

Report to: **Audit and Governance Committee**  
Date: **28 March 2024**  
Title: **Annual Statement of Accounts 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:

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## **Recommendations:**

It is recommended that Members approve:

1. The wording of the Letter of Representation (Appendix A)
2. The audited Statement of Accounts for the financial year ended 31 March 2023 (Appendix B).
3. The Annual Governance Statement post audit (Appendix C)
4. The audited Summary of Accounts for the financial year ended 31 March 2023 (Appendix D).

## **1. Executive summary**

- 1.1 This report presents a summary of net revenue and capital expenditure for Members' consideration and seeks approval of the audited Statement of Accounts for 2022/23. **Following approval of the accounts, the Chairman of the Audit and Governance Committee is required to sign and date the accounts.** Members are also required to consider the content of the Letter of Representation. **Following approval of its wording, the Chairman of the Audit and Governance Committee and the Section 151 Officer (Director of Strategic Finance) are required to sign the Letter of Representation.**

- 1.2 **The 2022/23 Audit has identified two notional adjustments to the Draft South Hams Accounts which were considered by the Audit and Governance Committee on 27 July 2023 :** <https://democracy.swdevon.gov.uk/documents/g1902/Public%20reports%20pack%2027th-Jul-2023%2009.30%20South%20Hams%20Audit%20and%20Governance%20Committee.pdf?T=10>

- 1.3 Both of the adjustments to the 2022/23 accounts relate to information provided by external advisors.

**Fixed Assets valuation – Kingsbridge Leisure Centre**

- 1.4 One adjustment related to an incorrect calculation provided by the external valuer on one of the Council's fixed assets. The Council's external property valuer applied an incorrect build cost to an asset, which resulted in a £0.3million increase in its valuation in the Balance Sheet with the additional gain accounted for through the CIES.

**Pension valuation as at 31 March 2023**

- 1.5 The second adjustment was due to CIPFA (Chartered Institute of Public Finance and Accountancy) advice on the treatment of pension assets (IFRIC 14) which was only forthcoming after the draft accounts were published and therefore this was purely down to a timing issue. This changed the actuary's advice on the valuation of the pension position as at 31 March 2023.
- 1.6 The Council's Local Government Pension Scheme IAS19 valuation was updated by the external actuary after the 2022/23 accounts were closed which resulted in a £2.35 million adjustment to the Council's Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet.
- 1.7 During the audit Grant Thornton challenged the actuary as to whether they had considered IFRIC 14 in the IAS 19 valuations of the pension fund. IFRIC 14 looks at the limit on a defined benefit asset, the minimum funding requirements and their interaction. The actuary confirmed that they had not considered IFRIC 14 in their IAS 19 report and consequently the net pension asset of £162,000 in the draft accounts moved to a £2.19 million pension liability as at 31 March 2023 (this compares to a pension liability of £52.62 million at 31 March 2022).
- 1.8 This purely recognises the fact that the Council will still need to pay employer's pension contributions into the pension scheme on an annual basis. The difference between the 2022/23 pension position shown in the draft and audited accounts relates to the application of the asset ceiling of £2.35 million by the actuary as shown in the following table:

<b>Impact of applying the pension asset ceiling to the pension position (IFRIC 14) in 2022/23</b>	<b>31 March 2023 £000</b>
<b>Pension asset</b> – as shown in the 2022/23 draft accounts presented to Audit Committee on 27 July 2023	<b>(162)</b>
<b>Pension asset ceiling</b> – applied to the pension asset position as at 31 March 2023	2,353
<b>Pension liability</b> – as shown in the 2022/23 audited accounts presented to Audit Committee on 28 March 2024 <i>(this equates to the present value of the unfunded obligation of the pension scheme)</i>	<b>2,191</b>

- 1.9 The effect of the asset ceiling has been determined by the actuary on the basis of the limitation on the Council’s ability to recover the full economic benefit of its assets through reductions in future employer’s contributions because of the minimum funding requirement imposed on it by the funding strategy for the Scheme. The Council is currently committed to paying contributions into the Pension Fund at a higher rate than that at which future service costs will be accrued. On these projections, the Council will be unable to reduce future contributions to recover the £162,000 net pension asset that would otherwise apply. It is important for Members to note that the adjustment to the pension position is made to better reflect the practical operation of the funding strategy. It does not indicate that the council has paid £162,000 into the pension fund that it will never benefit from.

