

Somerset West and Taunton Council

Audit and Governance Committee – 7 November 2022

Somerset West and Taunton District Council Statement of Accounts 2021/22

This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Cllr Benet Allen

Report Author: John Dyson, Corporate Finance Manager (Interim)

1 Executive Summary / Purpose of the Report

- 1.1 The Statement of Accounts for 2021/22 (Appendix A) is required to be approved by the Audit and Governance Committee prior to being signed by the Council's Assistant Director – Finance (s151 Officer) and the Chair of the Audit and Governance Committee.
- 1.2 The draft Statement of Accounts was signed by the Assistant Director – Finance (s151 Officer) and published online on 30 June 2022. This was one clear month ahead of the regulatory deadline for 2022 of 31 July. Early completion this year has been regarded as a notable achievement during a time when Finance officers have contributed significant time and effort on workstreams for the new unitary council.
- 1.3 This report also links to and reflects the Audit Findings Report, prepared by the Council's external auditors – Grant Thornton UK LLP. Through the course of the audit, a range of amendments have been identified for correction within the accounts. A schedule of these is set out in the Audit Findings Report, which has been tabled earlier in the meeting of this Committee.
- 1.4 As part of the overall process for approving the Statement of Accounts, a Management Letter of Representation should be signed by the Council. A draft letter of representation is attached to this report as Appendix B.

2 Recommendations

- 2.1 The Committee is recommended to:
 - a) Note the Auditor's unqualified opinion on the Statement of Accounts (Appendix A) - this remains subject to an update on the matter of a statutory override regarding the accounting treatment of Infrastructure Assets under the CIPFA Code of Practice.
 - b) Either approve the 2021/22 Statement of Accounts as attached to this report (Appendix A) or, if SWTC must await conclusion of the statutory override, delegate final approval of the 2021/22 Statement of Accounts to the Chairman

of the Committee, in consultation with the Vice Chairman and Assistant Director – Finance (s151 Officer).

- c) Endorse the Chairman of the Committee to sign the Management Letter of Representation (Appendix B) in respect of the financial statements for the year ended 31 March 2022.

3 Background and Full details of the Report

- 3.1 The Accounts and Audit Regulations 2015 require the audited Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Audit and Governance Committee.
- 3.2 Each year the S151 officer is required to sign off the unaudited Draft Accounts as true and fair, usually by 31 May. However, similarly to last year, this deadline was extended to 31 July in recognition of the impact of the coronavirus as well as acute difficulties in resourcing local authority accounting and auditing arrangements across the country. The draft (unaudited) accounts were signed off on 30 June 2022.
- 3.3 This year the audited Statement of Accounts are required to be approved by Committee by 30 November. Once approved the Statement must be signed by the Council's Assistant Director – Finance (s151 Officer) and the Chair of the Audit and Governance Committee, the auditor should then issue a signed audit opinion and the accounts should then be published on the Council's website.
- 3.4 The Council's Statement of Accounts is being audited this year by Grant Thornton UK LLP. At the time of writing this report, Grant Thornton has indicated its intention to issue an unqualified opinion, as reported in the Audit Findings Report; however this is subject to the outcome of a technical accounting issue.
- 3.5 With the emergence of a complex accounting issue relating to Infrastructure Assets, CIPFA has been working with the government and devolved administrations seeking a legislative prescription to support local authorities finalising their year-end accounts work. With the SWTC audit on the brink of completion, subject only to outcomes from the opinion of an audit panel in relation to the Infrastructure Assets issue (details of which were provided earlier in this meeting as part of the Audit Findings Report), one of two approaches may be taken following review of the 2021/22 Statement of Accounts by the Members of this Committee. Either:
 - a) if the audit is permitted to be concluded and the auditor able to issue the Audit Opinion, Members may approve the 2021/22 Statement of Accounts at this meeting, or
 - b) if we need to await the issue of a statutory override in relation to Infrastructure Assets by CIPFA, it is recommended that this Committee delegates authority to the Chair and Vice-Chair of the Audit and Governance Committee in consultation with the Assistant Director – Finance (s151 Officer), to approve the

Statement of Accounts upon the favourable outcome of either the audit panel or the statutory override.

- 3.6 The Management Letter of Representation is a formal letter to the external auditors, Grant Thornton LLP, which is signed by the Council's senior management. The letter attests to the accuracy of the financial statements that the Council has submitted to the auditors for their analysis.
- 3.7 The Management Letter of Representation enables the Council to declare in writing that the statement of accounts and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the best of the management's knowledge. The auditors will use this letter as part of their audit evidence.
- 3.8 The most significant changes between Unaudited and Final accounts have been reviewed and reported in the Audit Findings Report, which appears earlier on the agenda to this meeting.

