



# Doncaster Council

## Report

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Date: 28<sup>th</sup> July, 2022

**To the Chair and Members of the  
AUDIT COMMITTEE**

### **UNAUDITED STATEMENT OF ACCOUNTS 2021/22**

#### **EXECUTIVE SUMMARY**

1. This report presents the Council's unaudited Statement of Accounts for the 2021/22 financial year. The report highlights the overall financial position for the year, a summary accounts closure timetable and information on performance including improvements achieved in accuracy and quality.
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 2021/22 accounts from 31<sup>st</sup> May to 31<sup>st</sup> July and the audited 2021/22 accounts from 31<sup>st</sup> July to 30<sup>th</sup> September 2022 for all local authority bodies. In December 2021, the Department for Levelling-up, Housing and Communities (DLUHC) announced an intention to further extend the deadline for publication of the audited statement of accounts to 30<sup>th</sup> November, 2022.
5. Grant Thornton have informed the Council that they will be able to meet the amended deadline. The approval of the final Statement of Accounts will take place at Audit Committee in October 2022.

6. Grant Thornton are required to consider some important areas of the auditor risk assessment where they are required to make inquiries of the Audit Committee under auditing standards. The 'Informing the audit risk assessment for Doncaster Metropolitan Borough Council 2021/22' report has been completed by Management and should be reviewed by Audit Committee to note that those charged with governance are satisfied with the responses proposed.

## **EXEMPT REPORT**

7. Not applicable.

## **RECOMMENDATIONS**

8. Members are requested to:
  - a. note the 2021/22 Statement of Accounts;
  - b. review and be satisfied with the responses in the 'Informing the audit risk assessment for Doncaster Metropolitan Borough Council 2021/22' report.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

9. 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**

10. The Council's 2021/22 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 6<sup>th</sup> July ahead of the revised statutory deadline.
11. 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 2022. This means that accounts that must be confirmed by the responsible finance officer (RFO) must be published by 31<sup>st</sup> July 2022 at the latest. They may be published earlier.
12. The accounts are available for public scrutiny from 7<sup>th</sup> July to 17<sup>th</sup> August. This was advertised on the Council's website on 6<sup>th</sup> July. The unaudited accounts were placed on the Council's website on 6<sup>th</sup> July 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.

13. The accounts will be subject to external audit commencing in July 2022 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 October. Members of the Audit Committee will be aware that the Council would normally be required to produce the audited Statement of Accounts for the 2021/22 financial year by 31<sup>st</sup> July 2022, with the unaudited 2021/22 accounts being produced by 31<sup>st</sup> May 2022. The Accounts and Audit (Amendment) Regulations 2021 have amended those deadlines to 30<sup>th</sup> September 2022 and 31<sup>st</sup> July 2022 respectively. In December 2021, the Department for Levelling-up, Housing and Communities (DLUHC) announced an intention to further extend the deadline for publication of the audited statement of accounts to 30<sup>th</sup> November, 2022.
14. Grant Thornton have informed the Council that they will be able to meet the amended deadline of 30<sup>th</sup> November 2022. The accounts and a report will be presented by Grant Thornton to this Committee in October 2022 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.
15. 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 2021/22 Financial Statements and Supporting Disclosure Notes**

16. 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 2021/22 is similar to that used last year, the main changes are described in the following section.

### **Narrative Report**

17. 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.
18. Audit Committee should assure themselves that the Narrative Report is consistent with the core financial statements.
19. At the meeting on 8<sup>th</sup> June, Cabinet was presented with the final outturn positions for both revenue and capital for the 2021/22 financial year. In 2021/22 the COVID-19 pandemic continued to provide significant volatility and ongoing financial challenges. The final outturn position was an underspend of £8.9m, which represents 1.6% of the gross budget. This is an extremely positive year-end position given the financial pressures, however it also highlights the continued significant volatility. The underspend position enables the Council to allocate resources to provide targeted funding towards priorities.

