

Report to: **Audit and Governance Committee**  
Date: **24 November 2022**  
Title: **Annual Statement of Accounts 2021/2022**  
Portfolio Area: **Finance and Assets – Cllr H Bastone**  
Wards Affected: **All**  
Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **24 November 2022**

Author: **Alexandra Walker** Role: **Finance Business Partner**  
**Pauline Henstock** **Head of Finance Practice**  
**and Deputy S.151 Officer**  
Contact: **01803 861345** [alexandra.walker@swdevon.gov.uk](mailto:alexandra.walker@swdevon.gov.uk)  
**01803 861377** [pauline.henstock@swdevon.gov.uk](mailto:pauline.henstock@swdevon.gov.uk)

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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 2022 (Appendix B).
3. The Annual Governance Statement post audit (Appendix C)
4. To give delegated authority to the Chairman of the Audit and Governance Committee to sign off the Accounts following any notional changes required from the publication of the infrastructure assets statutory instrument, as detailed in paragraphs 4.1 to 4.5 of this report.

## **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 2021/22.
- 1.2 The report recommends to give delegated authority to the Chairman of the Audit and Governance Committee to sign off the Accounts following any notional changes required from the publication of the infrastructure assets statutory instrument, as detailed in paragraphs 4.1 to 4.5 of this report.
- 1.3 **Following approval of the accounts, the Chairman of the Audit 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 Committee and the Section 151 Officer (Director of Strategic Finance) are required to sign the Letter of Representation.
- 1.4 Apart from a few minor disclosure and misclassification changes the 2021/22 Audit hasn't identified any adjustments to the Draft South Hams Accounts which were considered by the Audit and Governance Committee in September.
- 1.5 **Therefore the Audited Accounts for 2021/22 presented to Members of the Audit and Governance Committee today, are essentially the same set of Accounts which the Audit and Governance Committee considered at their meeting in September.**

## **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 statutory timetable relating to the production and publication of the final accounts was brought forward from 2017/18. Since then the Council has been required to publish the draft SOA by 31 May, one month earlier than previously. However, due to the Covid-19 pandemic the 2021/22 statutory timetable was extended. In accordance with statute the draft Accounts for 2021/22 were published by 31 July 2022. The Accounts and Audit (Amendment) Regulations 2021 require that the audited accounts and opinion is published by 30 November 2022.

- 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), 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 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 SOA. 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.
- 2.6 The Annual Governance Statement (AGS) for 2021/22 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 under spend on the General Fund in 2021/2022 of £214,000 is essentially a break-even position. **The 2021/22 Budget was £9.677 million and therefore the saving of £214,000 means that the actual spend was 2.2% less than the budget.** The main variations from budget are shown on Page 9 of the Narrative Statement in the Statement of Accounts. The saving will go into the Council's Unearmarked Reserves which now stand at £2.056 million.

#### 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 £3.99 million in 2021/22. The main areas of expenditure were as follows:

- residential renovation grants including disabled facilities grants (£1.1m)
- Batson Harbour Depot/Commercial Units (£1.03m)
- scheduled replacement of plant, vehicles and marine infrastructure (£0.38m)
- Dartmouth Health and Wellbeing Hub (£0.35m)
- St Ann's Chapel housing scheme (£0.33m)
- replacement of audio visual equipment and furniture in the Council Chamber (£0.16m)
- purchase of future IT (£0.12m)
- new play areas (£0.10m)
- Affordable Housing (£0.09m)
- purchase of IT replacement hardware (£0.08m)
- purchase of payroll/HR system (£0.04m)

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (see Note 32 of the Statement of Accounts for 2021/22)

## **Audit of Accounts**

- 3.3 The Draft Statement of Accounts was considered by the Audit and Governance Committee on 8 September 2022. 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 commenced at the beginning of July 2022 and was completed in November 2022. A hybrid approach was taken for 2021/22 with some of the audit being undertaken face to face and some work being carried out remotely again this year.

