

Report to:	Audit and Governance	16 th May 2024
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Finance	
Lead Officer:	Peter Maddock, Head of Finance	

2022/23 Accounts Approval

Executive Summary

1. The draft statement of accounts for the year 2022/23 were published in draft form on 28th March 2024 and are on the Council's website. The public inspection period ran to 13th May and the accounts are now presented for approval.
2. EY have been carrying out their value for money work on both 2021/22 and 2022/23 and will be reporting on that work in due course. There will not be a full audit of either year and the intention is to disclaim these accounts. It is not clear what the wording of the disclaim will be at this stage.

Recommendation

3. That Committee approve the draft accounts for 2022/23 reproduced at Appendix A.

Details

2022/23 Accounts

4. The Council has been preparing the draft accounts for 2022/23 over the last few months and published them subject to Committee approval on its website on 28th March 2024. These accounts are reproduced as Appendix A and some commentary is included below to assist the Committee.
5. The Comprehensive Income and Expenditure Statement (CIES) shows the income and expenditure of the Council for 2022/23 and relates to both the General Fund and the Housing Revenue Account. There is a Surplus of £75.922m for the year compared to a surplus of £103.980m in the prior year and this is driven by a number of changes.
 - a. There was an increase to the cost reported under finance services because the contribution relating to the A14 originally due over a 25 year

period was commuted to a one off payment in March 2023. This amounted to a sum of £4m instead of the £6m payable over the longer term.

- b. The Housing Revenue Account saw a reduced surplus as valuation reductions written off to the CIES were lower in the prior year (HRA statement p76)
- c. There was a significant increase in value of the Council's investment property in 2022/23 (note 10).
- d. Due to a change in the financial assumptions the pension liability has reduced from £59m to £0.427m from 2021/22 to 2022/23 (note 32 p67).

This however is not the overall picture for the General Fund as the Movement in Reserves Statement (MiRS) referred to below has to be taken into account also, which gives an overall surplus of £2.855m. This is a reduction when compared to the outturn reported to Cabinet in September 2023 and shown within the Narrative Report (page 7).

6. The MiRS contains various accounting adjustments that need to be removed from the cost of services figures when ascertaining the amount that can be charged against the Council Tax. Examples include Depreciation and Asset impairments, Pension and Collection Fund adjustments. The statement also includes amounts appropriated to reserves and items that need to be charged against the Council Tax but do not form part of the CIES.
7. The Balance Sheet shows what the Council owns and what it owes. The largest figure, unsurprisingly, relates to Property Plant and Equipment which has remained largely unchanged between the two years.
8. In 2021/22 one of the Council's investment properties was reclassified as an asset held for sale as at 31st March the sale was in progress. The property concerned was sold early in 2022/23 and therefore the property has been removed from the Balance Sheet. The value of the remaining properties has increased by around £15m from £38m to £54m after also allowing for a small amount of capital expenditure.
9. The Council had general fund borrowings of £50m at the end of 2021/22 but this had reduced to £40m a year later. The sale of the aforementioned investment property meant some of the borrowing did not need refinancing and because some of the sale proceeds were needed to finance the capital programme, short term investments increased (Note 13).
10. The pensions liability has reduced from £59.104m to £0.427m. The valuation is based on a number of assumptions, such as future pensions and estimated salaries which as expected have increased, life expectancy has been reduced and the return on plan assets has increased. The main reason for the increase in returns is related to the recovery from the low returns assumed previously as a result of the pandemic. These factors have acted to reduce the liability. Having said that the liability will not crystallise any time soon and it is possible that for 2023/24 there will be a pension asset.

11. The cashflow statement shows the change in cash and cash equivalents. A cash equivalent being a financial instrument that can be readily turned into cash within a short period of time. The statement shows the type of cashflows and how we get from the surplus/deficit on provision of services to the cash and cash equivalent figures in the balance sheet.
12. The statements above are often referred to as the 'core' statements.
13. There are a number of notes in the statement which give more detail on items within the core statements, and these are prescribed by the accounting code.
14. There are other statements within the accounts that are not classed as core but nevertheless need to be provided where the activity concerned is carried out by the Council. These are the Housing Revenue Account (HRA) Income and expenditure statement and related notes and the Collection Fund and related notes.
15. The former is concerned with the income and expenditure related to the management and maintenance of HRA property in the Council's role as a social landlord the latter is concerned with the collection and distribution of the Council Tax and Business Rates in the Council's role as the billing authority.
16. Finally, because the council has three wholly owned subsidiaries, Group Accounts need to be produced to show the financial performance of the four entities after adjusting for transaction between the entities.

Options

17. The report asks the committee to approve the draft accounts for 2022/23. The other option is not to consider this report.

Implications

18. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

Financial and Fraud Risk

19. Timely and robust consideration of the Council's budgets is vital to ensure that financial statements are correctly stated, financial procedures are followed and that the financial position of the Council is effectively managed and monitored.
20. The assessment and management of fraud risk is an integral part of the final accounts and audit process and the Council is required to report on any fraud experienced and the arrangements it has in place to prevent and detect fraud. The Council has robust arrangements in place that includes our corporate fraud team, internal audit and this committee has fraud risk and management within its terms of reference.

Legal

21. There is a requirement under the Accountancy and Audit Regulations for Council's to present their accounts for the preceding financial year for audit by 31st of May each year and for those accounts to be audited and published by 31 July each year. The report highlights that these dates will be changed going forward and given the historical issues experienced this makes a lot of sense and should ensure the catch up process is successful and is sustained longer term.

Risks/Opportunities

22. There is a risk that the financial statements are incorrectly stated with consequential impacts. Whilst the 2022/23 accounts will not be subject to a full audit, the 2023/24 accounts will be. KPMG our the Council's auditors for 2023/24 and beyond and their work will provide assurance on the accounts going forward.

Alignment with Council Priority Areas

A modern and caring Council

23. Producing an annual statement of accounts is key to supplementing the financial information already in the public domain, to ensure the full transparency of the Council's financial affairs.

Appendix

Statement of Accounts.

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