

Teignbridge District Council
Audit Scrutiny
9 October 2024
Part i

2021/22 AND 22/23 FINAL ACCOUNTS

Purpose of Report

To bring an update on the statement of accounts for 2021/22 and 2022/23 for Members to review and recommend to Council for approval.

Recommendation(s)

The Audit Scrutiny Committee recommend the final statement of accounts 2021/22 and 2022/23, updated Annual Governance Statements for 2021/22 and 2022/23 and letters of representation for 2021/22 and 2022/23 for approval to Council.

Financial Implications

The financial implications are contained throughout the report. The main implication is that the accounts have now been closed but not audited. General reserves are as previously reported in August 2022 and August 2023 being above the budgeted level anticipated at 31 March 2022 - £2.106 million and at 31 March 2023 - £2.317 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
Letter of Representation 2021/22 and 2022/23

1. PURPOSE

To bring an update on the statement of accounts 2021/22 and 2022/23 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 however the Covid 19 pandemic had triggered amendments to this deadline by extending this to the end of July. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July however again this had been amended to the end of September 2021 for the financial year 2020/21. The dates for production of the draft accounts for 2022/23 were moved back to 31 May however this proved impractical for most due to the complexities of producing a set of draft accounts and so the deadline has now moved to 30 June for 2024/25.

- 2.2** At the Audit Scrutiny meetings of 30 August 2022 and 29 August 2023 the committee was introduced to the draft accounts and the results for the year 2021/22 and 2022/23 including those for treasury management. The draft accounts were published at the end of July 2022 and end of June 2023 for the respective years accounts.
- 2.2** The statement of accounts and financial records have not been audited for these two financial years by our external auditors Grant Thornton due to resourcing issues so remain unaltered from the draft accounts produced with a slight refinement to the Annual Governance Statement included in the accounts to reflect the current position for both of those years via the insertion of an Addendum. The accounts have to be signed off by Full Council due to the 'back stop' dates introduced for outstanding audits – being 13 December 2024 for years 2021/22 and 2022/23.
- 2.3** After approval by Full Council 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

There have been no changes to these areas of work and assumptions since the accounts for each of these years were produced.

3 FINAL STATEMENT OF ACCOUNTS 2021/22 AND 2022/23

- 3.1** The statement of accounts are now finalised, have not been audited and there are no further changes for 2021/22 or 2022/23 from those reported in 2022 and 2023. The closing general reserves at 31 March 2022 of £2.106 million are an improvement on the original budget of £46,000. The closing general reserves at 31 March 2023 of £2.317 million are an improvement on the original budget of £211,000.
- 3.2** The draft balance sheet for 2021/22 shows a net worth of £29.9 million at 31 March 2022 compared to a net worth of £14.6 million at 31 March 2021. This is due mainly to a reduction in the pension fund deficit, increase in short term investments and cash and cash equivalents. The draft balance sheet for

2022/23 shows a net worth of £110.4 million at 31 March 2023 compared to a net worth of £29.9 million at 31 March 2022. This is due mainly to a significant decrease in the pension fund deficit.

- 3.3** The regulations require the formal approval of the accounts and this will be signified by the Chair 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 29 October 2024.

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 for 2021/22 and 2022/23. 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 £1,198,000 or 38% has been made against a year end balance of £3,189,000 for sundry debts including rents for 2021/22. For 2022/23 a provision of £1,056,000 or 35% has been made against a year end balance of £3,015,000. The majority of the debt in both years 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 £69,000 or 0.6% of debt raised in year for 2021/22 and £86,000 or 0.6% of debt raised in year for 2022/23.
- The council tax gross debt at the end of 2021/22 was £5,366,000 (2020/21 £4,665,000) and write offs in the year were £132,000 (2020/21 £125,000). The write offs have remained low for each of the last five years at less than 0.3% of the debit raised. The council tax gross debt at the end of 2022/23 was £6,201,000 and write offs in that year were £109,000. The debit raised in the year 2021/22 was £128 million and in 2022/23 £133 million. The bad debt provision for 2021/22 has been increased to £1,381,000 being 26% of the balance and for 2022/23 stands at £1,624,000 a further increase of £243,000.
- For national non domestic rates the gross balance at the 2021/22 year end was £627,000 (2020/21 £814,000) and £581,000 at 31 March 2023. Write offs were £43,000 in 2021/22 (2020/21 £16,000) and £33,000 for 2022/23. The value of the bad debt and appeals provision amounts to £1.695 million at 31 March 2022 and £1.685 million at 31 March 2023 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 2021/22 was £40.8 million and for 2022/23 £40.4 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 Reports (AGR) which have already been published.

3.7 Audit work to finalise the accounts

There has been no audit of the 2021/22 or 2022/23 statement of accounts and ultimately a lack of auditing resources nationally to be able to complete outstanding and future audits has contributed to the significant delays. 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 2021/22 and 2022/23 need to be signed off to comply with the backstop dates for these accounting years of 13 December 2024. The appropriate audit opinion is included in the accounts together with a slightly updated Annual Governance Statement for approval as an appendix to this report for each of the years 2021/22 and 2022/23 via the insertion of an Addendum.

3.8 Annual Governance Statement updates 2021/22 and 2022/23

The Annual Governance Statements for each year have been reviewed to reflect governance related events, particularly around member – officer relations which have evolved since original publication of the draft AGS statements. 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 and subsequent Peer review.

3.9 Letter of Representation – 2021/22 and 2022/23

Our external auditor requires assurances from us on various financial matters including statutory and contractual requirements, reasonableness of estimates and provisions, responsibility for internal controls, various disclosures and information provided. These are detailed in the attached letters for 2021/22 and 2022/23 which needs recommendation for approval at full Council.

3.10 Final Auditors Annual Report 2021/22 and 2022/23

Grant Thornton have submitted their final version of this report which is unchanged from the 'interim' version previously circulated to Members other than to alter the title of the document to 'final' so no further action required.

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 2021/22 and 2022/23 need to be produced and should be 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 2022 and 31 March 2023.

The auditors 'disclaimer' opinion is now included within the statement of accounts.

6. GROUPS CONSULTED

The draft accounts are advertised as available for inspection and are available on the website. 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 16 October 2024