



Doncaster Council

Report

Date: 8th July, 2021

To the Chair and Members of the
AUDIT COMMITTEE

UNAUDITED STATEMENT OF ACCOUNTS 2020/21

EXECUTIVE SUMMARY

1. This report presents the Council's unaudited Statement of Accounts for the 2020/21 financial year. The report highlights the overall financial position for the year and information on performance including improvements achieved in accuracy and quality. The full published accounts are available at:
<http://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
2. The Accounts and Audit (England) Regulations 2015 apply to the preparation, approval and audit of the Statements of Accounts and other financial statements. These regulations are based on International Financial Reporting Standards (IFRS) which attempt to standardise accounts in a consistent format across both the public and private sectors with the aim of achieving greater transparency.
3. Whilst there is no longer a requirement to present the unaudited accounts to Members before the external audit process commences, the Council has continued this practice as it gives Members early notification of the financial outcome of the previous financial year and is considered to be good practice.
4. The Accounts and Audit (Amendment) Regulations 2021 have extended the publication date for unaudited 2020/21 accounts from 31st May to 31st July and the audited 2020/21 accounts from 31st July to 30th September 2021 for all local authority bodies.
5. Grant Thornton have informed the Council that they will not be able to meet the amended deadline. The approval of the final Statement of Accounts will take place at Audit Committee in November 2021.

EXEMPT REPORT

6. Not applicable.
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RECOMMENDATIONS

7. Members are requested to note the 2020/21 Statement of Accounts.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

8. An unqualified audit opinion on the Council's financial statements and a good Value for Money (VfM) conclusion resulting from the annual audit process would indicate that there is excellent internal control in place safeguarding Council resources.

BACKGROUND

9. The Council's 2020/21 accounts have been prepared in accordance with IFRS and the appropriate accounting codes of practice and were approved by the Council's responsible financial officer on the 28th June ahead of the revised statutory deadline.
10. To give local authorities more flexibility, the Accounts and Audit (Amendment) Regulations 2021 have removed the requirement for the public inspection period to include the first 10 working days of June. Instead, local authorities must commence the public inspection period on or before the first working day of August 2021. This means that accounts that must be confirmed by the responsible finance officer (RFO) must be published by 31st July 2021 at the latest. They may be published earlier.
11. The accounts are available for public scrutiny from 29th June to 9th August. This was advertised on the Council's website on 28th June. The unaudited accounts were placed on the Council's website on 28th June in line with the Government's policy of increased transparency in the public sector with public scrutiny of the accounts being a key feature of the financial governance framework of local authorities.
12. The accounts will be subject to external audit (Grant Thornton have not yet confirmed when this will begin) and it is expected that the audit opinion will be finalised (subject to the continuing work on the Whole of Government Accounts) in time for Audit Committee in November. Members of the Audit Committee will be aware that the Council would normally be required to produce the audited Statement of Accounts for the 2020/21 financial year by 31st July 2021, with the unaudited 2020/21 accounts being produced by 31st May 2021. The Accounts and Audit (Amendment) Regulations 2021 have amended those deadlines to 30th September 2021 and 31st July 2021 respectively.
13. Grant Thornton have informed the Council that they will not be able to meet the amended deadline of 30th September 2021. The accounts and a report will be presented by Grant Thornton to this Committee in November 2021 setting out the result of the external audit in the form of their 'Communication with those charged with governance' report (ISA 260 report), which formally sets out the findings of their audit of the financial statements.

14. Members of this Committee have a key role in scrutinising the accounts in order to maintain strong governance over financial reporting. Early production of the accounts enables the Members of this Committee sufficient time to review the statements and ask challenging and pertinent questions.

The 2020/21 Financial Statements and Supporting Disclosure Notes

15. The style and format of the accounts is largely prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice (The Code) and 2020/21 is similar to that used last year, the main changes are described in the following section.

Narrative Report

16. The Narrative Report is 'to' rather than 'in' the Statement of Accounts – the Narrative Report is not formally part of the Statement of Accounts. It contains key facts about Doncaster and about the Council's performance, an explanation of the Accounting Statements, a financial outlook and any significant changes in accounting policy.
17. Audit Committee should assure themselves that the Narrative Report is consistent with the core financial statements.
18. At the meeting on 9th June, Cabinet was presented with the final outturn positions for both revenue and capital for the 2020/21 financial year. 2020/21 has been extremely challenging and our workforce has been focussed on specific activities in response to COVID-19 and other emergencies. This has understandably led to a one-off underspend of £6.0m across all service directorates; which will be targeted towards strategic priorities in 2021/22 including £3.8m investment in our Leisure facilities and £2.0m for severe weather/road safety works.

