

LONDON BOROUGH OF CROYDON

REPORT:	Audit and Governance Committee	
DATE OF DECISION	28 November 2024	
REPORT TITLE:	Approval of the 2020-21 Statement of Accounts	
CORPORATE DIRECTOR	Jane West Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Allister Bannin, Director of Finance (Deputy S151)	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
KEY DECISION?	No	Reason: N/A
CONTAINS EXEMPT INFORMATION?	No	Public Grounds for the exemption: N/A
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1 This report presents the 2020-21 Statement of Accounts for approval by the Audit and Governance Committee.

2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- 2.1 To note the signed Annual Governance Statement for 2020-21 (Appendix 1)
- 2.2 To consider the Audit Findings for the Croydon Pension Fund for the financial year 2020-21 (Appendix 2)
- 2.3 To consider the Audit Opinions for Croydon Council and Croydon Pension Fund accounts for 2020-21 (Appendix 3 and 4)
- 2.4 To agree the letters of representation to Grant Thornton LLP for the Council and Pension Fund (Appendix 5 and 6)
- 2.5 To consider the Informing the Audit Risk Assessment document presented by Grant Thornton LLP in relation to the 2020-21 audit (Appendix 7)
- 2.6 To consider and approve the final 2020-21 Audited Statement of Accounts including Pension Fund accounts (Appendix 8)

3 REASONS FOR RECOMMENDATIONS

- 3.1** The terms of reference of the Audit and Governance Committee include “to review the annual statement of accounts”. It is a requirement that the Council’s financial statements are approved by this committee. All recommendations relate to the approval of the 2020-21 financial accounts and Annual Governance Statement once information from the Council’s external auditor has been considered.
- 3.2** The Informing the Audit Risk assessment questionnaire has been prepared by Grant Thornton based on the responses provided by management in relation to financial and governance risks. Recommendation 2.5 asks this Committee to consider this information.

4 BACKGROUND AND DETAILS

Annual Governance Statement

- 4.1** The Annual Governance Statement for 2020/21 was approved by the General Purposes and Audit Committee on 25 November 2021 and is attached as Appendix 1. A review of this document has determined that no updates are required to this, and it will be published alongside the 2020-21 Statement of Accounts.

The 2020-21 Accounts

- 4.2** The draft 2020-21 Accounts were originally published on 31 August 2021 but were modified during 2024 to incorporate the changes that arose from changes to the 2019-20 accounts. These changes were covered more fully in the report to this committee on 20 July 2023 and 12 March 2024, but key items were:
- The unwinding of leases between the Council and Croydon Affordable Homes LLP and Croydon Affordable Tenures LLP and replacing the capital receipt with a capitalisation direction
 - Accounting for the outcomes of the Opening the Books exercise, which revised the loss allowance for debt and recharges to the Housing Revenue Account
 - Charging the cost of a contract dispute to the 2019-20 financial year
 - An impairment to the loans made to Brick by Brick
- 4.3** The table below sets out the capitalisation direction amounts that are being applied to the Council’s accounts for 2019-20, and subsequent years:

Capitalisation Directions per Financial Year	Approved £m	In principle £m	Total £m
2019-20		135.439	135.439
2020-21	70.0	10.0	80.0
2021-22	50.0	14.4	64.4
2022-23		36.2	36.2
2023-24		63.0	63.0
Total	120.0	259.039	379.039

- 4.4** Further information about the Council's financial position and Medium Term Financial Strategy outlook is set out in the Narrative Statement section of the 2020-21 Statement of Accounts (Appendix 8).

The 2020-21 Auditors Opinion

- 4.5** The draft Audit Findings for Croydon Council 2020-21 was presented to this committee on 31 October 2024, setting out the basis of their work and overall findings. There has been no material change to this, although a final version will be issued by Grant Thornton once finalised. Key tasks for the council are adopting the management recommendations and embedding improvements in the Council's financial management processes so that the 2024-25 audit will be completed successfully.
- 4.6** In relation to the Pension Fund accounts Grant Thornton have prepared a report to those charged with governance that explains the work carried out and their findings. This is attached as Appendix 3.
- 4.7** Grant Thornton have also issued their final Audit Opinions for the Council and Pension Fund accounts for 2020-21. The text will be incorporated into the final published set of accounts but are attached as Appendix 3 and 4 respectively to enable ease of review.

