

**2021/22 STATEMENT OF ACCOUNTS****Report of the Deputy Chief Executive (Section 151 Officer)****1. Introduction**

- 1.1 In September 2022, the 2021/22 Statement of Accounts was reported to Audit Committee. At the time, there were several outstanding audit issues, which meant that the Statement of Accounts could not be approved. Members recommended delegating responsibility for the final approval to the Deputy Chief Executive (Section 151 Officer) in consultation with the Chair of the Audit Committee once advised to do so by the External Auditor. However, if there were any material changes required as a result of the completion of the outstanding audit work then the revised 2021/22 Statement of Accounts would be taken back to the Audit Committee to approve.
- 1.2 The external audit work has now been completed and, as there have been some material changes since initially reported in September 2022. The 2021/22 Statement of Accounts is being referred back to Audit Committee to consider these changes. The updated 2021/22 Statement of Accounts can be found at Appendix One to this report.
- 1.3 As part of the audit process, the Audit Committee is asked to approve the 2021/22 Statement of Accounts and the Deputy Chief Executive (Section 151 Officer) is required to write a letter of representation to Mazars LLP to confirm that he has fulfilled his statutory fiduciary responsibilities on behalf of the Council (Appendix Two). This will be carried out following approval of the Statement of Accounts. The Auditor will then issue the Audit Certificate to the Council, which will be included in the published Statement of Accounts.

**2 2021/22 Statement of Accounts Update**

- 2.1 Updates on the progress of the audit of the 2021/22 Statement of Accounts have been reported to Audit Committee since September 2022. Links to the previous Audit Committee agenda items are provided below:
- September 2022 Item 5 – 2021/22 Statement of Accounts [AGENDA ITEM NO \(stockport.gov.uk\)](https://www.stockport.gov.uk/agenda-item-no)
  - September 2022 Item 6 – Audit Completion Report [Audit Completion Report templates \(landscape layout\) \(2021\) \(stockport.gov.uk\)](https://www.stockport.gov.uk/audit-completion-report-templates-landscape-layout-2021)
  - November 2022 Item 7 – 2021/22 Statement of Accounts Update [AGENDA ITEM NO \(stockport.gov.uk\)](https://www.stockport.gov.uk/agenda-item-no)
  - March 2023 Item 5 - 2022/23 Accounting Policies and 2021/22 Statement of Accounts Update [AGENDA ITEM NO \(stockport.gov.uk\)](https://www.stockport.gov.uk/agenda-item-no)
  - July 2023 Item 5 2021/22 Statement of Accounts Update [AGENDA ITEM NO \(stockport.gov.uk\)](https://www.stockport.gov.uk/agenda-item-no)
- 2.2 As a reminder, the main changes made to the Accounts since September 2022 are listed below:

- Valuation of the Council's shareholding in Manchester Airport Group:** The external valuation performed by BDO had incorrectly excluded net debt from leased assets within the fair value calculation model, thus overstating the equity value. This resulted in a reduction in the fair value of the Council's minority shareholding in the Airport from £30.2m to £21.3m as at 31 March 2020, from £32.0m to £17.7m as at 31 March 2021 and from £33.4m to £18.6m as at 31 March 2022. This also affected the change in market value during the year as reflected in the unusable reserve, the Financial Instruments Revaluation Reserve. The necessary adjustments were made to the 2021/22 Statements and Notes to the Accounts and the changes in relation to comparative financial information have been reflected as a prior year adjustment in a Note to the Financial Statements.
- Manchester Airport Land Valuation:** As a material component of the Council's accounts audit opinion could not be issued until the audit of this valuation was complete. In January 2023, the Council's External Auditors confirmed that they had concluded their audit work in respect to this and there were no issues arising that impacted the valuation included in the Council's accounts.
- Highways Infrastructure Asset:** A national audit issue in connection with Highways Infrastructure Assets was resolved, albeit on a temporary basis, when DLUHC issued legislation in December 2022 that provided a statutory override as a temporary solution up to the year 2024/25. The statutory override allows all local authorities in England to assign a nil carrying value to replaced parts of derecognised infrastructure assets on the basis that the replaced parts are fully depreciated at the date of replacement. Alongside this, CIPFA issued changes to the Code of Practice addressing matters relating to gross cost and accumulated depreciation. The changes were worked through the 2021/22 Statement of Accounts and these changes have been reviewed by the Council's External Auditors.
- Pension Fund Valuation:** This has been the major issue initially for Greater Manchester (GM) Authorities and later nationally, contributing to the delay in audit completion of the 2021/22 Statement of Accounts. In their audit of the Greater Manchester Pension Fund (GMPF), Mazars LLP found an error in the Pension Fund's asset valuation, resulting in an understatement, which in itself was not material when considering the Council's share of assets. However, combined with a subsequent issue relating to timing differences between the data the actuary has used in their report and what the Pension Fund has used in their accounts, it raised concerns that the impact could become material.

