Birmingham City Council

Report to Audit Committee

15 May 2025

Title:	**STATEMENT OF ACCOUNTS – 2020/21 & 2021/22- FINAL SIGN OFF**
Lead Member:	Councillor Karen McCarthy, Cabinet Member for Finance
Relevant Overview and Scrutiny Committee:	Corporate & Finance Overview and Scrutiny Committee
Has this report been shared with the relevant Overview and Scrutiny Committee Chair?	No
Report Author:	Carol Culley, Executive Director, Finance
Authorised by:	Carol Culley, Executive Director, Finance
Is this a Key Decision?	No Forward Plan Reference: Not Applicable
Reason(s) why not included on the Forward Plan and confirm who has authorised it to be considered:	Not Applicable
Is this a Late Report?	No
Reason(s) why Late and confirm who has authorised it to be considered:	Not Applicable
Is this decision eligible for 'call in?'	Not Applicable
If 'call-in' has been dis-applied, please provide reason(s) and confirm who has authorised:	Not Applicable

Wards: All

Does this report contain exempt or confidential information? No

1 EXECUTIVE SUMMARY

1.1 To brief the Committee on the legislative requirements for the approval and publication of the audited Statement of Accounts 2020/21 & 2021/22 and seek its approval to the Statement of Accounts or the years 2020/21 and 2021/222. This item follows the report of the external auditors on their findings from their audit work of the above-mentioned Statements of Accounts.

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 or 'the 2015 Regulations', as amended by the 2024 Amendment Regulations.

2 COMMISSIONERS' REVIEW

2.1 The disclaimed opinion on the financial statements has been expected for sometime. Even so the inability of the external auditors to issue an opinion for both 2020/21 and 2021/22 is a very serious governance failure. The council could be facing a period of several years before a clean audit opinion is possible, which reflects the scale of the financial issues facing the Council.

2.2 Despite there being no prospect of a clean audit opinion for several years it is important that the Council gets back into the routine of producing timely financial statements for external audit and that the auditor conducts an audit including reviewing key account balances and controls. The lack of this detailed audit work over recent years coupled with the failed Oracle implementation is likely to mean that future audits identify poor financial information and practices relating to key financial processes including debt, payments and cash.

3 RECOMMENDATIONS

That the Committee:

3.1 Note the Briefing Note regarding Backstop Dates and Journey to a Clean Set of Accounts (**Appendix 1**);

3.2 Approve the Letter of Representation for the year ending 31 March 2021 from the Executive Director, Finance (**Appendix 2**);

3.3 Approve the Letter of Representation for the year ending 31 March 2022 from the Executive Director, Finance (**Appendix 3**);

3.4 Note the Statement of Responsibilities for 2020/21 and 2021/22 (**Appendix 4 and 5**)

3.5 Approve the Statement of Accounts for 2020/21 subject to external audit clearance of any outstanding issues and any resultant changes (**Appendix 6**); and

3.6 Approve the Statement of Accounts for 2021/22 subject to external audit clearance of any outstanding issues and any resultant changes (**Appendix 7**).

4 KEY INFORMATION

Context

Regulatory Requirements

4.1 Regulation 9(2) requires Members to approve the audited Statement of Accounts that is to be published, either by meeting as a whole or through a committee. At Birmingham City Council this is the Audit Committee. Specifically, members have a duty to:

- Consider the Statement of Accounts;

- Approve the Statement by a resolution; and
- Ensure that the Statement is signed and dated by a person presiding at the meeting.

4.2 The external auditors have made a number of recommendations in the Audit Findings Reports, which the Council has provided Management responses to.

4.3 A number of changes have been made to both Statements since they were issued in 2021 and 2022 respectively. Some of these relate to the passage of time where updated information is being provided for events since those dates to aid the readers understanding of the current financial situation of the Council. Other changes relate to better information now being available or audit findings where the Council has agreed to restate figures and disclosures.

4.4 The significant changes to the 2020/21 Accounts are a £153.6m impairment relating to the spend at the Perry Barr Residential Scheme, an increase of £140.1m to the provision for Equal Pay liabilities and an increase in the IAS19 related Pension Liability due to Equal Pay liabilities of £87.8m.

4.5 The significant changes to the 2021/22 Accounts are a reduction in the IAS19 Pension Liability of £675m due to the factoring in the information from the triennial valuation; £82.5m impairment relating to the spend at the Perry Barr Residential Scheme, and an increase of £384m to the provision for Equal Pay liabilities (although a significant part of this was amended for in the 2020/21 as stated above).

4.6 There are a number of items the external auditors have identified which the Council has chosen not to adjust for as they are considered either immaterial to the Statement of Accounts or cannot be calculated with any degree of accuracy.

