEFING



Process

- Draft Unaudited Statement of Accounts issued to Audit Committee
 - Short accompanying Briefing (this document) to highlight key messages and help Members navigate the accounts
 - Briefings offered during July to explain the Statement of Accounts and offer the chance for questions to be raised, and addressed.
 - Discussion at July Audit Committee
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- Unaudited Accounts to be issued by the Responsible Financial Officer by 1 July 2021
 - Public Inspection and audit to start immediately after that
 - Audit expected to be complete in Sept/Oct when Statement of Accounts will be finalised

Key areas for your attention

Area	Issue	Key points to consider
The accounts include a range of estimates, and associated uncertainty – this is normal	Significant estimates in these accounts were previously presented to the committee, and include PPE valuations, our pension deficit and the equal pay provision, amongst others.	Full details on these can be found in Note 4 to the statement of account.
We have a large pension deficit, the calculation of which is based on complex actuarial assumptions.	This significantly influences our balance sheet, but being actuarially based, does not necessarily represent the true cost to the Council	<p>The liability is driven by actuarial assumptions, and the CIES is adjusted to remove the impact of those assumptions and replace it with actual contributions paid.</p> <p>Full details can be found in notes 20 and 21 to the statement of account</p>
Our significant PPE balance	Our PPE balance forms a significant part of our balance sheet, and includes valuations on more than 60,000 properties. These valuations are either done on a rolling, or beacon basis, and so a large proportion of properties are not valued formally each year.	<p>The movements in PPE do not affect the general fund, instead going to the revaluation reserve.</p> <p>Obtaining more valuations would be a cash cost to the council simply to remove some estimation uncertainty, but not all, which does not represent value for money.</p>

Key areas for your attention (2)

Area	Issue	Key points to consider
CIES	The CIES shows comprehensive net expenditure of £417m, but this is after accounting adjustments of £562.8m for changes in value of PPE and Pensions, which do not form part of the Council's usable reserves.	Before these adjustments, the Council made a surplus on an accounting basis of £145.8m, and when taking into account changes in accounting and funding, a surplus of £389.8m, which is the amount by which the Council's usable reserves have increased.
MIRS	The total Council reserves have moved from a deficit of £10.8m to a deficit of £427.8m.	<p>This is made up of £1,874.7m of unusable reserves, principally reflecting the net of our pension liability and PPE.</p> <p>Our usable reserves, being resources available to the Council, have increased by £389.8m to £1,446.9m.</p>
Balance Sheet	The balance sheet is dominated by the PPE and Pension balances, as noted above. However, the Council is still showing a net current liability balance, where short term creditors exceed short term assets.	This is driven by short term borrowing and provisions, and is not representative of the Council's liquidity.

Key areas for your attention (3)

Area	Issue	Key points to consider
Notes to the accounts	<p>Key notes to consider include:</p> <ul style="list-style-type: none"> Notes 2 and 4 – representing the Council’s critical judgements and sources of estimation. Notes 20 and 21 – pension schemes Notes 31 and 32 – being provisions and areas of potential liability to the Council Notes 43, 44 and 45 being members allowances, officers remuneration and exit packages 	<p>The notes to the accounts are as required by the code, and accounting standards. They include a lot of information, but largely summarise the primary statements.</p> <p>Note 38 onwards provide new/additional information. There are also supplemental financial statements for the housing revenue account, the collection fund and the Group accounts.</p>
Group accounts	These represent the accounting consolidation of the Council and it’s subsidiary companies.	The significant majority of the Group is made up of the Council’s own operations.
Going concern	The code assumes that local Government accounts are prepared on a Going concern basis, which is how these have been prepared.	A separate Going concern review, focussing on the Council’s financial position, its forecast and any potential impact of the Group companies. This supports the going concern assumption that has been applied in these accounts, and can be provided to the committee if required.

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APPENDIX



Pension Liability

Liability has increased by £617m

(This is net of 2 year prepayment so would be £850m)

Assets : +£1007mn (£1.07bn) (page 89)

Asset Values +£727m

Employer Contribution: £382m)

Liabilities: -£1695m (£1.69bn) :

Actuarial changes: £1659m

Benefits earned: -£296m

Benefits paid: +£200m

Assumptions	Local Government Pension Scheme	
	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	21.9	21.6
Women (years)	24.1	23.9
Longevity at 65 for future pensioners retiring in 20 years:		
Men (years)	23.8	23.4
Women (years)	26.0	25.8
Rate of CPI inflation	1.9%	2.8%
Rate of increase in salaries	2.9%	3.8%
Rate of increase in pensions	1.9%	2.8%
Rate for discounting of scheme liabilities	2.35%	2.0%
	Change in assumption	
	£m	
Longevity assumptions (increase by 1 year)	417.6	
Pension increase assumptions (increase by 0.1%)	145.6	
Salary increase assumption (increase by 0.1%)	13.9	
Discount scheme liability assumptions (increase by 0.1%)	(158.5)	

Balance Sheet

What we own, what we're worth!

- **Reduction in our Net Worth by £417m:**

Pensions Liability : -£617m (net of pension prepayment)

Property Plan & Equipment: +£360m

Borrowing: -£100m (linked to pension prepayment)

Short term Creditors: -£50m

- **Usable Reserves up by £390m**

- **Unusable Reserves down by £807m:**

Pensions: -£850m

Revaluation Reserve / Capital accounting: +£40m

- **Property Plant & Equipment £6.20bn**

Council Dwellings: £2.56bn

Other land & Buildings: £2.375m

Infrastructure £0.48bn

Assets Under Construction: £0.47bn

- **Movement of +£360m:**

Revaluation: £202m

Additions: £412m

Depreciation: -£144m

Disposals / held for sale: -£108m