



Audit & Governance Committee
18 July 2022

Draft Statement of Accounts 2021/22

Purpose of the report:

To provide Audit & Governance Committee with the Draft Statement of Accounts for Surrey County Council for the financial year ended 31 March 2022.

Recommendations:

It is recommended that Audit & Governance Committee approve the draft 2021/22 statement of accounts subject to the public inspection and the audit currently underway.

Introduction:

1. This report summarises the key aspects of the 2021/22 statement of accounts. The statement of accounts are draft at this stage and an audited version of the accounts will be presented to the Committee for sign-off in November 2022. The draft accounts are also subject to a public inspection period, which is due to end on 12 September 2022.
2. The Council reported its financial outturn position to Cabinet on 31 May. The draft statement of accounts underpins that financial outturn position and reports the Council's financial position in line with CIPFA reporting requirements and International Financial Reporting Standards.
3. As a result of Covid-19, the Department for Levelling Up, Housing & Communities (DLUCH) legislated to allow local authorities flexibility in the timescales for publishing draft accounts. The statutory deadline for publishing the draft accounts for 2019/20 was moved from 31 May to 31 August, with the deadline for audit sign-off moving from 31 July to 30 November.

4. For 2020/21 and 2021/22 the deadlines were once again amended to 31 July for the publication of draft accounts and 30 November for audit sign-off and final publication.
5. The Chief Finance Officer is required, no later than 31 July 2022, to sign and certify that the draft Statement of Accounts present a true and fair view of the Authority's financial position for the year ended 31 March 2022. The Draft Statement of Accounts are attached as Appendix 1 to this report.

Statement of Accounts 2021/22:

6. The 2021/22 draft accounts report some large year-on-year variances compared with the previous year.
7. The total value of the net liabilities on the balance sheet as at 31 March 2022 is £198m. Overall this represents an improvement of £567m in comparison to last year. This is due to a number of movements, but is primarily due to capital expenditure incurred in the year to enhance the value of the Property, Plant & Equipment assets held by the Council, revaluation of existing assets and a significant improvement of £311m in the Council's pension liability.
8. The actuarial assessment of both the assets and liabilities (obligations) within the pension fund have improved during 2021/22. The fund operate multiple investment strategies and the investment return achieved has increased the value of assets held by £180m. There has also been an improvement in the level of obligations mainly due to the changes in the following actuarial assumptions:
 - The net discount rate (discount rate net of inflation) has increased compared to 2020/21. In isolation this results in a gain of 7% of the obligations (which was £3.74 billion as at 1 April 2021).
 - Demographic assumptions also improved during the year, due to the use of more up to date longevity assumptions and resulted in a reduction in obligations of 0.5%
9. Despite the improvement set out above, the pension liability recognised on the Council's balance sheet still has a significant impact on the net worth of the Council. Pension benefits do not become payable until employees retire, however the Council is required to account for the future obligations at the same time as the employees accrue pension benefits. The pension liability is calculated by an independent actuary, Hymans Robertson. The net Local Government Pension Scheme liability is estimated to be £1.860m at the balance sheet date (£2.171m at 31st March 2021; a decrease of £0.311m). The firefighters pension liability is also included within the Council's Accounts and is estimated to be £660m, an decrease of £36m on the previous year. The liability does not need to be met within the next year but over the working lifetime of the scheme members. The Council is making appropriate lump sum payments to the pension fund in addition to the contributions related to current employees. The accounting deficit is based on a snapshot in time

and does not predict the funds financial condition or its ability to pay benefits in the future. Cash flow into the fund is positive and solid with significant gains made on investments alongside the increased liabilities.

Inspection and External Audit

10. From the date of publication, the draft accounts are subject to a 30-working day Public Inspection Period, during which time any person interested may, on reasonable notice, inspect the accounts and supporting documents, except where the latter includes commercially sensitive or personal information. At the time of writing the auditors have not received any objections in relation to the 2021/22 statement of accounts.
11. The final accounts and Audit Findings Report are scheduled to be presented to this committee by the deadline for external audit to complete their review and sign the accounts of 30 November. The External Audit Plan was presented to the Audit and Governance Committee on 13 June 2022 and set out the approach that Grant Thornton will take to the audit and their expected timetable to conduct the audit between July and November.

Conclusions:

12. The Council's Draft Statement of Accounts for 2021/22 attached to this report are draft at this stage and an audited version of the accounts will be presented to the Committee at its November meeting for final sign off following the finalisation of audit.

Financial and value for money implications

13. There are no direct financial or value for money implications of this report. The Draft Statement of Accounts includes a Narrative Statement which sets out the key elements of the Statement of Accounts.

Equalities and Diversity Implications

14. There are no direct equalities implications of this report.

Risk Management Implications

15. There are no direct risk management implications of this report. The Council's approach to risk management is summarised in the Narrative Statement.

Next steps:

16. The final, audited Statement of Accounts and Audit Findings Report are scheduled to be presented to this committee by 30 November.

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Sources/background papers:

Appendix 1 – Draft Statement of Accounts