The Core Financial Statements

19. These are: -
 - a. Comprehensive Income and Expenditure Statement (CIES)
 - b. Movement in Reserves Statement (MiRS)
 - c. Balance Sheet
 - d. Cash Flow Statement

Comprehensive Income and Expenditure Statement (CIES)

20. The CIES follows accounting standards as per the CIPFA Code of Practice (the 'Code') and ensures all local authorities are reporting on a standardised and consistent basis.
21. There is no direct comparison from the CIES to budget and outturn position. The CIES is not a management account but rather a historical document recording past transactions. It includes costs that do not have to be "funded", e.g. depreciation and asset valuation movements.
22. The CIES shows the Council Structure – Directorates, Net cost of services and the Surplus or deficit on provision of services.
23. The CIES is shown in Appendix A with an explanation of what it shows. Some issues to note: -
 - a. The increase in Adults, Health & Wellbeing gross expenditure is due to a one-off revaluation gain credited in 2019/20 relating to the Dome. The

increase in Adults, Health & Wellbeing gross income is due to an increase in grants: various COVID-19 grants, improved Better Care Fund (iBCF) and Social Care Support grant, of which a proportion has been carried forward to be used in 2021/22.

- b. The increase in Corporate Resources net expenditure is due to COVID-19 pressures and revaluation losses relating mainly to assets that are valued using methods relating to income.
- c. There was a decrease of £32.8m in the loss on disposal of non-current assets. This was caused by a larger number of schools converting to academy status in 2019/20 than converted in 2020/21.
- d. There was an increase of £39.3m in non-ring fenced Government grants. This was largely due to the COVID-19 grants issued in 2020/21 by Government to assist the Council in dealing with the COVID-19 pandemic and the business rates related grants to fund the expansion of the retail relief scheme in 2020/21. The details are contained in Note 33 Grant income.
- e. There was a increase of £12.7m in the surplus on revaluation of non-current assets caused by an increase in housing valuations.
- f. There was an increase of £97.9m in the actuarial losses on pension assets / liabilities caused mainly by fall in the return on plan assets and a change in financial assumptions. The details are contained in Note 39 Defined Benefit Pension Schemes.

Notes relating to the CIES

24. The main changes and issues to note are covered in the following paragraphs: -

- a. Note 1 The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used / funded from resources by local authorities in comparison with those resources consumed / earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates / services / departments. There was a surplus in 2020/21 of £61.4m which consists of the £6.0m underspend on General Fund services (the outturn position) highlighted in paragraph 18, £56.8m contribution to Earmarked Reserves and £1.4m decrease in Housing Revenue Account reserves. The £56.8m contribution to Earmarked reserves is one-off due to the current situation and includes specific resources that have been set aside for priorities, e.g. £5m for Environment & Sustainability/Net Zero Carbon. In addition, we are carrying forward £24m of specific COVID-19 grants as part of the Council's planned response to the pandemic, an increase of £14m, and £18.9m due to the technical requirement to carry forward specific grant funding to offset the recovery of the Business Rates deficit, explained in paragraph 34a below. The reserves also include £16m transformation funding for services, an increase of £12m, which is essential to enable the Council to prepare for the longer-term financial challenges and uncertainties; and
- b. Note 33 Grant income has seen a large rise in Non-Ring fenced Government Grants of £29.2m from £80.1m in 2019/20 to £119.3m in 2020/21. This is largely to section 31 grants relating to Business Rates. Grants Credited to Services has also increased by £34.1m from £231.1m in 2019/20 to £265.2m in 2020/21. This is mainly due to COVID-19

grants.

Movement in Reserves Statement (MiRS)

25. For Members, probably the most important issue will be whether the Council has a surplus or deficit compared to its budget for the year. The (increase)/decrease in 2020/21 on the Movement in Reserves Statement (MiRS) gives this information for both the General Fund and the Housing Revenue Account (HRA). An extract of the MiRS is shown in Appendix B with an explanation of what it shows. Some highlights to note: -
- a. As detailed in paragraph 24a, there was an unprecedented increase in reserves due to the focus of attention during 2020/21 on the COVID-19 pandemic and our emergency response. The General Fund balance increased by £62.8m including the £6.0m underspend at outturn and £56.8m increase in earmarked reserves (Note 11). HRA reserves decreased by £1.4m, resulting in the overall surplus shown on the Expenditure and Funding Analysis of £61.4m.
 - b. Statutory adjustments (shown in Note 10 and mainly capital related) convert the Council's movement in reserves performance from the £61.4m increase to a deficit of £49.9m (General Fund £46.3m and the HRA £3.6m) shown in the Comprehensive Income and Expenditure Statement (CIES). This represents the position that would have been reported under 'commercial accounting' rules.