Letters of representation

- 4.8** As part of the external audit process, a letter of representation from the Council and the Pension Fund to the external auditor is required to be approved by the Audit & Governance Committee, which sets out certain facts the auditor has relied upon. These are attached as Appendix 5 and 6 respectively.

Informing the Audit Risk Assessment

- 4.9** Appendix 7 sets out a series of responses that management has made to inquiries from Grant Thornton in relation to the 2020-21 audit risks. This information is being presented to the Committee to better inform them about such risks, and the approach taken by management regarding these risks.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 None.

6 CONSULTATION

6.1 None.

7. CONTRIBUTION TO COUNCIL PRIORITIES

7.1 This report supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

8.1.1 A capitalisation direction of £80.0m is required in 2020-21, which must be repaid by the General Fund over a period of 20 years.

8.1.2 The external audit fees by Grant Thornton UK LLP will be brought to Audit and Governance Committee on 28 November 2024. These will be funded through revenue budget and earmarked reserves (including the Opening the Books reserve).

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

8.2 LEGAL IMPLICATIONS

8.2.1 Under Section 3 of the Local Audit and Accountability Act 2014, the authority must keep adequate accounting records and must prepare a statement of accounts in respect of each financial year.

8.2.2 The Accounts and Audit Regulations 2015 (as amended) require the Council to prepare an Annual Statement of Accounts in accordance with the Regulations and proper practices in relation to accounts (Regulation 7).

8.2.3 Regulation 9 sets out the requirements for the signing and approval of the statement of accounts. In particular regulation 9(2) provides that subject to the requirements of regulation 9(3) and following conclusion of the period of exercise of public rights in regulation 14 the Council must in the following order:

(a) Consider either by way of a committee or by members as a whole the statement of accounts;

- (b) Approve the statement of accounts by a resolution of that committee or meeting; and
- (c) Ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

Regulation 9(3) requires the Council's Section 151 officer to re-confirm on behalf of that authority that they are satisfied that the statement of accounts presents a true and fair view of:

- (a) the financial position of the authority at the end of the financial year to which it relates; and
- (b) that authority's income and expenditure for that financial year, before that authority approves it.

8.2.4 Regulation 9A provides that where an authority has not published its statement of accounts, annual governance statement and narrative statement for the financial years beginning in 2015 to 2022, it must do so after approving the statement of account in accordance with regulation 9(2) but no later than 13 December 2024.

8.2.5 The terms of reference of the Audit and Governance Committee include to "oversee the financial reporting and annual governance processes" and "to review the annual statement of accounts and specifically to consider whether appropriate accounting policies and the CIPFA Financial Management Code have been followed, and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council".

8.2.6 The authority is also under a general duty "to make arrangements for the proper administration of their financial affairs" under Section 151 of the Local Government Act 1972.

8.2.7 In addition, keeping adequate accounting records, and following proper practices in relation to accounts may impact on the authority's ability to deliver its functions in a manner which promotes economy, efficiency, and effectiveness, and therefore the consideration of this report also seeks to demonstrate the authority's compliance with its Best Value Duty under the Local Government Act 1999.

Comments approved by Principal Lawyer Corporate Law and Litigation , [18.11.2024].

8.3 HUMAN RESOURCES IMPLICATIONS

8.3.1 There are no immediate HR implications arising from the content of this report. Should any matters arise, these will be managed in line with the appropriate Council policies and procedures.

8.3.2 Comments approved by Gillian Bevan, Head of HR Business Partnering on behalf of the Chief People Officer. 12/11/2024

8.4 EQUALITIES IMPLICATIONS

8.4.1 The Council has a statutory duty to comply with the public sector equality duty set out in section 149 of the Equality Act 2010. The Council must therefore have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

9. APPENDICES

- 9.1** Appendix 1 - The Annual Governance Statement for 2020-21
- 9.2** Appendix 2 - The Audit Findings for Croydon Pension Fund 2020-21
- 9.3** Appendix 3 - The Audit Opinion for Croydon Council 2020-21
- 9.4** Appendix 4 - The Audit Opinion for Croydon Pension Fund 2020-21
- 9.5** Appendix 5 – Croydon Council Letter of Representation 2020-21
- 9.6** Appendix 6 - Croydon Pension Fund Letter of Representation 2020-21
- 9.7** Appendix 7 – Informing the Audit Risk Assessment responses 2020-21
- 9.8** Appendix 8– The 2020-21 Audited Statement of Accounts

10. BACKGROUND DOCUMENTS

- 10.1** 31 October 2024 – Item 7 – 2020-21 Audit Findings Report