

Teignbridge District Council
Audit Scrutiny
22 March 2024
Part i

2020/21 FINAL ACCOUNTS

Purpose of Report

To bring an update on the statement of accounts for 2020/21 for Members to review and recommend to Council for approval.

Recommendation(s)

The Audit Scrutiny Committee recommend the updated statement of accounts 2020/21 and updated Annual Governance Statement for approval to Council.

Financial Implications

The financial implications are contained throughout the report. The main implication is that the accounts have been closed and audited and general reserves are as previously reported in November 2021 slightly above the budgeted level anticipated at 31 March 2021 - £2.060 million. See section 3.

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Legal Implications

See section 5 – the Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts.

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Risk Assessment

Major risks are summarised in section 4. The most significant of these is the level of future funding from Central Government and the level of reserves held to meet future unexpected variations in income.

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Environmental/ Climate Change Implications

The revenue budget supports the funding of a Climate Change Officer and associated budget – see section 7.

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Executive Member

Councillor Richard Keeling – Executive Member for Resources

Appendices/Background Papers

Statement of Accounts – final statement of accounts attached as appendix and see link to draft statement of accounts below

1. PURPOSE

To bring an update on the statement of accounts 2020/21 for Members to review and recommend to Council for approval

2 BACKGROUND

- 2.1** The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement usually has to be produced and certified by the chief finance officer by 31 May 2021 however the Covid 19 pandemic had triggered amendments to this deadline by extending this to the end of July 2021. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July 2021 however again this had been amended to the end of September 2021 for the financial year 2020/21.
- 2.2** At the Audit Scrutiny meeting of 24 August 2021 the committee was introduced to the draft accounts and the results for the year 2020/21 including those for treasury management. The draft accounts were published at the end of July 2021 in line with the statutory deadline.

- 2.2** The statement of accounts and financial records were audited by our external auditors Grant Thornton during August, September and October 2021. The accounts were then brought to Full Council for approval in November 2021 with some clarification still required around audit evidence on the valuation of property, plant and equipment before the audit opinion could be issued by Grant Thornton.
- 2.3** The conclusion of the audit will be published by advertisement on the Teignbridge website as required by legislation. After approval the final accounts will be available on the website or a hard copy can be obtained. Members can access the draft accounts via this link: [Teignbridge website](#) and a hard copy is available in the Finance department.
- 2.4** The Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit for Local Authority Audit Committees published in 2006 recommends the following focus in relation to the committee's review of the financial statements:
- the suitability of accounting policies and treatments
 - any changes in, and compliance with, accounting policies and treatments
 - major judgemental arrears such as provisions
 - significant adjustments and material weaknesses in internal control reported by the external auditor

The report to Audit Scrutiny in October 2021 concentrated on those areas and they have not changed. What needs to be considered is the work carried out and discussions held since November 2021 to resolve publishing of the final accounts as reported to Full Council at that time.

3 DRAFT STATEMENT OF ACCOUNTS 2020/21

- 3.1** The audit of the statement of accounts is now finalised and there are no further major adjustments from those reported in 2021. Grant Thornton will discuss any findings separately. There was a small amendment to the cash flow statement and associated notes together with a number of small adjustment to notes to the accounts and presentation. There are no adjustments required to the Strata figures consolidated into the accounts of the Council. The draft closing general reserves at 31 March 2021 of £2.060 million are an improvement on the original budget of £80,000.
- 3.2** The draft balance sheet shows a net worth of £14.6 million at 31 March 2021 compared to a net worth of £17.4 million at 31 March 2020. This is due mainly to an increase in the pension fund deficit mainly offset by an increase in the value of our property, plant and equipment, increase in earmarked reserves, capital receipts reserve and capital grants unapplied.
- 3.3** The regulations require the formal approval of the accounts and this will be signified by the Chairman of the Council signing and dating the accounts on

the page entitled the Statement of Responsibilities for the Statement of Accounts at the Council meeting. This statement is from the Chief Finance Officer and will be signed by him before presentation of the accounts to the council meeting. This will take place at the Full Council meeting on 23 April 2024 to reaffirm the final accounts since the previous sign off in November 2021.

3.4 Accounting Policies and Treatments

Note 1 of the notes to the financial statements identifies the accounting policies which follow CIPFA recommendations in the latest Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. The most significant policies relate to property, plant and equipment, charges to revenue, accruals, pensions, reserves and provisions as follows:

- All expenditure over £10,000 on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. These are valued on the basis recommended by CIPFA and in accordance with The Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The majority of assets are valued at fair value with some at depreciated historical cost. Property, plant and equipment excluding land are depreciated over their remaining useful life on a straight line basis.
- Charges for depreciation and impairment are made to the comprehensive income and expenditure account by direct allocation to the relevant service and then reversed out in the movement in reserves statement. Capital charges therefore help show the true cost of services but have a neutral impact on the amount required to be raised from council tax.
- The accounts are maintained on an accruals basis in accordance with the Code of Practice on Local Authority Accounting. That is all sums due to or from the council during the year are included whether or not the cash has actually been received or paid in the year.
- Accounting for the council's defined benefit pension scheme is prepared under the requirements of International Accounting Standard 19. Thus entries are made in the accounts and the valuation of liabilities is shown in the balance sheet. The notes explain that the cost of benefits is charged as they are earned but this cost is reversed out so that the charge against council tax is based on the cash payable in the year.
- Reserves are maintained to meet general rather than specific future expenditure although some can be earmarked for specific purposes. Provisions are only recognised when there is a liability that is of uncertain timing or amount. Provisions are required where Teignbridge has a present obligation as a result of a past event.