4.7 Under regulation 9(3) the Responsible Financial Officer must re-confirm their view that the Statement of Accounts presents a true and fair view before it is given member approval. The Executive Director, Finance is confirming a modified statement and has confirmed that the Statement of Accounts 2020/21 and 2021/22 present a true and fair view of the Council's financial position, subject to the information detailed in the Statement of Responsibilities section of both Statements. This is following legal advice and after agreement with the External Auditors, Commissioners and CIPFA and is seen as the best course of action given the issues mentioned in the Statement of Responsibilities section of the Statements.

4.8 A Letter of Representation is required to be sent to the external auditor by the Executive Director, Finance, in their role as Section 151 Officer. This advises the auditor of any material matters which have occurred since the draft Statement of Accounts was signed and which might impact on the accounts and the audit. The letters are attached as **Appendices 2 & 3**.

4.9 After the Committee has 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.

4.10 Regulation 10(3) requires that Statement of Accounts, Annual Governance Statement and Narrative Statement remain available for public access for at least five years after the date of publication.

4.11 Regulation 16(1) requires publishing a statement as soon as reasonably practicable after the conclusion of the audit to confirm matters such as the audit

has concluded and the right of electors to inspect and make copies of the Statement of Accounts, auditor's certificate of completion and auditor's opinion.

Outstanding Statement of Accounts

2020/21 and 2021/22 Accounts

4.12 The 2020/21 and 2021/22 draft accounts were issued in June 2021 and July 2022 respectively and public inspection periods for both Accounts have taken place.

4.13 The Audit of both accounts has progressed since then. The below summarises the timeline for both sets of Accounts, **Table 1** refers;

Table 1 - Timeline

Item	2020/21 Accounts	2021/22 Accounts
Briefing to Audit Committee on Draft Accounts	29 June 2021	28 September 2022 (deferred from cancelled July meeting)
S151 issue of Draft Accounts	30 June 2021	28 July 2022
Public Inspection period	1 July 2021 – 11 August 2021	1 August 2022 – 12 September 2022
Draft Findings Report from External Auditor to Audit Committee	19 October 2021 25 January 2022 28 March 2023	28 March 2023
Updated Accounts presented to Audit Committee	19 October 2021 28 March 2023	28 March 2023
Backstop Date and publishing of Accounts Notices	13 December 2024	13 December 2024
Completion of Audit	*15 May 2025 (Scheduled)*	*15 May 2025 (Scheduled)*
Audit Committee Sign Off of Audited Accounts	*15 May 2025 (Scheduled)*	*15 May 2025 (Scheduled)*
Publication of Audited Accounts	*16 May 2025 (Scheduled)*	*16 May 2025 (Scheduled)*

4.14 As per the update to Audit Committee on 10 December 2024, Accounts Notices detailing the issues were shared with Ministry of Housing, Communities and Local Government (MCHLG) and also published on the Council's website 13 December 2024. Further information on the Backstop Dates and the Council's journey to a clean set of accounts can be found in **Appendix 1**.

Proposal and Reasons for Recommendations

4.15 Not Applicable

Other Options Considered

4.16 Not Applicable

5 RISK MANAGEMENT

5.1 All risk management issues are captured in the appendices.

6 MEMBER ENGAGEMENT

Overview and Scrutiny

6.1 Not Applicable

Other

6.2 Not Applicable

7 IMPACT AND IMPLICATIONS

Finance and Best Value

7.1 All financial impacts are captured in the appendices.

Legal

7.2 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 as amended by the 2024 Amendment Regulations.

7.3 The Council is required to prepare an annual Statement of Accounts in accordance with proper accounting practices. Due to various reasons the Council has not presented finalised accounts for the last 4 financial years.

7.4 The Council is now in a position to present accounts from 2020/21 and 2021/22 for sign off and publication in accordance with its legal responsibilities.

7.5 The Council must seek to publish further Statements of Accounts for subsequent financial years in due course.

Equalities

7.6 Not Applicable

Procurement

7.7 Not Applicable

People Services

7.8 Not Applicable

Climate Change, Nature and Net Zero

7.9 Not Applicable

Corporate Parenting

7.10 Not Applicable

Other

7.11 There are no other implications arising from the recommendations in this report.

8 APPENDICES

8.1 Appendix 1 – Briefing Note – Backstop Dates and Journey to a Clean Set of Accounts

8.2 Appendix 2 – Letter of Representation 2020/21 to the External Auditor

8.3 Appendix 3 – Letter of Representation 2021/22 to the External Auditor

8.4 Appendix 4 – Statement of Responsibilities 2020/21

8.5 Appendix 5 – Statement of Responsibilities 2021/22

8.6 Appendix 6 – Annual Statement of Accounts 2020/21

8.7 Appendix 7 – Annual Statement of Accounts 2021/22

9 BACKGROUND PAPERS

9.1 UPDATE ON STATEMENT OF ACCOUNTS 2020/21, 2021/22 AND 2022/23 – Audit Committee – 10 December 2024