4 Statement of Accounts

- 4.1 The Statement of Accounts for 2021/22 has been prepared on an IFRS (International Financial Reporting Standards) 'true and fair view' basis, in line with the CIPFA (Chartered Institute of Public Finance Accountancy) Code of Practice on Local Authority Accounting in the UK 2021/22.
- 4.2 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2022:
 - Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet, and
 - Cash Flow Statement
- 4.3 There are also supplementary statements related to the Housing Revenue Account, and the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).
- 4.4 The Council has no subsidiary companies and therefore there are no Group Accounts.

Comprehensive Income and Expenditure Statement

- 4.5 The Comprehensive Income and Expenditure Statement (CIES) shows the day to day revenue spending and income on the Council's services. It also shows the Council Tax and Government grants received to help pay for those services. The CIES shows the net cost on an "accounting basis" which includes accounting adjustments such as depreciation, impairment and revaluation losses, and other types of accounting adjustments. These adjustments are then reversed out in the Movement in Reserves Statement to show the "funding" position of the Council.

- 4.6 We also include comparator values for the previous year in the CIES.
- 4.7 The Financial Outturn position for 2021/22 was reported to Executive Committee at its meeting of 20 July 2022. This included information relating to the Council's financial performance for the 2021/22 financial year. The report highlighted key variances to the budget and provided explanations for these.

Movement in Reserves Statement

- 4.8 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. These are analysed into Usable Reserves (these can be used to fund spending) and Unusable Reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).
- 4.9 The Statement shows that the General Fund Reserve balance is above the minimum level required in the Council's financial strategy, with General Fund Reserves reducing from £7.914m to £7.592m. The recommended General Fund minimum balance reserve level for SWTC is £2.4m.

Balance Sheet

- 4.10 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2022. Balances as at 31 March 2021 are provided for comparison purposes. These include updates resulting from adjustments required following the 2021/22 audit.

Cash Flow Statement

- 4.11 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.
- 4.12 Cash and cash equivalents are represented by the following: cash in hand; deposits with financial institutions repayable without penalty on notice of not more than 24 hours; and investments that mature in one month or less from the date of the balance sheet and are readily convertible into cash.

Housing Revenue Account

- 4.13 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.

Collection Fund

- 4.14 The Collection Fund Statement shows the total amount the Council has collected from taxpayers on behalf of, and distributed to, all the precepting authorities and Central Government. The major precepting authorities are Somerset County Council, Avon and Somerset Police, Devon and Somerset Fire and Rescue Authority, and Central Government. The Council has a statutory obligation to maintain a separate Collection Fund Account.

- 4.15 The presentation of the statement clearly separates the Council Tax and Business Rates (NDR) movements and balances. The statement shows that the Council has collected £155.919m on behalf of ourselves, the precepting authorities and Central Government. This comprises Council Tax income of £109.384m and Business Rates income of £46.535m.
- 4.16 The statement currently shows an end of year surplus of £1.501m (SWT share is £169k) in respect of Council Tax and an end-of-year deficit of £19.521m (SWT share is £7,808k) in respect of Business Rates.

5 Result of the Audit of the Statement of Accounts

- 5.1 The external audit review has been substantially completed, with only residual administrative work outstanding. The auditor has indicated their intention to issue an “unqualified opinion” for the Statement of Accounts, as showing a true and fair view of the Council’s financial position and performance.
- 5.2 During the audit misstatement and disclosure changes were identified which have been incorporated into the final set of financial statements. These have been identified in Appendix C of the Audit Findings Report by Grant Thornton, included earlier on this Agenda.

6 Links to Corporate Aims / Priorities

- 6.1 The Statement of Accounts reports the financial activities of the Council in the delivery of its corporate aims.

7 Finance / Resource Implications

- 7.1 These are included within the Statement of Accounts document attached to this report.

8 Legal Implications

- 8.1 There is a Statement of Responsibilities within the Statement of Accounts, which summarises responsibilities for the Council and its S151 officer. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of the Council.
- 8.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
- Statements of Accounts prepared in accordance with the statutory framework by the Accounts and Audit (England) (Updated) Regulations 2015

- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Local Audit and Accountability Act 2014.

Democratic Path

- **Audit and Governance Committee – 7 November 2022**

Reporting Frequency: Annually

List of Appendices:

Appendix A	Somerset West and Taunton Council Statement of Accounts 2021/22
Appendix B	Draft Management Letter of Representation

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