CT/21/75
Audit Committee
21st September 2021

Statement of Accounts & Annual Governance Statement 2020/21
Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

1. Recommendations – it is recommended that members:

1.1. Approve the Annual Governance Statement for 2020/21;

1.2. Approve the Authority's Statement of Accounts for 2020/21;

1.3. Approve the Pension Fund Statement of Accounts for 2020/21;

1.4. Approve the preparation of both the Statement of Accounts for the Pension Fund and County Council on a going concern basis.

2. Background

2.1. The purpose of this report is to ask Members to approve the Annual Governance Statement and Statement of Accounts for 2020/21 for the County Council and Devon Pension Fund.

2.2. The Statement of Accounts has been prepared according to CIPFA's Code of Practice on Local Authority Accounting 2020/21. For the Authority, the most significant change to the Code is that the Dedicated Schools Grant deficit, arising from overspends on Special Educational Needs and Disabilities, is no longer part of the Authority's reserves and general fund balance.

2.3. A deficit balance on Special Educational Needs and Disabilities of just under £49 millions and a positive balance of £5.4 million on early years DSG combine to form a net DSG deficit of £43.6 millions which has been transferred to an adjustment account under unusable reserves.

2.4. For a second year, Parliament amended the deadlines in the Accounts and Audit Regulations for the 2020/21 accounts. The publication deadline for the unaudited accounts was 31st July 2021 (31st August 2020) and the date by which the Audit Committee has to approve the accounts is 30th September 2021 (30th November 2020).

3. Annual Governance Statement

3.1. The Council is required, annually, to prepare and publish a Governance Statement in accordance with CIPFA/SOLACE guidance and comply the Accounts and Audit (England) Regulations 2015, reviewing its system of internal controls in line with best practice. The Council is required to publish the statement alongside the Annual Statement of Accounts.

3.2. In recommending the approval of the Annual Governance Statement (attached at the end of the Statement of Accounts document) the Leadership Group, Chief Officers and Heads of Service confirm that the organisational, financial, compliance and operational key controls referred to in the Statement continue to be appropriate and have operated, effectively, during the year in question.

4. Key Messages – Authority's Accounts

4.1. The format of the Comprehensive Income and Expenditure Statement (CIES) reflects the Authority's current reporting segments in 2020/21 (consistent with the Authority's budget book and budget monitoring reports).

4.2. At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £120.0 millions. During the year earmarked reserves have increased by a net £17.5 millions to just under £137.5 millions. The reason for this movement is explained in the following table:

	£000	£000
Budgeted contribution		4,500
Underspend on Public Health Ring-fenced Grant	5,334	
Transfer to Budget Management Reserve - Hardship Support	300	
Transfer to Budget Management Reserve	4,500	
Transfer to Climate Change Emergency Reserve	1,500	
Business Rates Risk Reserve - Pooling Gain	2,353	
Bellwin Scheme Related Emergencies	1,000	
		14,987
Spend on Transformation	(722)	
Spend from On Street Parking Reserve	(114)	
Spend from Climate Change Emergency Reserve	(101)	
Spend from Business Rates Pilot Reserve	(994)	
Spend from Budget Management Reserve	(63)	
		(1,994)
		17,493

4.3. In addition, the Authority holds a working General Fund balance of just over £14.8 millions at 31 March 2021, an increase of £35,000 during the year. Capital grants unapplied have increased by just over £16 millions and capital receipts have decreased by just over £4 millions.

4.4. When the Council approved the 2021/22 budget in February 2021, it agreed to use £5.3 millions (£3 millions in 2021/22 and a further £2.3 millions in 2022/23) from the Business Rates Risk Management Reserve for Economic Recovery. This is now shown in a new Regeneration and Recovery Reserve.

4.5. The Dedicated Schools Grant Special Educational Needs and Disabilities (SEND) Service continues to be under significant pressure. In November 2020 a Statutory Instrument was issued that states all DSG deficits carried over from 2019/20 into 2020/21, and any subsequent deficit positions for the term of the override, are to be moved to an unusable reserve through a statutory accounting adjustment until April 2023. What will happen to the balance after that time is unclear.

4.6. The SEND element of the Dedicated Schools Grant year-end position is a shortfall of £29.2 millions. When combined with £19.8 millions deficit brought forward from 2019/20 the cumulative deficit is just under £49 millions. The table below sets out the balances on this new account.

Dedicated Schools Grant Adjustment Account

	1 April 2020 £000	31 March 2021 £000
High Needs Block - SEND	(19,772)	(48,998)
De-delegated, Central and Early Years Block	3,627	5,442
Total (Deficit)	**(16,145)**	**(43,556)**

4.7. The Authority has a negative Balance Sheet at 31st March 2021 which means that the Authority's liabilities are just under £193 millions greater than its assets (£37 millions at 31st March 2020). Although it may appear that this is a concern it is not as the Pension Liability of just over £1,263 millions (£1,050 millions at 31 March 2020) does not represent an immediate call on the Authority's reserves and is a snap-shot valuation in time based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term.

4.8. No new borrowing has taken place this year with capital expenditure due to be met from borrowing being financed from internal resources.

4.9. The audit has not been completed and as a result our auditors may request further changes to the Statement of Accounts. Should this be the case these changes will be disclosed at the next Audit Committee in November, when the auditors will present their findings.

5. Key Messages – Pension Fund Accounts

5.1. During 2020/21 the value of Devon Pension Fund increased from just over £4 billion (31 March 2020) to just over £5 billion (31 March 2021). Markets rebounded from the significant losses in March 2020 resulting from Covid-19. The investment return for Devon Pension Fund (net of fees) was +25.6%.

5.2. The Actuary's key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities.

5.3. The Actuary's revised financial assumptions include a reduction in the assumed dividend yield going forward, which has reduced the discount rate applied and therefore increased the projected pension liabilities.

5.4. The increase in estimated future liabilities has offset the positive performance on the Fund's assets resulting in an estimated funding level as at 31 March 2021 of 90%, broadly similar to the position at the 2019 triennial valuation of 91%. However, this is still an improvement on the previous triennial valuation in 2016 where the funding level was 84%.

6. Conclusion

6.1. The Committee is recommended to approve the Annual Governance Statement and the Statement of Accounts, contained in the attachment to this report.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

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Background Paper	Date	File Ref

There are no equality issues associated with this report