**These adjustments are both notional and don’t impact on the Council’s revenue position and the surplus generated in 2022/23 of £57,000.**

- 1.10 Therefore the Audited Accounts for 2022/23 presented to Members of the Audit and Governance Committee today, are in essence the same set of Accounts which the Audit Committee considered at their meeting in July, except for the two adjustments identified and a few minor disclosure changes.** *These adjustments and disclosure changes are detailed further in the Audit Findings report from Grant Thornton, a separate item on this Audit and Governance Committee agenda.*

## **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.

- 2.2 The Accounts and Audit Regulations require that the 2022/23 audited accounts and opinion is published by 30 September 2023. However, the 2022/23 audit was delayed by Grant Thornton due to their lack of staffing capacity. The audit commenced at the beginning of November 2023 and was completed in March 2024.
- 2.3 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.
- 2.4 The attached booklet (Appendix B) 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.
- 2.5 The accounts have been prepared in accordance with all relevant and appropriate accounting standards, including International Accounting Standards.
- 2.6 The Annual Governance Statement (AGS) for 2022/23 shown in **Appendix C** reflects the reporting requirements introduced by CIPFA/SOLACE's 2016 Delivering Good Governance in Local Government Framework. The 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.
- 2.7 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 surplus on the General Fund in 2022/2023 of £57,000 is essentially a break-even position. **The 2022/23 budget was £10.46 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

- 3.2 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).

#### Audit of Accounts

- 3.3 The draft SOA was considered by the Audit and Governance Committee on 27 July 2023. These accounts are required to be audited by the Council's external auditors Grant Thornton, who give their opinion on the draft accounts. The annual audit was undertaken remotely and commenced at the beginning of November 2023 and was completed in March 2024.

- 3.5 Grant Thornton have substantially completed their audit of the financial statements for 2022/23 and subject to the final review queries being resolved, **Grant Thornton anticipate issuing an unqualified audit opinion following this Audit and Governance Committee meeting.**

***In essence, the audited accounts for 2022/23 are the same set of accounts that were considered by the Audit Committee in July. There are only two notional adjustments and a few disclosure changes to the draft accounts as detailed above in paragraphs 1.2 to 1.9, which have no impact on revenue.***

*The Grant Thornton external audit opinion states that 'Working papers and responses were of a good quality and we would like to thank the finance team for their support throughout the audit.'*

### 3.6 **Summary Accounts**

In light of the length of the statutory accounts a shortened version was prepared for 2022/23. The audited summary of the Accounts in Appendix D is a more user friendly document which can be easily read by members of the public and our businesses to get an understanding of the financial position of the Council for 2022/23. The only changes to the draft summary accounts that were considered by the Audit and Governance Committee in December 2023 relate to the two adjustments detailed above in paragraphs 1.2 to 1.9. The audited summary accounts for 2022/23 have now been attached in Appendix D as the Audit has been completed.

### 3.7 **Value for Money (VFM) arrangements**

On 14 December 2023 the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

The report stated that 'The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.'

## **4. Proposed Way Forward**

- 4.1 The Council Constitution delegates approval of the Accounts to the Audit and Governance Committee. The Council is also required to sign a Letter of Representation every year, which gives representations to the Council's external auditors. The Chairman of the Audit and Governance Committee and the Section 151 Officer (Director of Strategic Finance) are required to sign the Letter of

Representation. The letter is attached at Appendix A. It is recommended that Members approve the wording of the Letter of Representation.

## 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>The Council Constitution delegates approval of the Accounts to the Audit and Governance Committee.</p>
Financial implications to include reference to value for money		<p>The financial implications to this report are that a surplus 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>On 14 December 2023 the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>The report stated that 'The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.</p>
Risk		<p><b>Public Accountability</b> – 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><b>Resource Planning</b> – the Council takes into account any significant issues when developing the Council's Medium Term Financial Strategy.</p>

Supporting Corporate Strategy		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'.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
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**

Appendix A – Letter of Representation  
Appendix B – Audited Statement of Accounts 2022/23  
Appendix C – Annual Governance Statement 2022/23  
Appendix D – Audited Summary Accounts 2022/23

### **Background Papers:**

None

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	<b>N/A</b>