

Audit and Performance Committee Report

Date:	21 July 2022
Classification:	General Release
Title:	2021/22 Annual Accounts
Wards Affected:	All
City for All Summary	The accounts detail the Council's financial performance for 2021/22. Further detail regarding the Council's corporate vision, opportunities and risks can be obtained in the Narrative Statement and Annual Governance Statement
Financial Summary:	This report presents the draft Statement of Accounts for the Council for the financial year ended 31 March 2022
Report of:	Gerald Almeroth, Executive Director – Finance & Resources

1. Executive Summary

- 1.1 This is a report summarising the key aspects of the 2021/22 statement of accounts. The statement of accounts appended to this report are draft at this stage and an audited version of the accounts will be presented to the Committee for sign-off in September 2022. These will be after the public inspection period which is due to end on 21 July 2022. The published draft accounts can be found at Appendix 1.
- 1.2 These draft statements of accounts underpin the financial outturn position and reports the Council's financial position in line with CIPFA reporting requirements and International Financial Reporting Standards.
- 1.3 The 2021/22 draft accounts report some large year-on-year variances compared with the previous year. This is mostly due to the accounting

regulations for the Collection Fund, whereby timing differences between collection of Council Tax and Business Rates and the Covid-related s31 grant compensation received will not be matched until 2023/24 and £200m decrease in the pension liability due to changes in the financial assumptions.

- 1.2 The total value of the net assets on the balance sheet as at 31 March 2022 was £2.598bn. Overall there has been an increase of £0.285m in comparison to last year.

2. Recommendations

- 2.1 That the Audit and Performance Committee approve the draft 2021/22 statement of accounts subject to the public inspection period and the audit currently underway.
- 2.2 That the Audit and Performance Committee approve the draft Annual Governance Statement included in the statement of accounts subject to the public inspection period and the audit.
- 2.3 To delegate authority to the Executive Director of Finance and Resources to make minor amendments to the accounts prior to formal publication of the draft accounts.

3. 2021/22 Accounts Balance Sheet

- 3.1 The balance sheet in the table below shows the Council has net assets of £2.883bn. An increase of £0.285m in comparison to 2021/22.
- 3.2 The accounts follow CIPFA reporting requirements for valuation and depreciation of non-current assets. CIPFA regulations create accounting overrides of IFRS to ensure that valuation or depreciation movements are not chargeable to the General Fund.
- 3.3 The CIPFA Code also makes accounting overrides for the recognition of post-employment benefits (i.e. pension payments), whereby the charge payable to the General Fund is the cash payable each year. The real cost (i.e. the cost on an accruals basis) of post-employment benefits must be reversed out through the Movement in Reserves Statement to avoid being chargeable to Council Tax.

31 March 2021		Note	31 March 2022
£'000			£'000
ASSETS			
<u>Non-current</u>			
2,781,226	Property, plant and equipment	Note 18c	3,014,314
44,578	Heritage assets	Note 19	44,578
467,386	Investment property	Note 20	462,801
2,861	Intangible assets		4,997
47,261	Long-term investments	Note 21a	33,320
89,957	Long-term debtors	Note 27	132,034
3,433,269	Total long-term assets		3,692,044
<u>Current</u>			
237,853	Short-term investments	Note 21a	383,429
130	Inventories		138
560,869	Short-term debtors	Note 27	379,229
80,402	Cash and other cash equivalents	Note 22	64,998
2,202	Assets held for sale*		21,581
881,456	Current assets		849,375

31 March 2021		Note	31 March 2022
£'000			£'000
LIABILITIES			
(7,128)	Short-term borrowing		(62,229)
(556,886)	Short-term creditors	Note 28	(575,272)
(971)	Short-term provisions	Note 29	(974)
(10,643)	Revenue receipts in advance	Note 13	(49,358)
(575,628)	Total current liabilities		(687,833)
<u>Long term</u>			
(7,317)	Long-term creditors	Note 28	(1,269)
(108,988)	Long-term provisions	Note 29	(110,968)
(200,696)	Long-term borrowing		(237,616)
(722,126)	Other long-term liabilities	Note 30	(520,299)
(101,890)	Capital receipts in advance	Note 13	(100,273)
(1,141,017)	Long-term liabilities		(970,425)
2,598,080	Net assets		2,883,161
(1,241,678)	Total Usable Reserves		(1,046,518)
(1,356,402)	Total Unusable Reserves	Note 16	(1,836,643)
(2,598,080)	Total Reserves		(2,883,161)

