

<b>DECISION-MAKER:</b>	<b>GOVERNANCE COMMITTEE</b>		
<b>SUBJECT:</b>	<b>STATEMENT OF ACCOUNTS 2021/22</b>		
<b>DATE OF DECISION:</b>	<b>24 APRIL 2023</b>		
<b>REPORT OF:</b>	<b>EXECUTIVE DIRECTOR CORPORATE SERVICES</b>		
<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title:</b>	<b>Executive Director Corporate Services</b>	
	<b>Name:</b>	<b>Mel Creighton</b>	<b>Tel: 023 80833528</b>
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<b>STATEMENT OF CONFIDENTIALITY</b>	
NOT APPLICABLE	
<b>BRIEF SUMMARY</b>	
<p>The draft statement of accounts for 2021/22 for the Council were presented to the Governance Committee at its meeting on 26 September 2022. At that time the audit of the statement was substantially complete and the Committee approved the statement of accounts, however in recognition that some final audit work was still needed accepted the recommendation that “the Executive Director for Finance, Commercialisation &amp; 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.”</p>	
<p>Since September, the audit has been unable to be completed, largely due to accounting issues beyond the control of the authority. This report updates on the latest position.</p>	
<b>RECOMMENDATIONS:</b>	
(i)	Notes this update on the Statement of Accounts 2021/22.
(ii)	Approves the rationale for not correcting the audit difference relating to investment properties in paras 7 and 8.
(iii)	Resolves that the Executive Director Corporate Services, after consultation with the Chair of the Committee, can make any further minor changes to the Statement of Accounts 2021/22, including any technical accounting adjustments that have no impact on the 2021/22 General Fund or HRA outturn position, that may arise during completion of the audit.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	Given the audit has not yet been completed, this report updates on the latest position.
<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.	A copy of the updated draft statement of accounts is available in the Members' Room.
	<b>STATEMENT OF ACCOUNTS AMENDMENTS</b>
5.	Only minor amendments have been made to the accounts since the Committee approved the accounts in September, primarily relating to additional disclosures for infrastructure assets as noted in paragraph 10 below.
	<b>UNADJUSTED AUDIT DIFFERENCES</b>
6.	The Committee approved the rationale for not adjusting four audit differences identified by our external auditors, Ernst & Young LLP (EY), at its meeting in September 2022. Since that meeting one further audit difference has been identified.
7.	The net book value for Investment Properties reported in the draft accounts was £114M. EY have identified an understatement in the value of Investment Properties of around £1.7M due to the valuation taking into account an element for transactional costs of sale should the assets be disposed of.
8.	We have not corrected the accounts for this audit difference because it is below the materiality level and would not seriously affect how any reader of the accounts would view our asset values. Also, such an adjustment would have no impact on the 2021/22 General Fund reported position.
	<b>INFRASTRUCTURE ASSETS</b>
9.	In September 2022, a delay to completing the audit of the accounts was anticipated as CIPFA were considering a temporary update to the Accounting Code for infrastructure assets. The amendments 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 i.e. infrastructure assets may have been overstated by most authorities.
10.	An update to the Code was made at the end of November 2022, along with new regulations which provide a temporary solution to this national issue. This resulted in additional paragraphs included in our accounts, to the effect that the Council is making use of the statutory override and changes afforded by the Code update and is not reporting the gross book value or accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.
11.	CIPFA will consult further on longer term accounting resolutions to this issue.

	<b>PENSION LIABILITIES</b>
12.	A further delay has occurred in the completion of the audit due to potential material variation between figures in SCC accounts for pension liabilities (via the Local Government Pension Scheme or LGPS) and the triennial actuarial review of Hampshire LGPS valuation. Different assumptions are often used between the pension liabilities included in the accounts and the Hampshire LGPS valuation, but since on this occasion there are significant differences on the pension liabilities an updated report from the Actuary has been requested to refresh 2021/22 figures and to confirm if any adjustments are required.
13.	Even if the pension liabilities need to be adjusted, after an updated report from the actuary, this will not impact on the reported General Fund position for 2021/22. Accounting rules ensure that fluctuations in the liabilities do not affect the General Fund position, rather they impact on the long term payment via the employer's contribution rate into the LGPS fund. As there is ultimately no effect on the 2021/22 outturn, it is therefore viewed as a minor change that could be addressed within the delegation granted to the Committee Chair and S151 officer.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
14.	Not applicable
<b><u>Property/Other</u></b>	
15.	Not applicable
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
16.	Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2021, the Accounts and Audit (Amendment) Regulations 2022 and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022.
<b><u>Other Legal Implications:</u></b>	
17.	None.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
18.	Not applicable
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
19.	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 as updated.

<b>KEY DECISION?</b>	<b>Yes/No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	<b>None</b>

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SUPPORTING DOCUMENTATION

**Appendices**

1.	
2.	

**Documents In Members' Rooms**

1.	Updated Statement of Accounts 2021/22
2.	

<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.		