

<b>DECISION-MAKER:</b>	<b>GOVERNANCE COMMITTEE</b>		
<b>SUBJECT:</b>	<b>STATEMENT OF ACCOUNTS 2021/22</b>		
<b>DATE OF DECISION:</b>	<b>26 SEPTEMBER 2022</b>		
<b>REPORT OF:</b>	<b>EXECUTIVE DIRECTOR FOR FINANCE, COMMERCIALISATION &amp; S151 OFFICER</b>		
<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title:</b>	<b>Executive Director for Finance, Commercialisation &amp; S151 Officer</b>	
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<b>STATEMENT OF CONFIDENTIALITY</b>	
NOT APPLICABLE	
<b>BRIEF SUMMARY</b>	
<p>In accordance with the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2021) the Draft Statement of Accounts 2021/22 was signed by the Executive Director for Finance, Commercialisation &amp; S151 Officer on 30 May 2022 ahead of the 31 July 2022 deadline. The Committee is required to consider and approve the audited accounts before they are published. The Accounts and Audit (Amendment) Regulations 2022, which came into force in July this year, extended the deadline for publishing the audited accounts to 30 November 2022.</p>	
<p>The year-end audit, carried out by our auditors Ernst &amp; Young LLP, commenced on 22 June 2022 and had not been concluded at the time of writing this report. This report details the changes made to the Statement of Accounts and unadjusted audit differences arising from the findings of the audit to date. A copy of the updated Statement of Accounts is available in the Members' Room.</p>	
<b>RECOMMENDATIONS:</b>	
	<p>(i) Notes the changes to the Statement of Accounts 2021/22 as a result of the annual audit as detailed in paragraphs 5 to 7 and appendix 1, none of which change the overall bottom line position for the Council for 2021/22.</p>
	<p>(ii) Approves the rationale for not correcting the audit differences relating to Education gross expenditure and income, the valuation of Property, Plant and Equipment (PPE) and Short Term Debtors and Creditors Balances as set out in paragraphs 8 to 12.</p>
	<p>(iii) Notes that infrastructure assets have been disclosed at net book value in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) consultation on temporary changes to the</p>

		Code of Practice on Local Authority Accounting in the UK (the Code), however removal from the Code of the need to report gross cost and accumulated depreciation had not been formally approved at the time of writing this report, as set out in paragraphs 13 to 16.
	(iv)	Considers and approves the audited Statement of Accounts 2021/22.
	(v)	Resolves that the Executive Director for Finance, Commercialisation & S151 Officer, after consultation with the Chair of the Committee, can make any further minor changes to the Statement of Accounts 2021/22 that may arise during completion of the audit.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>		
1.		It is a legal requirement that the Statement of Accounts 2021/22 is considered and approved by this committee, following the audit, and signed by the person presiding at this meeting. The legislation sets a target date for publication of 30 November 2022. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>		
2.		The Statement of Accounts has been prepared in accordance with statutory requirements. No other options have been considered as it is a legal requirement that the Statement of Accounts is prepared, and signed by the person presiding at this meeting, following completion of the audit.
<b>DETAIL (Including consultation carried out)</b>		
		<b>CONSULTATION</b>
3.		Not applicable.
		<b>STATEMENT OF ACCOUNTS</b>
4.		The Statement of Accounts is a complex document and the layout and information provided are defined by statutory requirements. The key issues that should be drawn to the attention of the Committee were presented at its meeting on 25 July 2022. A copy of this is available in the Members' Room or by following the link below. <a href="#">Draft Statement of Accounts 2021/22</a>
		<b>STATEMENT OF ACCOUNTS AMENDMENTS</b>
5.		There are a number of adjustments to the Statement of Accounts arising from the findings of the audit, none of which change the overall bottom line position for the Council for 2021/22.
6.		The updated Statement of Accounts is available in the Members' Room. The main adjustments to the statements are outlined below, with further details in Appendix 1: <ul style="list-style-type: none"> <li>• Correction to Note 12 Property, Plant and Equipment for the transfer between PP&amp;E Under Construction and Council Dwellings and the in-year revaluation of Council Dwellings. Consequential amendments to all the core financial statements and related notes and to the Housing Revenue Account financial statements and notes. Amendments to Note 12 for the in-year movements for transfers between Community Assets</li> </ul>

