



Draft (Unaudited) Statement of Accounts 2021/22

Executive Portfolio Holder: Peter Seib, Finance and Legal Services
SLT Lead: Karen Watling, Chief Finance Officer
Lead Officer: Paul Matravers, Lead Specialist – Finance / Deputy S151 Officer
Contact Details: paul.matravers@southsomerset.gov.uk or 01935 462275

Purpose of the Report

1. The purpose of this report is to present the 2021/22 Draft (Unaudited) Statement of Accounts to Audit Committee for review and discussion.

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 22 September 2022. The Audit Committee's approval of the audited 2021/22 Annual Statement of Accounts is anticipated to be sought at its meeting on 26th January 2023.

Public Interest

3. As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. By preparing and publishing the annual Statement of Accounts the Council achieves the objective of accountability.

Recommendations

4. That Audit Committee:
 - a) Reviews the draft statement of accounts.
 - b) Notes that it is anticipated that the audited statement of accounts, along with the external auditor's opinion on them, will be present to its meeting on 26th January 2023.
 - c) Note that the figures included in the 2021/22 unaudited statement of accounts are subject to change due to the audit of the 2020/21 statements not being concluded.

Background

5. The Accounts and Audit Regulations (England) 2015 came into force on 1 April 2015, bringing a requirement for the Responsible Finance Officer (the S151 Officer) to certify the annual accounts no later than 31 May and to publish these, along with the audit opinion and after having been approved by Members, no later than 31 July.
6. The Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 2021. This amendment detailed the changes to the deadlines in respect of draft (unaudited) accounts and audited accounts. In respect of draft accounts, the deadline to publish changed from 31 May to 31 July and the deadline for publishing audited accounts changes to 30 September from 31 July. This change of date will be reviewed



South Somerset District Council

by the Department for Levelling Up, Housing and Communities after a two year period meaning that the deadlines may revert to 31 May and 31 July in future

7. Under the Accounts and Audit Regulations (England) 2015 regulations, the Responsible Finance Officer was required to ensure that the period for the exercise of public rights includes the first 10 working days of June. The 2021 amendment revised this date to 'no later than the 1 August'.
8. The period for the exercise of public rights (which includes the rights of objection, inspection and questioning of the external auditor) may only be exercised within a 30 day period. The 2021/22 accounts, confirmed by the Responsible Finance Officer, were published on the 30 July 2022 and the 30 day inspection period ended on 12 September 2021.
9. The Chief Finance Officer revised the approach and draft statements are now presented to Audit Committee for review in their draft pre-audited stage. This allows the Audit Committee to take more time in reviewing the statements in detail and asking officers questions on the figures and information included in the accounts. A subsequent meeting which presents the audited statement of accounts enables committee members to focus on the audit finding report, the audit opinion, and the changes to the statements as a result of the audit. Members are also asked to agree the audited Statement of Accounts at the subsequent meeting.
10. In the audit Committee meeting of 2 September, it was flagged to the committee that the draft 2021/22 statements are likely to change because of the 2020/21 audit continuing. The committee were asked if they would like to review the 2021/22 draft statements with the knowledge that there will be changes to the draft statements. The committee took the decision to continue to review the statements.

2020/21 Statement of Accounts

11. As mentioned above, the Audit Committee are aware that the audit of the 2020/21 statement of accounts has not concluded to date. The committee have been appraised of the outstanding issue and the actions taken by management to resolve the issue which will enable updated set of accounts to be presented to audit committee for sign off.
12. The audit of 2020/21 statements not being completed potentially has implications on the figures included in the 2021/22 unaudited statement of accounts which the committee are being asked to review. It is likely that adjustments will be required to the 2021/22 unaudited statements.
13. The planned course of action is to return to audit committee at a later date, which will be after the conclusion of the 2020/21 audit, with updated unaudited 2021/22 statement of accounts which will incorporate the changes required as a result of the conclusion of the 2020/21 audit.
14. The changes made to the accounts will be clearly documented in order that the committee can focus on the changes made to the unaudited statements.

Key Features of the 2021/22 Statement of Accounts

15. The Statement of Accounts must include a narrative statement, including commentary by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the relevant financial year.
16. The external auditor – Grant Thornton – has yet to review the annual Statement of Accounts and supporting working papers, the audit is anticipated to start in October and that their opinion as to whether the Statements present a true and fair view of the financial position of South Somerset District Council at 31 March 2022, and its income and expenditure for the year end, will be presented at Audit Committee in January 2023.
17. As mentioned in paragraphs 11 to 14, there are likely to be changes to the 2021/22 draft statements at the conclusion of the 2020/21 audit. The main change required is likely to be in respect of the asset values and the brought forward balances included in the Group Accounts element of the 2021/22 statements. All the changes made will be highlighted and the reason for the change included in the report to the committee.
18. A copy of the Draft Statement of Accounts has been circulated separately with this agenda. The Statement of Accounts contains four core statements and the Group Accounts, reflecting the financial position of the Council as at 31 March 2022. These are:
 - Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet
 - Cash Flow Statement
 - Group Accounts
19. There is also an additional statement and notes relating to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).
20. It is a statutory requirement for all local authority financial statements to be International Financial Reporting Standards (IFRS) compliant.
21. The accounts include a section for Group Accounts. The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. In previous years our arrangements in respect of Groups have not been material, i.e. the figures involved were not significant enough to report separately.
22. The Group accounts follow the same format of the single entity accounts and include the four core statements (as listed in 19 above), accounting policies for the groups and notes to the financial statements where there are material differences to the disclosures made in the single entity accounts.

