

LONDON BOROUGH OF CROYDON

REPORT:	Audit and Governance Committee	
DATE OF DECISION	28 November 2024	
REPORT TITLE:	Approval of the 2021-22 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 draft 2021-22 Statement of Accounts for approval by the Audit and Governance Committee.

2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- 2.1 Approve the 2021-22 Annual Governance Statement (Appendix 1)
- 2.2 To consider the contents of the Audit Findings Report for the Council and Pension Fund for 2021-22 (Appendices 2 and 3)
- 2.3 To consider the contents of the Audit Opinions for the Council and Pension Fund for 2021-22 (Appendices 4 and 5)
- 2.4 Delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the letters of representation to Grant Thornton LLP for the Council and Pension Fund (Appendices 6 and 7)

2.5 Delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the 2021-22 accounts, including Pension Fund accounts (Appendix 8)

2.6 Note the 2021-22 accounts will not be subject to an external audit but will instead be subject to the provision of the backstop legislation and anticipated to be finalised before 13th December 2024.

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 and Annual Governance Statement are approved by this committee.

3.2 The timing of the production of the 2021-22 accounts means that the statutory processes will not be completed by 28th November 2024. Delegated permission is sought from this Committee to avoid the need for an additional meeting before the 13th December 2024.

3.3 The arrangements for audit of local authority accounts were amended by the Accounts and Audit (Amendment) Regulations 2024 – known as the “backstop” legislation - which came into force on 30th September 2024. Although the Council and Pension Fund accounts (Appendix 8) will still contain the auditor’s opinion upon finalisation, the backstop legislation does not allow time for an external audit to take place.

4 BACKGROUND AND DETAILS

Annual Governance Statement 2021-22

4.1 The approved Annual Governance Statement (AGS) is required to be published alongside the Council’s financial statements. The AGS for 2021-22 was submitted to this committee for review on 20th April 2023. A review of this document has determined that no changes are required from the version previously submitted, and it is attached as Appendix 1 for the Committee’s approval.

The 2021-22 Accounts

4.2 The Accounts have been prepared using the 2021-22 outturn position determined at the time but updated for the impact of “Opening the Books” and the changes associated with Croydon Affordable Housing.

4.3 As a continuation of the difficult financial position of the Council, exceptional financial support of £14.4m was sought and approved in principle for 2021-22 in addition to the

£50.0m agreed by the Secretary of State in 2022. The table below sets out capitalisation directions for the Council to date:

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 2021-22 Statement of Accounts (Appendix 8).

4.5 To prepare the accounts ahead of the backstop date, it was judged that accounting entries required by the code of practice in relation to the change in value of certain fixed assets would not be included in the 2021-22 accounts. This departure from the code of practice is being made on the basis that to achieve the publication date required by statute, some complex but ultimately zero sum entries should be omitted. Practically, the calculation of such amounts represented the largest single piece of work to be undertaken for the 2021-22 accounts, and the changes in these asset values has no direct impact on the General Fund or useable reserves position of the Council. Valuation changes are instead held in an unusable reserve, and it is only upon the sale of an asset where the change in its value can affect the spending power of the authority.

4.6 The table below sets out the categories of property assets that have or have not been revalued in the 31.3.2022 accounts:

Category of Asset	Status	Value at 31.3.2022 £m
Council dwellings	Valuation updated	1,038.6
Other land and buildings	Not revalued	981.5
Investment Properties	Not revalued	75.4

4.7 A further measure taken to achieve the statutory publication date of the 2021-22 accounts was the omission of full group account statements and disclosures. These have typically been prepared with Brick by Brick (Croydon) Limited and would consolidate financial activity of both organisations whilst eliminating activity between them in a set of core statements and disclosure notes. However, the Group Interests disclosure (Note 39) has been amended to set out key information relating to Brick by Brick (Croydon) Limited which is their loan balance owing to the Council (£142m) at 31.3.2022 and their loss for the financial year (£20m in 2021-22, £25.3m in 2020-21). Again, this departure from the code of practice is being made on the basis it was necessary to achieve the statutory accounts deadline.

The local government accounts backstop process

- 4.8** The backstop arrangements referred to in Paragraph 3.3 is a response to widescale delays in the production and finalisation of accounts across the sector, including Croydon Council. It set a date by which all accounts up to the year 2022-23 must be completed by, and then set target dates for subsequent years up to 2027-28.
- 4.9** These 2021-22 accounts were published in draft form on 30 October 2024, which will allow the 30 day public inspection period to be completed by 12th December 2024 and the inclusion of the Auditor's opinion by the required backstop date – the 13th December 2024.
- 4.10** However, the Council does not anticipate achieving the backstop dates for the financial years 2022-23 or 2023-24. This is because the preparation of accounts and required 30 working day public inspection period could not be completed before the backstop date arrives. The Council anticipates achieving the backstop date for the 2024-25 accounts.

Year	Audit process	Backstop date	Estimated publication date	Aim to meet backstop date?
2020-21	Partial	13 th Dec 24	2 nd Dec 24	Yes
2021-22	No	13 th Dec 24	13 th Dec 24	Yes
2022-23	No	13 th Dec 24	24 th Jan 25	No
2023-24	No	28 th Feb 25	18 th Apr 25	No
2024-25	Yes	27 th Feb 26	<27 th Feb 26	Yes

The 2021-22 Auditors Report and Opinion

- 4.11** The Auditors Report for the Council and Pension Fund are attached as appendices 3 and 4. Although the backstop legislation gives some grounds for a full audit to take place, none of these apply to Croydon Council. Therefore, the Council's external auditor has issued a disclaimer audit opinion which is published as appendices 4 and 5. The full text will also be included within the final accounts themselves but is being presented separately to enable ease of review.
- 4.12** Appendices 6 and 7 are letters of representation from the Council and Pension fund to the external auditor and set out certain facts the external auditor has relied upon to complete their reports. These require approval by the Audit & Governance Committee, although delegated permission for the Section 151 Officer and Chair to sign this is being sought as set out in paragraph 3.2.
- 4.13** The Statement of Accounts for the Council and Pension Fund 2021-22 is included as Appendix 8. This document will be updated to include the audit opinions referred to above, and will be published as final upon completion of the public inspection period and approval under the delegated powers sought in recommendation 2.5.

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 £64.4m is required in 2021-22, 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. The authority is also required to conduct annually a review of the effectiveness of its system of internal control and approve an Annual Governance Statement.

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 & Litigation 19.11.2024 .

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.

Comments approved by: Gillian Bevan, Head of HR Business Partnering on behalf of the Chief People Officer. 20/11/2024

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 – Croydon Council Annual Governance Statement 2021-22
- 9.2** Appendix 2 - Croydon Council Audit Findings Report 2021-22
- 9.3** Appendix 3 – Croydon Pension Fund Audit Findings Report 2021-22
- 9.4** Appendix 4 – Croydon Council audit opinion 2021-22
- 9.5** Appendix 5 – Croydon Pension Fund audit opinion 2021-22
- 9.6** Appendix 6 - Croydon Council letter of representation 2021-22
- 9.7** Appendix 7 – Croydon Pension Fund letter of representation 2021-22
- 9.8** Appendix 8 – The 2021-22 Statement of Accounts

10. BACKGROUND DOCUMENTS

- 10.1** None.