### **The Core Financial Statements**

20. 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)**

- 21. 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.
- 22. 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.
- 23. The CIES shows the Council Structure – Directorates, Net cost of services and the Surplus or deficit on provision of services.
- 24. The CIES is shown in Appendix A with an explanation of what it shows. Some issues to note: -
  - a. The decrease in Economy & Environment net expenditure is due to increases in income generally due to recovery from COVID-19 restrictions.
  - b. The increase in Public Health net expenditure is due to a one-off credit for the reversal of previous year revaluation losses in 2020/21 relating to leisure assets.
  - c. There was a decrease of £10.7m in the loss on disposal of non-current assets. This was caused by a smaller number of schools converting to academy status in 2021/22 than converted in 2020/21.
  - d. There was an increase of £10.2m in non-domestic rates redistribution. This was due to a lower deficit in 2021/22 compared to 2020/21 largely due to lower levels of retail relief granted.
  - e. There was a decrease of £26.3m in non-ring fenced Government grants. This was largely due to a reduction in COVID-19 grants issued in 2021/22 by Government to assist the Council in dealing with the COVID-19 pandemic and the lower business rates related grants to fund the expansion of the retail relief scheme in 2021/22. The details are contained in Note 33 Grant income.
  - f. There was an increase of £15.6m in Capital grants and contributions. This was largely due to the South Yorkshire Mayoral Combined Authority - Getting Building Done grant and Department for Transport grants for Footways Refurbishment and Pot hole Challenge. The details are contained in Note 33 Grant income.
  - g. There was a increase of £44.3m in the surplus on revaluation of non-current assets caused by an increase in housing valuations.
  - h. There was an increase of £175.7m in the actuarial gains 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

- 25. The main changes and issues to note (not covered in the previous section) 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 deficit in 2021/22 of £1.4m (see paragraph 26a).

### **Movement in Reserves Statement (MiRS)**

26. 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 2021/22 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. The General Fund balance increased by £0.2m and HRA reserves decreased by £1.6m, resulting in the overall deficit shown on the Expenditure and Funding Analysis of £1.4m.
- b. Statutory adjustments (shown in Note 10 and mainly capital related) convert the Council's movement in reserves performance from the £1.4m decrease to a £34.8m deficit (General Fund £29.6m and the HRA £5.2m) 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

27. 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 £10.4m or 5.3% from £197.3m to £207.3m (these are shown on page 18), largely due to the Major Repairs Reserve and Capital Grants Unapplied reserve (both capital financing).

<b>Usable Reserves (see Movement in Reserves Statement)</b>	<b>31<sup>st</sup> March 2021</b>	<b>31<sup>st</sup> March 2022</b>	<b>Movement in year</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund (including Earmarked reserves)	131.5	131.7	0.2
Housing Revenue Account	8.3	6.7	(1.6)
Capital Receipts Reserve	17.8	18.7	0.9
Major Repairs Reserve	21.4	28.0	6.6
Capital Grants Unapplied	18.3	22.6	4.3
<b>Total Usable Reserves</b>	<b>197.3</b>	<b>207.7</b>	<b>10.4</b>

Unusable reserves are determined by technical accounting rules and are not available for use by the Council. These have increased by £222.2m to £565.0m 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 (see paragraph 34a below).

<b>Unusable Reserves (Note 24)</b>	<b>31<sup>st</sup> March 2021</b>	<b>31<sup>st</sup> March 2022</b>	<b>Movement in year</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revaluation Reserve	299.9	387.0	87.1
Capital Adjustment Account	543.7	533.0	(10.7)
Financial Instruments Adjustment Account	(0.5)	(0.4)	0.1
Pension Reserve	(469.5)	(331.5)	138.0
Deferred Capital Receipts Reserve	4.8	4.8	0.0
Collection Fund Adjustment	(24.5)	(11.1)	13.4
Accumulated Absences Account	(1.8)	(2.4)	(0.6)
Financial Instruments Revaluation Reserve	(0.2)	(0.8)	(0.6)
Dedicated Schools Grant Adjustment Account	(9.1)	(13.6)	(4.5)
<b>Total Unusable Reserves</b>	<b>342.8</b>	<b>565.0</b>	<b>222.2</b>