On 17 May 2023 CIPFA issued a technical bulletin on the impact of final triennial valuation statements for pension funds, in which it emphasised the importance of considering materiality in relation to amending the Statement of Accounts. On 1 June 2023, Mazars LLP contacted all GM local authorities to advise that following the CIPFA bulletin, an updated pension fund report would be required for 2021/22 to assess the materiality.

The Council subsequently requested an updated actuary pension fund report for 2021/22 and 2022/23. The revised 2021/22 report showed a net pension fund liability of £328.425m, which was an increase of £18.666m. As this

difference is above the Council's materiality limit of £17.25m, the 2021/22 Statement of Accounts was amended. The Council's External Auditor has confirmed that this work is now complete.

- **Reinforced Autoclaved Aerated Concrete (RAAC):** Newly emerged issue relating to the use of RAAC in public sector buildings which have been widely reported nationally. The impact of the use of RAAC on the safety of buildings could impact on the valuation of properties held on the Balance Sheet. The Council is urgently undertaking significant survey works on all at risk properties. This work has been considered by the Council's External Auditors. There has been no material issues identified relating to RAAC that impact on the property valuations. The external audit work can therefore be completed.

2.3 It is important to note that all of the changes made to the 2021/22 Statement of Accounts listed above are purely technical accounting adjustments, which do not impact on the Council's General Fund position, i.e. there is no impact on Council Tax payers as a result of these changes being made.

### **3 Whole of Government Accounts 2020/21 and 2021/22**

3.1 Since last reported to this Committee in July 2023, the National Audit Office confirmed that the Council's Whole of Government Accounts return for 2020/21 has not been selected for audit. On 8 August 2023, Mazars LLP issued the Council with its Audit Completion Certificate for year ended 31 March 2021.

3.2 The 2021/22 Whole of Government Accounts remains open and the Audit Completion Certificate will not be issued until this audit is complete.

### **4 2021/22 Statement of Accounts Approval**

4.1 The External Auditor has confirmed that they have concluded their audit work on the 2021/22 Statement of Accounts and are in a position to sign their audit report following approval by Audit Committee.

4.2 The 2021/22 Statement of Accounts has previously been considered by Audit Committee Members at their meeting on 21 September 2022. In line with the recommendations at that meeting, the 2021/22 Statement of Accounts is being referred back to Audit Committee to approve as there have been some material changes.

4.3 The revised 2021/22 Statement of Accounts is presented at Appendix One. Members are asked to consider the changes made since their meeting on 21 September 2022, details of which are set out in Section 2 of this report, and are then recommended to approve the 2021/22 Statement of Accounts.

4.4 Once approved, the Chair and Deputy Chief Executive (Section 151 Officer) will be asked to sign the Certificate of the Statement of Accounts. The Deputy Chief Executive (Section 151 Officer) will then be asked to sign the Balance Sheet and Letter of Representation (Appendix Two).

### **5 Conclusions and Recommendations**

5.1 The Audit Committee is asked to:

- Consider and approve the Council's 2021/22 Statement of Accounts (Appendix One); and,
- Note the Management Letter of Representation 2021/22 (Appendix Two).

### BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Jonathan Davies on telephone number Tel: 218 1025 or alternatively email [jonathan.davies@stockport.gov.uk](mailto:jonathan.davies@stockport.gov.uk)