

Report to: **Audit and Governance Committee**

Date: **27 July 2023**

Title: **Draft Statement of Accounts and Draft Annual Governance Statement 2022/2023**

Portfolio Area: **Finance – Cllr J Brazil**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **7 March 2024**

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Recommendations:

That the Draft Statement of Accounts and the Draft Annual Governance Statement (AGS) for the financial year ended 31 March 2023 are noted.

1. Executive summary

- 1.1 The report advises Members that an under spend of £57,000 was generated in 2022/2023 which was transferred to the General Fund Balance (un-earmarked revenue reserve). The level of this reserve stands at £2.113 million at 31 March 2023.
- 1.2 The Narrative Statement to the Accounts gives a summary of the main items in the Statement of Accounts for 2022/2023.

2. Background

- 2.1 The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA). These regulations introduced revised procedures for the approval and publication of accounting statements. In line with common practice in the commercial sector, local authorities are now required to

approve the accounts following the completion of the audit. The target date for the unaudited accounts to be produced and certified by the Chief Finance Officer was 31 May, so that the accounts could be made available for public inspection for 30 working days from the first working day of June.

- 2.2 As a response to the disruption caused by the Covid-19 pandemic, the Government extended the date by which local authorities should publish their draft accounts from 31 May to 31 July for previous financial years. 2022/23 is therefore the first year since the pandemic that the regulation date has been brought forward to 31 May, two months earlier than the past two years.
- 2.3 The Council has been unable to complete all the necessary processes in order to meet the earlier deadline and the draft 2022/23 Statement of Accounts were published on 30 June 2023. As required a notice was added to our website setting out this position and explaining that this was mainly due to the demand on staff time resolving complex technical matters such as the impact of the triennial pension valuation data on IAS 19 Employee Benefits which has a material impact on the Accounts. As at 31 March 2023, the Actuary estimated a net surplus on the funded liabilities within the Pension Fund of £162,000 (a pension asset), which compares to a deficit of £52.6 million as at 31 March 2022. Therefore the movement on the Pension Fund Liability was a material amount.
- 2.4 Days before the end of the financial year, the Department for Levelling Up, Housing and Communities (DLUHC) consulted on whether the 31 May deadline should remain for making accounts available for public inspection for 2023. Responses on our behalf by the Local Government Association, Society of District Treasurers, along with the Association of Local Authority Treasurers and others stated that the 31 May 2023 deadline was not realistic in the current environment and the national state of ongoing audit delays. Despite this response to the consultation, the Government re-introduced the 31 May target deadline for the publication of the 2022/23 accounts.
- 2.5 It is becoming apparent through publicly available reports and industry sources that most Authorities have not been able to meet the regulation date of 31 May for 2022/23. As at 1 June, according to research by a local government expert, only 30% of upper and lower tier authorities had published their 2022/23 accounts by 31 May 2023.
- 2.6 The national position in respect of the timeliness of local government accounts is a matter of concern. A National Audit Office report on the timeliness of local auditor reporting dated 25 January 2023, stated that only 12% of local authority audited accounts for 2021/22 were signed off by the extended November deadline, and at the end of 2022 over 600 audit opinions were

outstanding, some of which being for several years. The South Hams accounts for 2021/22 were signed off on 31 March 2023. This delay was due to the timing of the publication of the infrastructure assets statutory instrument which impacted on all local authorities with infrastructure assets. Many Councils still have not had their 2021/22 Accounts signed off by their external auditor, so South Hams DC is in a good position moving forward.

- 2.7 On 24 May, Rob Whiteman, Chief Executive of CIPFA was reported to state that "senior leaders in local government finance have told us that the 31 May deadline will not be achievable without considerable risk to their organisations and their professional standing".
- 2.8 The view of the S151 Officer was that the accuracy of the financial statements was paramount. As per 2.3, the movement on the Pension Fund liability was a material amount and this needed to be further considered before publication of the Draft Statement of Accounts.
- 2.9 The Audited Accounts should be brought to the Audit and Governance Committee by 30 September 2023 but the 2022/23 audit has been delayed by Grant Thornton due to their lack of staffing capacity and therefore the audit is due to start later in the year during the winter months.
- 2.10 The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for future use.
- 2.11 The attached booklet in Appendix A contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow.
- 2.12 The accounts have been prepared in accordance with all relevant and appropriate accounting standards, including International Accounting Standard (IAS) 19 which deals with pension costs. This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the Council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's Statement of Accounts. Members are advised that the accounting arrangements for IAS 19 are for reporting purposes only. Indeed the required entries are reversed out of the accounts and consequently, IAS 19 has no impact on the Council's surplus for the year.

