

## **AUDIT COMMITTEE – 21<sup>st</sup> November 2023**

### **Report of the Head of Finance**

#### **STATEMENT OF ACCOUNTS 2022/23**

##### **Purpose of the Report**

To consider the Council's Statement of Accounts for 2022/23 and approve them for publication.

##### **Recommendations**

1. That the Statement of Accounts for the year ended 31<sup>st</sup> March 2023 (attached at Appendix A) be approved and that the Chairman (as Presiding person) be authorised to sign the accounts on behalf of the Audit Committee.
2. That the Letter of Representation, as per Appendix B, be approved for signature by the Chief Financial Officer.

##### **Reasons**

1 and 2 - To comply with the Accounts and Audit (England) Regulations 2015.

##### **Background and Explanation of the Main Features of the Accounts**

The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit (England) Regulations 2015 to 'present a true and fair view' of the financial position of the authority.

The code is based on International Financial Reporting Standards ('IFRS') amended as necessary in respect of legislation governing local authorities, and, as a result of these rules and guidance the layout of the accounts is effectively prescribed and contains: -

**Narrative Statement** – this sets the scene for the Statement of Accounts, giving the overall economic context, more detailed context relevant to the Council and picking out the main points of note on Revenue and Capital. It also references non-financial performance and risk.

**Statement of Responsibilities** – shows the responsibilities of the Council and Chief Financial Officer for these accounts.

**Comprehensive Income and Expenditure Account** – shows the cost of services and how they were financed.

**Balance Sheet** – shows a snapshot of all the Council's assets and liabilities at year end, both long and short term.

**Movement on Reserves Statement** – shows the movement in reserves during the year between usable and unusable reserves (the latter being held to store revaluation gains or as adjustments per legislation and/or accounting practice), and the actual change to the reserves after all adjustments.

**Cash Flow Statement** – sets out the flow of cash into and out of the Council.

**Accounting Policies** – technical explanation of main policies and assumptions used in preparing the accounts.

**Notes to the Financial Statements** – these explain in more detail the make-up of the various amounts included in the core statements.

**HRA (Housing Revenue Account) Income and Expenditure Account** – this shows income and expenditure regarding Council dwellings.

**Collection Fund** – sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business rates as they are more commonly known.

**Auditors Report** – this is the report of the external auditors, Mazars, on the accounts for the year.

**Annual Governance Statement** – this sets out the Council's Governance procedures and reviews their effectiveness.

### **Purpose of the Accounts**

The published Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties' clear information about the authority's finances.

In addition, in order to ensure that the Council is making the best use of its resources, Councillors are encouraged to undertake a robust review of these accounts and make sure that any issues are fully debated, and any queries answered.

Basic questions answered by the accounts could include: -

- What did the authority's services cost in the year of account?
- Where did the money come from?
- What were the authority's assets and liabilities at the year-end?

The Statement must comply with the Code so that a common pattern can be established across different authorities, and, for this reason, it is essential that authorities define individual costs in line with the Service Reporting Code of Practice. There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.

This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts are explained below and a Glossary of Terms are shown on page 70 of the Accounts.

### **Main Changes for 2022/23**

Major differences between the 2022/23 figures and those for 2021/22 are shown in Note 5 on page 5 of the accounts as part of the narrative statement.

### **Statement of Responsibilities for the Statement of Accounts, Corporate Governance and the External Audit Report (page 8)**

The Statement of Responsibilities on page 8 underlines the responsibility, conferred by law, on the Section 151 officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. Both the Section 151 officer and the auditors have to confirm that the accounts present a 'true and fair' view.

### **Comprehensive Income and Expenditure Account (page 9)**

This core statement shows the gross controllable income and expenditure across each service area with a net controllable cost chargeable against the General Fund and HRA for the year and then how these were financed.

The next section provides information on the income and expenditure relating to the Council as a whole i.e. these cannot be allocated to specific services. The following section shows how the Council's net expenditure was financed externally through Council Tax, NNDR and General Government Grants with a Deficit on Provision of Services of £2.2m (£9.9m surplus in 2021/22). Any revaluation gains and losses on Assets and the Pension Fund are then adjusted underneath this to give a Total (surplus)/deficit Comprehensive Income and Expenditure figure of £82.5m surplus (£64.2m surplus in 2021/22). How this amount affects the Council's reserves is then explained in the Movement in Reserves Statement on pages 11 to 13. There is an

increase to the General Fund Balance of £200k (£753k increase in 2021/22) and HRA £3k reduction in 2022/23 (£4k increase in 2021/22).

