

Audit and Standards Committee – Tuesday 14 December 2021

2020/21 Statement of Accounts

Recommendations

I recommend that:

- a. Members approve the 2020/21 Statement of Accounts as attached to this report.
- b. Members approve the letter of representation from the County Treasurer.
- c. Members delegate authority to the County Treasurer in consultation with the Chairman to make any final amendments to the accounts as deemed necessary by the external auditors.

Report of the County Treasurer

Summary

The 2020/2021 Statement of Accounts is attached as **Appendix 1** to this report and covers the County Council and Staffordshire Pension Fund. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).

The Code of Practice is updated annually and for 2020/2021 there were no major changes.

As part of normal year end processes I am required to make written representation to the auditors expressing an opinion as to whether the accounts give a true and fair view of the financial position of the Council and the Staffordshire Pension Fund in accordance with the appropriate rules and regulations. My letter for the County Council is attached as **Appendix 2** to this report, with the letter for the Pension Fund attached as **Appendix 3** and I would welcome discussion regarding any matters covered by the letter. The committee members are asked to approve the letters.

Revenue Outturn

1. We spent £1.883m less than the budget for our day to day activities, this is 0.04% less than the revised budget of £542.4 million. This underspend is an example of our excellent financial management and despite the requirement to deliver savings, services have stayed within their budgets, during a most difficult time.
2. This year has been difficult for budget monitoring due to the many variables at play, it was not known how many or how long each national lockdown would

last and it was not known how much government funding would be received to cover the additional Covid-19 related costs. At the First Quarter Budget Monitoring report, an overspend of £10.1 million was forecast which reduced over the rest of the year as funding was allocated and costs stabilised. However, the pandemic is not yet over and some of the grants allocated have been carried forward into 2021/2022 to be spent then.

3. The Health and Care Directorate has seen the majority of the Covid-19 related costs and these ranged from providing care providers with PPE to arranging for surge testing and additional vaccination centres in areas with outbreaks. Putting these costs to one side, the usual service provision of the Directorate continued throughout but the pandemic meant there have been reductions in costs around transport and day centres as well as slightly lower supported living costs and direct payments. When the 2020/2021 budget was set for Health and Care, it included an assumption about the number of people who would need Adult Social Care services during the year but as the pandemic changed our daily lives, it also had an impact on the numbers of people needing our services. The Directorate overall has underspent by £4.3 million due to reductions in demand for services.
4. Children's Services has also achieved an underspend of £1.6 million this year due to savings on staffing vacancies and some additional grant for unaccompanied asylum seeking children. The budget included additional investment of £2.6 million for the continuation and progression of planned transformation works in the service. This was fully spent in year and before the pandemic struck, Children's Services were forecast to deliver in full the target savings this year of £4.7 million. Unfortunately, due to the impact of the pandemic planned savings this year have been delayed and have been reprofiled within the MTFS accordingly.
5. In addition there are significant transport costs in Education Services which has resulted in an overspend and this continues to be an area of pressure going forward. The pandemic had an impact on this service in terms of more taxis for individual pupils in order to comply with Covid-19 safety requirements. Significant additional financial support was also provided for schools to help meet the costs of the pandemic.
6. In the Economy, Infrastructure and Skills Directorate, the service achieved an overall small underspend of £49,000, spread across the Directorate. The Covid-19 costs for this Directorate include some incurred on capital projects as a result of increased safety measures, social distancing or other measures required. The Sustainability and Waste service incurred a small overspend due to increased waste tonnages. The Infrastructure service suffered a loss of car parking income as a result of the pandemic as well as the non-achievement of a saving.
7. Corporate Services has achieved a small underspend by the end of the year and has managed to make a necessary contribution to the IT reserve in order to continue with the Digital programme and for the procurement of new systems

such as Document Management, Property and Legal systems which are required in 2021/2022.

8. The centrally controlled budgets overspent by £2.2 million at the end of the year, alongside the unspent Contingency budget being carried forward for use in 2021/2022. The small overall underspend will transfer into general balances.

Capital Outturn

9. In 2020/2021, our final capital spend was £134.4 million, compared to £109.2 million in 2019/2020. This investment was funded from a variety of sources including grants from the Government totalling £64.0 million and borrowing of £17.4 million.
10. The capital spend of £134.4 million includes £2.6 million of revenue transformational spend which has been capitalised and funded from capital receipts generated in year, in accordance with the Capitalisation Direction issued by the Secretary of State. The nature of this expenditure is revenue but will generate ongoing revenue cost reductions, this includes salary costs of staff supporting transformational activities and redundancy costs.
11. Despite the national lockdowns and restrictions required to deal with the pandemic, significant progress has still been made on a number of capital projects. Our achievements during the year include the following:
 - Significant extensions to a number of schools including Netherstowe High School and Anker Valley, Rawlett Academy and the King Edward VI School, Lichfield;
 - Highways work on the Mill Green development in Cannock and at St John's in Lichfield have continued;
 - Work is progressing on the new Greenwood House development in partnership with the NHS;
 - Work is continuing on the Cannock Chase and Silverdale Enterprise Centres;
 - Eastgate street regeneration project has made significant progress with the acquisition of old County Courts building;
 - Continued work to maintain the County's rural spaces and footpaths despite the increased demands lockdown created;
 - ICT have successfully completed the Data Centre Network Refresh and made good progress on the Compute refresh;
 - Work on the Stafford Western Access Route is continuing;
 - Work on the Lichfield Southern Bypass has been completed;
 - Economic development to extend the i54 is continuing;
 - Continue the process of rationalising farm assets and initiate a programme of reinvestment in existing stock;
 - In addition, continue the wider rationalization of SCC property and its use in order to support MTFS decisions;
 - The continued roll out of superfast broadband to rural and isolated communities.

