

**REPORT TO:     AUDIT COMMITTEE**

**DATE:           17 JULY 2020**

**REPORT TITLE: IN-DEPTH INSIGHT INTO THE IMPACT OF COVID-19  
ON FINANCIAL REPORTING IN THE LOCAL  
GOVERNMENT SECTOR**

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#### **Purpose of Report**

- 1     Grant Thornton are the appointed external auditor for WECA. In June 2020 they produced a document which articulates and details the actual, and anticipated, impact of Covid-19 on financial reporting in the local government sector which is detailed as Appendix 1 to this report.

#### **Recommendation**

*The committee is requested to note the content of the (Grant Thornton) ‘in-depth insight into the impact of Covid-19 on financial reporting in the local government sector’ report.*

#### **Background / Issues for Consideration**

- 2     Appendix 1 is an information report from our external auditors, Grant Thornton, detailing the impact of Covid-19 on public sector financial accounting. Many of the points raised in the report are more pertinent to our constituent Unitary Authorities such as falling income levels in council tax, business rates and commercial operations.
  - 2.1    WECA is regarded as a financially stable organisation which is a viable ‘going concern’. Although there is some risk to future revenue streams, such as business rates retention growth, the overall resource base of the authority is relatively stable.
  - 2.2    The report does provide some useful insight as to the challenges being faced nationally in the local government sector and includes guidance on accounting treatment in relation to some areas directly impacted through the Covid pandemic.

#### **Consultation**

- 3     The Accounts and Audit Regulations (England) 2015 require the Annual Statement of Accounts to be certified by the Chief Financial Officer and made available for public

inspection. WECA will issue a full copy of the draft 2019/20 accounts on the authority's website in advance of the statutory deadline of 31 August 2020.

- 3.1 There are no direct consultation requirements in relation to the attached information update report.

### **Other Options Considered**

- 4 Not relevant. This is an update report, for information, from our external auditors.

### **Risk Management/Assessment**

- 5 The publication of the Authority's Financial Statements forms a core part of WECA's governance and risk management processes. As required by statute, an Annual Governance Statement, (AGS), has been produced, (considered as a separate item on this committee agenda), and is integrated within the core Statement of Accounts document.
- 5.1 The information report, as detailed in Appendix 1, highlights some specific financial risks resulting from the Covid pandemic.

### **Public Sector Equality Duties**

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
  - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
  - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.3 There are no direct implications arising from this report.

### **Finance Implications, including economic impact assessment where appropriate:**

- 7 The Statement of Accounts reflect the financial accounting position of the Combined Authority as at 31 March 2020. Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget. The management accounting 2019/20 outturn positions for WECA, Mayoral Fund and LEP budgets are detailed within the draft narrative statement which is considered elsewhere on this committee agenda.
- 7.1 The financial implications of Covid are not material on WECA's management accounts for 2019/20. However, there will be longer term financial impacts, such as reduced business rates retention growth, which will be kept under regular review and reported in budget monitoring updates to the WECA committee throughout 2020/21.

### **Legal Implications:**

- 8 The publication and audit of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015. There are no specific legal implications in relation to this report.

### **Climate Change Implications**

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- \* The emission of climate changing gases?
- \* The region's resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 This report has no direct impact on climate change issues. However, WECA considers climate change when determining their priorities and investment decisions.

### **Appendices:**

Appendix 1 – In-depth insight into the impact of Covid-19 on Financial Reporting in the Local Government Sector.

**Background papers:**

WECA Statutory Accounts 2018/19 – approved by the Audit Committee on 16 October 2019

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)