Notes relating to the MiRS

26. The main changes and issues to note are covered in the following paragraphs: -
- a. Reserves are an indication of the temporary resources available to assist an authority to deliver services. Not all reserves can be used to deliver services and this is reflected by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves have increased by £71.9m or 57.3% from £125.4m to £197.3m (these are shown on page 18), largely due to the General Fund (explained in paragraphs 24a and 25a above) and the Major Repairs Reserve (capital financing).

Usable Reserves (see Movement in Reserves Statement)	31st March 2020	31st March 2021	Movement in year
	£m	£m	£m
General Fund (including Earmarked reserves)	68.7	131.5	62.8
Housing Revenue Account	9.7	8.3	(1.4)
Capital Receipts Reserve	17.3	17.8	0.5
Major Repairs Reserve	10.1	21.4	11.3
Capital Grants Unapplied	19.6	18.3	(1.3)
Total Usable Reserves	125.4	197.3	71.9

Unusable reserves are determined by technical accounting rules and are not available for use by the Council. These have decreased by £112.5m to £265.9m mainly reflecting the changes in the Revaluation Reserve, Capital Adjustment Account (due to the disposal of academies), Pension Reserve (due to changes in assumptions from the Actuary) and the Collection Fund Adjustment Account (explained in paragraph 34a below).

Unusable Reserves (Note 24)	31st March 2020	31st March 2021	Movement in year
	£m	£m	£m
Revaluation Reserve	265.3	285.0	19.7
Capital Adjustment Account	548.3	503.8	(44.5)
Financial Instruments Adjustment Account	(0.7)	(0.5)	0.2
Pension Reserve	(438.7)	(491.6)	(52.9)
Deferred Capital Receipts Reserve	4.8	4.8	0.0
Collection Fund Adjustment	1.2	(24.5)	(25.7)
Accumulated Absences Account	(2.3)	(1.8)	0.5
Financial Instruments Revaluation Reserve	0.5	(0.2)	(0.7)
Dedicated Schools Grant Adjustment Account	0.0	(9.1)	(9.1)
Total Unusable Reserves	378.4	265.9	(112.5)

Balance Sheet

27. The Balance Sheet shows the value of assets and liabilities at the reporting date, 31st March 2021. The net assets are matched by reserves held by the Council. The largest asset is Property, Plant and Equipment which includes all the Council's property asset portfolio.
28. Long term assets / liabilities are those expected to provide benefits to / be settled by the Council beyond 12 months. Current assets / liabilities are those that are anticipated to be consumed / settled by the Council within the next 12 months.
29. The key questions to ask are: -
- How the balances have changed over the year?
 - Are the balances still adequate?
 - What the balances mean in terms of future budgets and services?
30. The Balance Sheet is shown in Appendix C with an explanation of what it shows. Some issues to note: -
- a. The Council's net worth has decreased by £35.5m to £463.2m since the previous financial statements (see 'Balance Sheet' on page 19 of the accounts). This is mainly due to a number of factors: -
 - i. A decrease in Property, Plant & Equipment largely due to reclassification of surplus assets to Assets Held for Sale (see below);
 - ii. An increase in Short Term Debtors. This is broken down in Note 17 Debtors which has seen a large rise of £23.7m from £72.7m in 2019/20 to £96.4m in 2020/21. This relates to Central Government Bodies and represents the accumulated deficit on the Business Rates element of the Collection Fund that is attributable to Central Government;
 - iii. An increase in the liability related to the defined benefit pension scheme (the pension liability is volatile from year to year as it is based on the Actuary's assumptions and performance of the fund);

- iv. An increase in Assets Held for Sale due to surplus assets such as land at Rose Hill, Hungerhill and Lakeside being actively marketed for sale in 2020/21;
- v. An increase in Short Term Creditors. This is broken down in Note 21 Creditors which has seen a large increase of £21.6m from £52.3m in 2019/20 to £73.9m in 2020/21. This relates to Central Government Bodies and represents the section 31 grants relating to Business Rates owed by Central Government.

Notes relating to the Balance Sheet

31. The main changes and issues to note are covered in the following paragraphs: -
- a. Note 24f Collection Fund Adjustment Account (CFAA) has seen a large decrease of £25.7m from £1.2m in 2019/20 to £-24.5m in 2020/21. This is further explained in paragraph 34a below.
 - b. Note 24i Dedicated Schools Grant (DSG) Adjustment Account is a new note for 2020/21. On the 6th November 2020, The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) were amended to establish new accounting practices in relation to the treatment of local authorities' schools budget deficits. Previously these were held in an EMR but any such deficit must now be recorded in the DSG adjustment account.

Cash Flow Statement

32. The Cash Flow Statement details the in and out movements of cash during the year and links to the opening and closing balances presented in the Balance Sheet. It is very important for private sector companies but less so for local government bodies.
33. Cash shown in the Balance Sheet tends to move around from year to year due to timing. The optimum position is circa. £20m. When salaries fall due on a date before the 15th of the month, i.e. when the 15th falls on a weekend, the Council has to pay out of cash on Friday before the main grant funding is received on the Monday. Salaries cost circa. £13m per month.