Interpretation and comment on the main financial information

12. The Comprehensive Income and Expenditure Statement shows the amount that services have cost to provide and the amount of income received to fund them. A deficit on this statement means that the cost of services has not been covered by income and may need to be funded by taxpayers in future years. However, not all the charges in this statement are actual cash and these notional charges are required by statute, these are shown in detail in Note 4. These notional charges mean that the figures in this statement are different from the final outturn figures described above. The outturn shows the cash position of services and how their spending compared with their budgets. This statement is showing a surplus on the provision of services of £82.3 million which is an increase from the previous year's surplus of £25.1 million. The net cost of services has remained very similar from £502.7 million in 2019/2020 to £508.0 million in 2020/2021. This reflects the fact that the additional expenditure the County Council has incurred due to the pandemic has been funded from grants. The gross expenditure and gross income totals are both considerably more than in 2019/20 and this shows the impact of the pandemic on the County Council's day to day activities.
13. The Balance Sheet shows the amount held in reserves, both usable and unusable, as well as the liabilities that will need to be paid in future years. The total of assets less liabilities in 2020/2021 is £440.9 million, a decrease from 2019/2020 which was £524.5 million. The difference is £83.6 million and can be explained by an increase in assets offset by a slightly larger increase in liabilities. In terms of assets, both debtors and the amount of cash held have increased. The increase in debtors is due to the prepayment to the Pension Fund being made in 2020/2021 and therefore the amounts relating to 2021/2022 and 2022/2023 are now in the Debtors total. The increase in cash is due partly to the amounts of Covid related grants which were received towards the end of 2020/2021.
14. The increase in liabilities is mainly the pensions liability which has increased by £227.7 million. It should be noted that this liability is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion. The liability is an estimate of the value of all the pensions that will need to be paid in the future, compared with projections of the Pension Fund's value. However many factors will change between now and when the pensions are actually paid.

Reserves and Balances

15. There are two types of reserves, those that are cash-backed and hold money set aside for specific purposes and those which are notional and exist for accounting purposes. The cash-backed reserves are called usable reserves while those which are for accounting purposes only are called unusable.
16. The Movement in Reserves Statement shows the final balances of the County Council's general fund and other reserves and this statement shows the money available to support services in future years. The general fund balance is £47.4

million and other earmarked reserves are £243.2 million, of which £27.3 million relates to schools and cannot be spent on other services. Overall, general balances have increased during 2020/2021, which is in line with the planned contribution included in the MTFS and the intention to increase balances to mitigate the risks inherent in service budgets.

Going Concern Assessment

17. Since March 2020, there has been a global pandemic requiring a combined response from public sector services and having a severe impact on the economy. This impacted on the County Council's finances in 2020/2021 in terms of increased costs and lost income. In response, the Government made additional grant payments to the County Council to cover both general and specific Covid-19 related costs. These grants and the overall impact of the pandemic on the 2020/2021 outturn are reported in the Narrative Statement.
18. It has now become apparent that the effects of the pandemic will continue to be felt in future years. It was possible to incorporate known elements of the Covid-19 impact into the refresh of the Medium Term Financial Strategy (MTFS) which was approved by Council on 11th February 2021.
19. The overall impact on the County Council's finances is still uncertain however and we continue to keep the situation under constant review. It is recognised that there may be a need to use reserves to support budgetary pressures in the short-term. General balances were £47.4m as at 31st March 2021 and this amount is available to respond to unforeseen events and to support the MTFS to an extent. This will ensure that we remain financially resilient and maintain a balanced budget in line with our statutory duties.
20. The County Council is also closely monitoring its cashflow position to ensure that there are sufficient funds available to meet its financial obligations. It is not currently anticipated that there will be a need to borrow for cashflow purposes over the life of the current MTFS.
21. Whilst there is a high degree of inherent uncertainty relating to the Covid-19 pandemic, the County Council has resilience in terms of budgetary planning, proven financial management arrangements, available reserves and cash flow to March 2023 and these elements mean that it is appropriate to use the going concern basis in the preparation of the 2020/2021 financial statements.

Pension Fund

22. The Pension Fund considerably increased in value in 2020/2021. The fall in value during 2019/2020 brought about by the spread of Coronavirus was reversed as confidence returned to the economy and global equity markets. The Fund achieved a return of 29.6% over the year meaning it was valued at £6,152.4 million at 31 March 2021.

Format of the Statement of Accounts

23. We have to produce the accounts in line with a range of regulations and reporting standards, but it is important that most people can understand them. In this report I have tried to explain what I believe are the main issues in a way that I hope is understandable. Although I have kept to the relevant regulations and reporting standards, I am always looking for ways to improve the content and format of the Statement of Accounts. To help me do this, I would appreciate your comments on how we could improve the accounts and other information in future.
24. We can also provide this Statement of Accounts in other formats, such as in large print, in Braille, or in other languages. To ask us for the Statement of Accounts in other formats, please call 01785 276065.
25. The full statement and the summary version will also be available on our website (www.staffordshire.gov.uk).

List of Background Documents/Appendices:

Accounts and Audit Regulations 2015

Code of Practice on Local Authority Accounting in the United Kingdom 2020/21

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