***In essence, the audited accounts are the same set of accounts that were considered by the Audit and Governance Committee in September.***

- 3.4 Grant Thornton have substantially completed their audit of the financial statements for 2021/22 and subject to outstanding queries being resolved and the conclusion of the national infrastructure accounting issue, **Grant Thornton anticipate issuing an unqualified audit opinion for 2021/22.**

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

Grant Thornton's Value for Money work will provide a commentary on the work Grant Thornton have undertaken to address the key elements of governance, financial sustainability and how to improve economy, efficiency and effectiveness.

Grant Thornton have not yet completed all of their VFM work and so are not in a position to issue their Auditor's Annual Report. An audit letter explaining the reasons for the delay was issued to the Chair of the Audit and Governance Committee in September 2022. **Grant Thornton currently expect to issue their Auditor's Annual Report in February 2023.** This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

## 4. Other items within the Final Accounts for 2021/22

### Infrastructure Assets – Delay in Signing the 2021/22 Accounts

- 4.1 In recent years, some local audits have been held up over auditor concerns that authorities are not providing sufficient evidence for repairs to infrastructure assets, due to a lack of historical data.
- 4.2 The Department for Levelling up, Housing and Communities launched a consultation late last month that proposed allowing local authorities to assign no value to parts replaced on infrastructure assets, up to and including 2024/25. The override would also mean that authorities will not need to retrospectively change their assessment of infrastructure asset values from previous years.
- 4.3 In May, CIPFA/LASAAC proposed temporary amendments to the Code of Practice on Local Authority Accounting, allowing authorities to remove the need to record gross historical cost and accumulated depreciation of assets. The government consultation said that “Despite every effort being made to find a solution through the code, an accounting solution has not been found that satisfies all stakeholders.”
- 4.4 The Department for Levelling up, Housing and Communities said the override will give the government time to work with auditors and local authorities to find a permanent long-term solution. Grant Thornton are awaiting the outcome of the proposed statutory override before they can complete the Council’s audit. **Therefore there will be a delay in signing off the 2021/22 Accounts. This is a national issue for all Local Authorities with infrastructure assets and relates to circumstances outside of the Council’s control.** The Council’s infrastructure assets had a net book value of £6.57 million at 31 March 2022 and include various assets such as Salcombe Fish Quay, Dartmouth Ferry Slipways and Kingsbridge Quay Walls.
- 4.5 Therefore it is proposed that delegated authority is given to the Chairman of the Audit and Governance Committee to sign off the Accounts following any changes required from the publication of the infrastructure assets statutory instrument. **These changes are purely in respect of notional capital accounting for infrastructure assets and will have no impact on the Council’s resources or outturn position for 2021/22.**

## Earmarked Reserves

- 4.6 Earmarked Reserves have reduced by £0.655 million in 2021/22 and total £20.839 million at 31 March 2022. This follows the application of some of the S31 Business Rates compensation grant received in 2020/21 which was held in the S31 Compensation Grant Business Rates Reserve.
- 4.7 The total Earmarked Reserves balance at 31 March 2022 of £20.839 million includes £4.26 million held in the Business Rates S31 Compensation Grant Reserve.
- 4.8 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 2022/23 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.

## 5. Proposed Way Forward

- 5.1 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.

## 6. Implications

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 Committee.</p>
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Financial implications to include reference to value for money		<p>The financial implications to this report are that an under spend of £214,000 was generated in 2021/2022. This means that the Council's actual spend for 2021/2022 was 2.2% less than the budget set for the year.</p> <p>As part of Grant Thornton's value for money work, they will assess the arrangements the Council has in place for:-</p> <ul style="list-style-type: none"> <li>• Improving economy, efficiency and effectiveness</li> <li>• Financial Sustainability</li> <li>• Governance</li> </ul> <p>This work will be concluded by Spring 2023 in their Auditor's Annual Report.</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 2020/21 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.
Consultation and Engagement Strategy		
<b>Comprehensive Impact Assessment Implications</b>		
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 2021/22**

**Appendix C – Annual Governance Statement (post –audit)  
2021/22**

### **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>