	<p>and Other Land &amp; Buildings and of the analysis of net book value by year of valuation;</p> <ul style="list-style-type: none"> <li>• Correction to Note 17 Financial Instruments to the analysis of the fair value of loans and to the interest rates risk exposure. Amendment to the fair value level for the Property Fund;</li> <li>• Correction to Note 31 Leases for the future minimum lease payments receivable; and</li> <li>• Update of Note 27 External Audit Costs to include the audit fee rebate.</li> </ul>
7.	The full details of adjustments to the statements and notes are detailed in Appendix 1.
	<b>UNADJUSTED AUDIT DIFFERENCES</b>
8.	Gross expenditure and income for Education in the Comprehensive Income and Expenditure Statement reported in the draft accounts were £191.1M and £169.7M respectively, with net expenditure of £21.4M. The auditors have identified that gross expenditure and income for schools are understated by £6.8M, with no impact on the net position.
9.	The net book value for Council Dwellings (within Property, Plant and Equipment) as at 31 March 2022 reported in the draft accounts was £754.0M. The auditors have identified that the indexation of asset values up to 31 March 2022 is understated by £4.2M.
10.	The net book value for Other Land and Buildings (within Property, Plant and Equipment) as at 31 March 2022 reported in the draft accounts was £459.3M. The auditors have identified that the value of assets not revalued in 2021/22 is understated by £2.7M and that the indexation of school assets is understated by £2.4M.
11.	The auditors have extrapolated errors identified through sample testing of Short Term Creditors to give a projected £7.9M overstatement of Short Term Debtors and Short Term Creditors. The balances for Short Term Debtors and Creditors reported in the draft accounts were £53.1M and £140.5M respectively.
12.	<p>We have not corrected the accounts for these audit differences because:</p> <ul style="list-style-type: none"> <li>• They are below the materiality level both individually and in aggregate;</li> <li>• There is no overall material variance and no net impact on the General Fund or HRA reported position;</li> <li>• The auditors have confirmed that these are not material items that need amending;</li> <li>• The uncorrected amounts would not have a material impact on the use and interpretation by users of the statement of accounts;</li> <li>• The projected overstatement of Short Term Debtors and Creditors is based on a small sample and the errors identified are not considered to be representative of the whole population.</li> </ul>
	<b>INFRASTRUCTURE ASSETS</b>
13.	In May/June 2022 CIPFA conducted an urgent consultation on a temporary update to the Code for infrastructure assets. The proposals were intended to address issues raised by auditors in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. The issue arises principally because of the lack of information availability which meets the needs of accounting standards. There

	are also related issues for the reporting of gross historical cost and accumulated depreciation.
14.	The proposed changes to the Code included confirming that the effect of derecognition on the carrying amount is nil (on the presumption that replaced parts are fully depreciated) and temporarily removing the reporting requirements for gross historical cost and accumulated depreciation.
15.	CIPFA is considering the approval of an update to the Code following the outcomes of the consultation on the removal of the need to report gross cost and accumulated depreciation in line with its proposals. This is subject to due process and it is anticipated that the update to the Code will be available mid-September 2022.
16.	In the Draft Statement of Accounts 2021/22, the accounting policy for Property, Plant and Equipment was extended to clarify the measurement basis for infrastructure assets. In addition, movements in the gross book value and accumulated depreciation for infrastructure assets were removed from the movement on Property, Plant and Equipment disclosure (Note 12) and only shown net, in anticipation of the change to the Code. There are no alterations in respect of infrastructure assets in the updated Statement of Accounts presented to the Committee.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
17.	The capital and revenue implications were considered as part of the Revenue and Capital Outturn 2021/22 report that was presented to Cabinet on 19 July 2022.
<b><u>Property/Other</u></b>	
18.	To date, no changes have been made to the property valuations recognised in the accounts.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
19.	Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2021 and the Accounts and Audit (Amendment) Regulations 2022.
<b><u>Other Legal Implications:</u></b>	
20.	None.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
21.	Not applicable
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
22.	Not applicable. It should be note that the Statement of Accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority

	Accounting in the UK 2021/22 (other than for disclosure of Infrastructure Assets as noted in paragraphs 13 to 16).

<b>KEY DECISION?</b>	<b>Yes/No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	<b>None</b>
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
1.	Schedule of changes to Draft 2021/22 Accounts
2.	

**Documents In Members' Rooms**

1.	Updated Statement of Accounts 2021/22
2.	Governance Committee Report 25 July 2022 – Draft Statement of Accounts 2021/22.

<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		Yes/No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		Yes/No
<b>Other Background Documents</b>		
<b>Other Background documents available for inspection at:</b>		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		