### **Balance Sheet (pages 10 to 11, and corresponding notes on pages 22 to 56)**

This statement is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserve available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.

### ***Assets and Liabilities (PPE Balance Sheet page 10)***

Property, Plant and Equipment (Note 10 page 27) – The major movement in Fixed Assets between the two years was an increase of £25.4m being: -

- Council Dwellings £25m; relates to the revaluation increases in Council Dwellings, the purchase of 4 new properties and the disposal/sale of 28 properties (10 new properties and disposal/sale of 50 properties in 2021/22).
- Other land and buildings £2,761m relates to planned improvements to council buildings including Southfields Council Offices.
- A reduction in surplus assets of £0.7m.
- A reduction of £1.244m in assets under construction due to reclassification of Loughborough Cemetery (New Bural Provision).

***Intangible Fixed Assets*** – this comprises of computer software and ancillary costs.

***Current Assets*** – are items that could be readily converted into cash (within 12 months) and the order of these represents their convertibility.

***Current Liabilities*** – are short term creditors, being amounts due to suppliers within 12 months, provisions are set aside for NNDR backdated appeals and bank overdraft.

***Long-Term Borrowings, over 12 months*** – this is the £79.19m borrowed in respect of the HRA plus an existing loan of £2.0m.

***Pension Liability*** – the £9.0m (£60.4m in 2021/22) is calculated each year based on parameters in accordance with Pension Valuation IAS 19 and represents the difference in the scheme's assets compared to its liabilities. This is offset by the pension reserve in the final part of the Balance Sheet. The contributions to the scheme by both employees and the Council are targeted to reduce any deficit over time.

### **Financing of the Assets less Liabilities (page 11)**

The above descriptions dealt with the net assets side of the Balance Sheet, and these are all supported by various reserves and balances. This is more complicated in a local authority because there are no shareholder funds, or proprietor's funds, as one would have in a commercial enterprise.

The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.

### **Movements in Reserves Statement (pages 11 to 13)**

This shows the movement on the different reserves held by the Council during the financial year. It is analysed between those reserves which are usable by the Council and those which are held for accounting/legislative purposes and are unusable.

### **Consolidated Cash Flow Statement (page 14, and corresponding notes on page 44)**

This statement shows the significant elements of receipts and payments of cash by the authority in dealing with third parties.

### **Housing Revenue Account (pages 57 to 63)**

This 'ring fenced' account, although included in the Income and Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation. The HRA contributed £2.2m during 2022/23 into the HRA Financing Fund and £0.2m into the Major Repairs Reserve in the year leaving a balance on the HRA Revenue Account of £0.6m as at 31<sup>st</sup> March 2023.

The HRA Financing Fund as an earmarked reserve fund for future HRA Business Plan needs. The balance as at 31<sup>st</sup> March 2023 is £16.8m. The HRA also has a Major Repairs Reserve of £4.48m. The total HRA Reserves as at 31<sup>st</sup> March 2022 was £21.87m.

### **Collection Fund (pages 64 to 69)**

This is another account prescribed by statute and deals with transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Combined Fire Authority and the Police, as well as to Charnwood. The account represents a quasi 'trust' account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors. The total preceptors Council Tax carry forward surplus as at 31<sup>st</sup> March 2023 is £18k (£874k in 2021/22) to be reallocated in future years. Charnwood Borough Councils share of the surplus is £2k (surplus £100k in 2021/22).

The National Non-Domestic Rates (Business Rates) are collected on behalf of Leicestershire County Council, Combined Fire Authority, Central Government and the

Council itself. The Government sets various proportions and amounts to be paid to the parties and the Collection Fund then reflects the actual position based on the amounts collected and paid out, provisions for bad and doubtful debts, provisions for potential rating appeals and amounts retained to cover the cost of collection and 'disregarded amounts'. The latter relate to certain discounts made locally. The total preceptors NNDR carry forward surplus as at 31<sup>st</sup> March 2023 is £2.58m (deficit £4.60m in 2021/22) and will be reallocated in future years. Charnwood Borough Councils share of the surplus is £1.03m.

### **Mazars Independent Audit Report**

This report will be explained by the external auditors.

### **Annual Governance Statement 2022/23**

The Statement explains the assurance gearing process and considers the wider arrangements supporting a sound corporate governance framework. A separate report to this Committee will set out considerations in respect of this statement in more detail.

The Chief Executive and the Leader of the Council must sign this statement each year following the audit of the accounts.

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