### **Balance Sheet**

28. The Balance Sheet shows the value of assets and liabilities at the reporting date, 31<sup>st</sup> March 2022. 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.
29. 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.
30. 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?
31. 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 increased by £232.5m to £772.7m since the previous financial statements (see 'Balance Sheet' on page 19 of the accounts). This is mainly due to a number of factors: -
    - i. 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);
    - ii. An increase in Property, Plant & Equipment largely due to a valuation increase in the housing stock;
    - iii. A decrease in Short Term Borrowing and a decrease in Long Term Borrowing. This is because the council continues to be underborrowed, i.e. the council's borrowing is less than the council's unfinanced expenditure. This means that the council can use its own cash balances rather than borrow.

## **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 15<sup>th</sup> of the month, i.e. when the 15<sup>th</sup> 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 2021/22 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 increase of £19.7m in income. This is partially due to a recovery from the COVID-19 pandemic in 2021/22 but mainly due to the granting of less Retail Relief in 2021/22 compared to 2020/21 due to a reduced scheme (less relief granted means more business rates payable). Even though the retail relief scheme was at a reduced level in 2021/22 compared to 2020/21, the NNDR element of the Collection Fund still made a deficit of £18.5m in 2021/22. The Council's share of NNDR is 49% therefore the Council's share of the deficit was £9.1m.
    - ii. The accumulated deficit attributable to the Council is £10.9m (there was an opening deficit balance of £1.8m relating to previous years). Most of this has to be recovered from the Council during 2022/23.
    - 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 2021/22. 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 (£10.5m) into an ear-marked reserve so they can be used to offset the recovery of the accumulated deficit in 2022/23. 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.

## **Informing the audit risk assessment**

35. Grant Thornton are required to consider some important areas of the audit risk assessment where they are required to make inquiries of the Audit Committee under auditing standards. The 'Informing the audit risk assessment for Doncaster Metropolitan Borough Council 2021/22' report provides an understanding of management processes and the council's oversight of the following areas: -

- a. General Enquiries of Management;
  - b. Fraud;
  - c. Laws and Regulations;
  - d. Related Parties;
  - e. Going Concern; and
  - f. Accounting Estimates.
36. The report has been completed by Management and is attached as Appendix D. Audit Committee should review to note that those charged with governance are satisfied with the responses proposed.

### OPTIONS CONSIDERED

37. Not applicable.

### REASONS FOR RECOMMENDED OPTION

38. The main content and format of the Statement of Accounts is set out in the Code of Practice on Local Authority Accounting for 2021/22. The Council has a statutory obligation to submit its unaudited 2021/22 Statement of Accounts to the External Auditor by 31<sup>st</sup> July. Failure to do so could result in an audit qualification and consequential reputational damage.

### IMPACT ON THE COUNCIL'S KEY OUTCOMES

39. These are detailed in the table below: -

	Outcomes	Implications
	<p><b>Doncaster Working:</b> 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"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	<p>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p>
	<p><b>Doncaster Living:</b> 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"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting</li> </ul>	<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 ensures that strong governance is in place.</p>



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

## RISKS AND ASSUMPTIONS

40. 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: -

<b>Risks / Assumptions</b>	<b>Probability</b>	<b>Impact</b>	<b>Proposed Action</b>
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.

#### **LEGAL IMPLICATIONS [Officer Initials...NC... Date...20/07/22]**

41. The Statement of Accounts is prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and the Council is subject to statutory external audit and performance evaluation by Grant Thornton.

#### **FINANCIAL IMPLICATIONS [Officer Initials...RI... Date...15/07/22]**

42. 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...SH... Date...19/07/22]**

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

#### **TECHNOLOGY IMPLICATIONS [Officer Initials...PW...Date...19/07/22]**

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

#### **HEALTH IMPLICATIONS [Officer Initials...RL...Date...19/07/22]**

45. Strong 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**

46. This report has no specific equality implications.

## CONSULTATION

47. Not applicable.

## BACKGROUND PAPERS

48. Following background papers: -

- Unaudited Statement of Accounts 2021/22 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 2021/22 ('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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