Comprehensive Income and Expenditure Statement

23. The CIES records all the Council's income and expenditure for the year and has two parts:

- The first part reflects the accounting cost of providing the Council's services with the results summarised at the Surplus or Deficit on the Cost of Services line. In the private sector this would be equivalent to the profit or loss of a company.
- The second part, showing other comprehensive income and expenditure, shows the gains or losses in the measurement of the council's assets and liabilities. These gains and losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pension liabilities.

Movement in Reserve Statement

24. Reserves represent the Council's net worth and shows its spending power. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

MIRS extract for 2021/22

	Useable Reserves	Unusable Reserves	Total £'000
31 March 2021	69,036	(76,903)	(7,867)
Movement	(14,674)	35,195	20,521
31 March 2022	54,362	(41,708)	12,654

(bracketed figures = transfers out / liabilities, unbracketed figures = transfers in / assets)

25. With regard to unusable reserves, the pension reserve liability reduced by £21.390m due to actuarial assumptions, asset valuations and employer contributions.

Balance Sheet

26. The Balance Sheet provides a snapshot of our financial position as at the 31 March 2022. The Council's net assets amounted to £12.654m (-£7.868m as at 31 March 2021). This comprises both usable resources and unusable reserve account balances.
27. The balance in the statement of accounts include the large pension fund liability balance, which will be recovered over the long term, with the Council making contributions and lump sum payments each year to reduce the balance.
28. In practice, the amount of "net worth" that can be used is £54.362m. This can be broken down into:

Usable Capital Receipts	£5.183m
Capital Grants Unapplied	£10.436m
Earmarked Reserves	£31.606m
General Fund Balances	£6.556m
Share in Joint Venture	£0.581m

29. In addition, Members will note the contingent liabilities disclosed in note 48. Contingent liabilities are possible future obligations; they are not accounted for within the balance sheet as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

Cash Flow Statement



30. This statement outlines the changes in cash and cash equivalents of the Council during 2021/22.
31. There has been a net decrease in cash and cash equivalents of £0.694m.
32. Cash Equivalents are short-term highly liquid investments that are readily convertible within 24 hours to known amounts of cash and which are subject to an insignificant risk of change in value.

Collection Fund

33. The total amount of Council Tax due for the year, which the council has collected on behalf of all the precepting authorities (e.g. Somerset County Council, Police and Crime Commissioner, Devon & Somerset Fire & Rescue Authority and town/parish councils), was £121.790m. There is a surplus balance of £1.224m on the Council Tax element of the Collection Fund account at the year-end. This surplus is split in proportion to the amount of each authority's precept.
34. Business Rates Retention (BRR) is intended to provide incentives for local authorities to drive economic growth locally. The funding regime is based on performance and has increased the need to monitor and proactively agree priorities to maximise business rate income. Business rates income collected is distributed between Central Government, South Somerset District Council, Somerset County Council, and Fire and Rescue Authority under the Business Rates Retention (BRR) funding system. For 2020/21 the distribution was Central Government 50%, SSDC 40%, SCC 9%, and Fire 1%.
35. The final business rates funding end of the year position for 2021/22 has delivered positive news regarding the resources available to all parties within the Somerset Business Rates Pool. There is a pooling gain of £11.127m at the year-end, and this Council's share is £4.451m.

Auditor's Opinion

36. Grant Thornton UK LLP will issue their audit opinion at the conclusion of the audit of the accounts, if the opinion is unqualified, it is good news and endorses that the accounts provide a true and fair view of the financial statements as at 31st March 2022.
37. Grant Thornton will also provide an Annual Auditors Report which details findings in respect of the arrangements in place at the Council to secure Value for Money. It reports on whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively. The report will include a summary of findings and recommendations to the Council, which will be reviewed by the management team and a response provided on actions to be taken in respect of each recommendation.
38. The audit of the accounts will identify any material misstatements. In 2020/21 there were material misstatements, a number of misclassifications and disclosure requirements which were reported to Audit Committee in the Interim Audit Findings report. The final audit findings report will include all material misstatements which will be addressed. If this is the case in the 2021/22 audit the misstatements will be addressed with the audit finding report providing details of the misclassifications and misstatements.



Financial Implications

40. There are no financial implications associated with these recommendations.

Council Plan Implications

41. The Statement of Accounts are closely linked to the Council Plan and maintaining financial resilience and effective resource planning is important to enable the council to continue to fund its priorities for the local community.

Carbon Emissions and Climate Change Implications

42. There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

43. There are no equality or diversity implications

Privacy Impact Assessment

44. There is no personal information included in this report.

Background Papers

45. There are two background papers:

- Revenue outturn 2021/22
- Capital outturn 2021/22