3.5 Provisions

The main provisions are those for bad debts (now described as an impairment allowance for bad debts) and the most significant of these are for sundry debtors, council tax, and national non domestic rates. An appeals provision is also held for potential appeals against business rates valuations charged. These are as follows:

- A provision of £1,129,000 or 35% has been made against a year end balance of £3,250,000 for sundry debts including rents. The majority of the debt relates to housing benefit overpayments where arrangement for regular affordable payments has been made. 30% is provided for small older debts still outstanding with specific appropriate provision for individual large debts. Write offs in the year were £45,000 or 0.4% of debt raised in year (2019/20 £149,000 or 1.2% of debt raised in year).
- The council tax gross debt at the year end was £4,665,000 (2019/20 £3,826,000) and write offs in the year were £125,000 (2019/20 £196,000). The write offs have remained low for each of the last five years at less than 0.3% of the debit raised. The debit raised in the year was £121 million. The bad debt provision for 2020/21 has been increased to £1,180,000 being 25% of the balance.
- For national non domestic rates the gross balance at the year end was £814,000 (2019/20 £474,000). Write offs were £16,000 (2019/20 £49,000). The value of the bad debt and appeals provision amounts to £2.0 million at 31 March 2021 to cover potential future bad debts and appeal adjustments on rating valuations. Write offs have remained low for each of the last five years at less than 0.5% of the debit raised. The debit raised in the year was £40 million.

- 3.6** External audit reports - all reports from Grant Thornton regarding internal control and any other relevant matters and the officer responses for review are brought to this audit scrutiny committee. The specific comments on these accounts are in the Annual Governance Report (AGR) which has already been published.

3.7 Further work to finalise the accounts

The requirements of the auditors has changed since the production of the 2019/20 accounts and one additional piece of audit evidence was required in 2020/21 in respect of the assumptions behind the calculations of our property, plant and equipment values. Subsequent discussions with our valuer who had left the Council and our newly appointed internal valuer soon established that it would be impossible to recreate the evidence that was missing around the majority of the valuations calculated and practically would be impossible to revisit the work and change the accounts again and get resubmitted before work on the 2021/22 accounts had to start. This would also mean that the

2021/22 accounts would not be prepared and published in draft to the required statutory deadlines. There were also insufficient resources in the Estates department to carry out this work and the important day to day work around lease renewals and negotiations etc. A decision was taken in March 2022 to accept that we would have to receive a qualification to the audit opinion in respect of the additional work on the one item in the accounts that the auditors couldn't complete for 2020/21 due to the lack of evidence. This was discussed at Audit Scrutiny and agreed and communicated to our external auditors. What then ensued was a period of time where the audit opinion didn't get issued for a number of reasons. Grant Thornton had to take the decision on how the audit opinion might look to various authorisation levels within their structure. Subsequent events nationally also deferred any ability to sign off the accounts due to some clarity on how infrastructure assets had been accounted for. This was then resolved satisfactorily for the auditors but staff sickness, staff continuity, resources available to progress the work required and ultimately a lack of auditing resources nationally to be able to complete outstanding and future audits has contributed to the significant delays since then. Another issue for all audits from 2020/21 is the increased level of audit work that audit firms need to carry out and the extra time and resource required by each client to provide that information. Government has been working on options about how to address the backlog with backstop dates for outstanding audits. We are now in a position where the accounts for 2020/21 can be signed off and the audit opinion is included in the accounts together with a slightly updated Annual Governance Statement for approval as an appendix to this report.

3.8 Annual Governance Statement update

The Annual Governance Statement has been updated to reflect governance related events, particularly around member – officer relations which have evolved since it was originally approved in November 2021. These include the actions both already taken, and those ongoing, to address findings from reviews undertaken by the Centre for Governance and Scrutiny in 2021 and 2023.

4. RISKS

The major risks to be aware of are around future funding and the adequacy of reserves going forward and confirmation as to the correct value of those reserves. Further action is still required to address the future budget gaps. General reserves are maintained at a value higher than originally budgeted and earmarked reserves are held to help deal with future forecast funding changes and earmarked projects/schemes. These risks may impact further on the performance of treasury management and borrowing levels moving forward.

Preparation and approval of the accounts are required by the Accounts and Audit Regulations 2015 and if these regulations are not adhered to the auditors can qualify the accounts.

5. MAIN IMPLICATIONS

The implications members need to be aware of are as follows:

5.1 Legal

The Financial Accounts for 2020/21 need to be produced and audited in accordance with the Accounts & Audit Regulations 2015.

5.2 Resources and Audit Opinion

The report notes that general reserves have been maintained at a level slightly higher than originally budgeted at 31 March 2021.

The auditors opinion is now included which has a disclaimer opinion due to the high value of property, plant and equipment in relation to the rest of the values in the accounts

6. GROUPS CONSULTED

The draft accounts are advertised as available for inspection and are available on the website. The external auditors have now completed their audit. As required by legislation these will be updated with the final version including the external audit opinion on our website.

7. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

The revenue budget supports the appointment of a climate change officer and associated budget.

8. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)

10.00 a.m. on 29 March 2024