2.13 The Annual Governance Statement (AGS) for 2022/23 shown in Appendix B reflects the reporting requirements introduced by CIPFA/SOLACE's 2016 Delivering Good Governance in Local Government Framework. The new requirements include:

- An acknowledgement of responsibility for ensuring there is a sound system of governance
- A reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment.
- An opinion on the level of assurance that the governance arrangements can provide.
- An agreed action plan.
- A conclusion.

2.14 The CIPFA/SOLACE 2016 Framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with seven core principles of good governance. Examples of the framework the Council adopts to comply with the Code's key principles are included within the AGS, as well as an accompanying assurance statement.

3. Outcomes/outputs

Revenue Expenditure

3.1 Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity. The under spend on the General Fund in 2022/2023 of £57,000 is essentially a break-even position.

3.2 ***The 2022/23 Budget was £10.464 million and therefore the surplus of £57,000 means that the actual net spend was 0.5% less than the budget.*** This surplus will go into the Council's Unearmarked Reserves which now stand at £2.113 million. The main variations from budget are shown on Page 9 of the Narrative Statement in the Statement of Accounts.

Capital Expenditure

3.3 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £9.379 million in 2022/23.

The main areas of expenditure were as follows:

- Dartmouth Health and Wellbeing Hub (£3.83m)
- St Ann's Chapel housing scheme (£1.56m)
- residential renovation grants including disabled facilities grants (£1.14m)

- Green Homes grants (£0.91m)
- Batson Harbour Depot/Commercial Units (£0.78m)
- Affordable Housing (£0.28m)

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (see Note 32 of the Statement of Accounts for 2022/23).

Earmarked Reserves

- 3.4 The total Earmarked Reserves balance at 31 March 2023 of £15.42m includes £1.194m held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2023/24 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

4. Proposed Way Forward

- 4.1 Members are advised that the accounts are being audited by our External Auditors, Grant Thornton during the winter months. Following the Audit, the Audited Statement of Accounts will be brought back to the Audit and Governance Committee for approval in March 2024.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.</p> <p>The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).</p>

<p>Financial implications to include reference to value for money</p>		<p>The financial implications to this report are that an under spend of £57,000 was generated in 2022/2023. This means that the Council's actual net spend for 2022/2023 was 0.5% less than the budget set for the year.</p> <p>As part of Grant Thornton's external audit of the Statement of Accounts for 2022/2023, they will assess the arrangements the Council has in place for:-</p> <ul style="list-style-type: none"> • Improving economy, efficiency and effectiveness • Financial Sustainability • Governance <p>The outcome of Grant Thornton's work in this area will be reported to Members at the Audit and Governance Committee meeting on 7th March 2024.</p>
<p>Risk</p>		<p>Public Accountability – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is recognised by statute as representing proper accounting practice.</p> <p>Resource Planning – the Council takes into account any significant issues when developing the Council's Medium Term Financial Strategy.</p>
<p>Supporting Corporate Strategy</p>		<p>The Annual Statement of Accounts and Annual Governance Statement support all of the Delivery Plans within the Council's strategic vision, 'Better Lives for All'.</p> <p>In particular for the 'Council Theme', the Accounts summarise how the Council is delivering efficient and effective services and demonstrating strong financial management and strategic financial planning. Our Guiding Principles of the Corporate Strategy are 'to provide value for money and good customer service'.</p>
<p>Climate Change - Carbon / Biodiversity Impact</p>		<p>None directly arising from this report.</p>

Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Draft Statement of Accounts 2022/23

Appendix B – Draft Annual Governance Statement 2022/23

Background Papers:

None