

Report to: **Audit and Governance Committee**

Date: **8 September 2022**

Title: **Draft Statement of Accounts and Draft Annual Governance Statement 2021/2022**

Portfolio Area: **Support Services – Cllr H Bastone**

Wards Affected: **All**

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

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

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**Recommendations:**

**That the Audit Committee note the Draft Statement of Accounts and the Draft Annual Governance Statement (AGS) for the financial year ended 31 March 2022.**

**1. Executive summary**

- 1.1 The report advises Members that an under spend of £214,000 was generated in 2021/2022 which was transferred to the General Fund Balance (un-earmarked revenue reserve). The level of this reserve stands at £2.06 million at 31 March 2022.
- 1.2 The Narrative Statement to the Accounts gives a summary of the main items in the Statement of Accounts for 2021/2022.

**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 2020/21 and 2021/22 statutory timetable was extended. In accordance with statute the draft Accounts for 2021/22 were published by 31 July 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 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.
- 2.5 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 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.
- 2.6 The Annual Governance Statement (AGS) for 2021/22 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.

- 2.7 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 underspend of £214,000 means that the actual spend was 2.2% less than the budget.** This underspend will go into the Council's Unearmarked Reserves which now stand at £2.06 million, in accordance with normal accounting practice. 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 £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)

### **Earmarked Reserves**

- 3.3 The total Earmarked Reserves balance at 31 March 2022 of £20.84m includes £4.26m 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 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.

## **4. Proposed Way Forward**

- 4.1 Members are advised that the accounts are being audited by our External Auditors, Grant Thornton during July, August and September 2022. Following the Audit, the Statement of Accounts will be brought back to the Audit and Governance Committee for approval in November.

## **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>
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 external audit of the Statement of Accounts for 2021/2022, 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>The outcome of Grant Thornton's work in this area will be reported to Members at the Audit and Governance Committee meeting on 24<sup>th</sup> November 2022.</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 2021/22 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		<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>
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**

### **Appendices:**

Appendix A – Draft Statement of Accounts 2021/22

Appendix B – Draft Annual Governance Statement 2021/22

### **Background Papers:**

None

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

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed/sign off	<b>Yes</b>
SLT Rep briefed/sign off	<b>Yes</b>
Relevant Heads of Practice sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
Accessibility checked	<b>N/A</b>