Other Notes to the Statement of Accounts

34. The style and format of the accounts used for 2020/21 is similar to that used last year, the main changes and issues to note are covered in the following paragraphs: -
- a. Collection Fund
 - i. The National Non-Domestic Rates (NNDR), more commonly known as Business Rates, element of the Collection Fund has seen a large drop of £39.6m in income. This is almost entirely due to Central Government introducing the Retail Relief scheme whereby qualifying businesses received a 100% discount on their Business Rates, i.e. they didn't have to pay anything. This meant that the NNDR element of the Collection Fund made a deficit of £46.2m in 2020/21. The Council's share of NNDR is 49% therefore the Council's share of the deficit was £22.6m.
 - ii. The accumulated deficit attributable to the Council is £21.5m (there was an opening surplus balance of £1.1m relating to previous years).

Most of this has to be recovered from the Council during 2021/22.

- iii. As the change to NNDR was a national policy decision, Central Government reimbursed Councils for this lost income via a section 31 grant in 2020/21. By statute, this grant income has to be credited to the CIES not the Collection Fund. In order to smooth the impact on the budget, the Council placed these grants (£18.9m) into an ear-marked reserve so they can be used to offset the recovery of the accumulated deficit in 2021/22. The reduction in income from the Collection Fund in future years was addressed in the budget and will continue to be monitored.

b. Group Accounts

- i. A reminder that since 2019/20 the Doncaster Children’s Services Trust (DCST) are included in Group Accounts following their conversion to an Arms Length Management Organisation (ALMO) fully controlled by the Council. The DCST accounts are deemed to be material.

OPTIONS CONSIDERED

- 35. Not applicable.

REASONS FOR RECOMMENDED OPTION

- 36. The main content and format of the Statement of Accounts is set out in the Code of Practice on Local Authority Accounting for 2020/21. The Council has a statutory obligation to submit its unaudited 2020/21 Statement of Accounts to the External Auditor by 31st July. Failure to do so could result in an audit qualification and consequential reputational damage.

IMPACT ON THE COUNCIL’S KEY OUTCOMES

- 37. These are detailed in the table below: -

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	<p>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p>
	<p>Doncaster Living: Our vision is for Doncaster’s people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through 	<p>An unqualified audit opinion from Grant Thornton on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and</p>

	<p>Physical Activity and Sport</p> <ul style="list-style-type: none"> • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	<p>ensures that strong governance is in place.</p>
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	

RISKS AND ASSUMPTIONS

38. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them: -

Risks / Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included senior officer quality assurance review and control; and internal verification and checks by finance and technical officers.

The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with Grant Thornton throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings.
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LEGAL IMPLICATIONS [Officer Initials...SRF... Date...26/05/21]

39. The Statement of Accounts is prepared in accordance with the appropriate Regulations and the Council is subject to statutory external audit and performance evaluation by Grant Thornton.

FINANCIAL IMPLICATIONS [Officer Initials...RI... Date...26/05/21]

40. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.

HUMAN RESOURCES IMPLICATIONS [Officer Initials...KM... Date...28/05/21]

41. There are no specific HR implications relating to the content of this report.

TECHNOLOGY IMPLICATIONS [Officer Initials...PW...Date...27/05/21]

42. There are no technology implications in relation to this report.

HEALTH IMPLICATIONS [Officer Initials...RS...Date...26/05/21]

43. Good Governance is important for good health and wellbeing and producing a statement of accounts is one element of good governance. The way the Council spends its resources will directly and indirectly impact on health and health inequalities.

EQUALITY IMPLICATIONS

44. This report has no specific equality implications.

CONSULTATION

45. Not applicable.

BACKGROUND PAPERS

46. Following background papers: -
- Unaudited Statement of Accounts 2020/21 published on the Council website: - <http://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
 - Accounts and Audit Regulations 2015

- Accounts and Audit (Amendment) Regulations 2021
- The Code of Practice on Local Authority Accounting 2020/21 ('The Code') - based on IFRS

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ALMO	Arm's Length Management Organisation
CFAA	Collection Fund Adjustment Account
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance & Accountancy
DCST	Doncaster Children's Services Trust
DSG	Dedicated Schools Grant
EFA	Expenditure and Funding Analysis
EMR	Earmarked Reserves
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
ISA260	International Standard on Auditing 260 'Communication with those charged with governance' report
MIRS	Movement in Reserves Statement
NNDR	National Non-Domestic Rates, more commonly known as Business Rates
RFO	Responsible Finance Officer
The Code	CIPFA Code of Practice on Local Authority Accounting 2020/21
VfM	Value for Money

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