- 3.4 There has been an increase in current liabilities, mainly relating to increase in the creditors where amounts are received by Government but have not been allocated to local businesses therefore needs to be returned in line with Collection Fund accounting. There is an additional £26m of Covid Additional Relief Fund grant in creditors.
- 3.5 The draft statement of accounts carries a drawdown of £165m from earmarked reserves following government support for business rates losses due to Covid-19. This reserve is known as the Business Rates Deficit Section 31 reserve and ensures the Council does not lose funding when businesses were given business rates support during the pandemic. This s31 grant must be used over a three-year period and therefore approximately one-third of the reserve was used in 2021/22. The reserve stands at £370m and will be used in 2022/23 and 2023/24 until fully spent against remaining business rates losses. It cannot be used for any other purpose.
- 3.6 Current assets have decreased by £32m including a £181m decrease in short-term debtors. Business rates debtors have reduced by £186m from £437m to £251m. This is due to GLA's share of Collection Fund reducing by £172m from £500m in 2020/21 to £328m in 2021/22. This is offset by £145.5m increase in short-term investments, due to increased cash available to the Council.
- 3.7 Despite of an overall increase in the net assets, there is a decrease in long term investments assets which have decreased by £13.9m, Overall there is £18m reduction of long term investments as they have been reclassified as short term and this has been offset by £3m of long term investments made to Westminster Housing Investments Ltd.
- 3.8 This increase in net asset position is further enhanced by a decrease in long term liabilities – due to decrease in the Council's pension liability. Pension liability has decreased nearly by £200m. This reduction is due to changes in the actuarial assumptions which have reduced the defined benefit obligation and £57m early repayment of liability.

Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (MiRS)

- 3.9 Local government accounting requires the production of a comprehensive income and expenditure statement and movement in reserves statements, using International Financial Accounting Standards (IFRS). The movement in reserves statement is designed to adjust for technical transactions such as depreciation which does not impact the bottom line of local authority accounts.
- 3.10 A reconciliation of the CIES with budget monitoring is shown below.

	General Fund Balance	Housing Revenue Account	Total
	£m	£m	£m
Surplus of Provision of Services	(85,884)	(12,370)	(98,254)
Technical Accounting Adjustment	243,902	12,369	256,271
Use of Earmarked Reserves	(155,974)	0	(155,974)
Net Surplus Against Budget	2,044	0	2,044

The technical accounting adjustments consist of movements for:

- Neutralisation of depreciation
- Revaluation gain/losses for the Council's property portfolio
- The transfer of capital grants to be capital grants reserve
- Revenue expenditure funded from capital under statute
- Adjustments to the pension reserve which neutralises the current service costs and ensures that the actuarial estimates are not charge to council tax

Cash Flow Statement

3.11 There was a £15.404m decrease in the Council's cash and cash equivalents (investments that mature in no more than three days) reducing the figure to £64.998m.

2020/21		Note	2021/22
£'000			£'000
12,160	Net (surplus)/deficit on the provision of services		(98,253)
(201,332)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	Note 32	(39,459)
122,059	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	Note 32	157,549
(67,113)	Net Cash Flows from Operating Activities		19,837
(233,787)	Net Cash Flows from Investing Activities	Note 33	261,689
256,020	Net Cash Flows from Financing Activities	Note 34	(266,122)
(44,880)	Net (increase)/decrease in cash and cash equivalents		15,404
35,522	Cash and cash equivalents at the beginning of the reporting period		80,402
80,402	Cash and cash equivalents at the end of the reporting period		64,998

3.12 The decrease in the Council's cash position is mainly due to increase of £8m cash in transit from last year and £6m reduction in investments made in money market funds.

4. Objections

4.1 At the time of writing the auditors have not received any objections in relation to the 2021/22 statement of accounts.

5. Conclusion

5.1 The statement of accounts appended to this report are draft at this stage and an audited version of the accounts will be presented to the Committee at its September meeting for final sign off following the finalisation of audit.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

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BACKGROUND PAPERS:

Statement of Account 2021-22