

## Draft Statement of Accounts 2022/23

Date: 24<sup>th</sup> July 2023

Report of: Chief Finance Officer

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

- The report presents the draft statement of accounts for 2022/23 to the committee for information.
- The draft accounts will be approved by the Chief Finance Officer, and following this will be made available for the statutory public inspection period on the council's website.
- The accounts will be subject to audit by Grant Thornton over the autumn and winter, and it is anticipated that the final audited accounts will be presented to the committee for approval in February.

### Recommendations

- a) Members are asked to note the unaudited statement of accounts for 2022/23, which is to be certified by the Chief Finance Officer

## **What is this report about?**

- 1 The purpose of this report is to present to the Committee the draft unaudited 2022/23 Statement of Accounts. The Statement of Accounts is included with the agenda as a separate document for Committee members and is also published on the Council's internet site with the Committee papers. Details of roles, responsibilities and timescales for approving the annual statement of accounts are given from paragraph 9 below.

## **What impact will this proposal have?**

- 2 This is a factual report from the Chief Finance Officer on the Council's 2022/23 financial accounts. The accounts present the council's financial position for the year in the format required by accounting standards, incorporating technical transactions relating to non-spendable reserves in addition to the outturn position which members will already be aware of.
- 3 The main financial issues arising from the statement of accounts are :
  - 3.1 The final outturn position for the year was a £12.4m overspend in comparison to the latest budget. The overspend was funded from the Strategic Contingency Reserve, with the level of the General Fund Reserve being unchanged at £33.2m.
  - 3.2 The Council's net worth has increased by £1,753m during the year and stands at £4,136m. The most significant factor in this increase was a reduction in net pensions liabilities of £1,498m. This change is primarily due to the fact that the current value of future pension payments is estimated using a discount factor based on corporate bond yields, which have risen significantly over the course of the year as interest rates have risen. The position for the Council's mainstream Local Government Pension Scheme funded pensions has changed from a net liability to a net pension asset of £98m. This situation is extremely unusual, and it should be noted that the significant change in the pensions position reflects the way in which it is required to be measured at the balance sheet date, rather than any significant reduction in the Council's expected future pension contributions.
  - 3.3 The value of the Council's land, property and equipment held on the balance sheet has increased by £357m. This increase included £397m of expenditure on new or existing assets, with assets valued at £72m being disposed of during the year.
  - 3.4 Net borrowing during the year for capital and treasury purposes has increased by £232m, in comparison to an increase of £105m in the borrowing element of the capital financing requirement.
  - 3.5 The Council's level of usable reserves has decreased by £64.2m, with usable capital reserves decreasing by £36.3m and usable revenue reserves decreasing by £27.9m.
  - 3.6 The deficit on the Collection Fund reduced significantly during the year, as the Council and other precepting bodies made the second of three annual contributions towards the deficits which had arisen during 2020/21 due to the impact on council tax and business rates income of the coronavirus pandemic. The position on business rates before these deficit contributions was a deficit, however this position included additional reliefs being granted to businesses for which the council receives grant funding, and £8.7m of grant funding has been carried forward in earmarked reserves to be applied in 2023/24 to offset the impact of the additional reliefs on the 2023/24 precept. The Council's share of the closing business rates deficit is £9.1m and its share of the council tax deficit is £7.5m. These figures include the impact of legislation which allows the portion of the 2020/21 deficits for both council tax

and business rates which were not funded by grants to be spread over three years from 2021/22 to 2023/24.

- 4 A full analysis of these and other financial issues is included in the Foreword of the Chief Finance Officer which can be found at the front of the accounts.

**How does this proposal impact the three pillars of the Best City Ambition?**

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 5 The report relates to the council's underlying financial position rather than to any particular aspect of service delivery.

**What consultation and engagement has taken place?**

Wards affected:

Have ward members been consulted?       Yes       No

- 6 This is a factual report from the Chief Finance Officer on the Council's 2022/23 financial accounts and consequently no public, ward member or councillor consultation or engagement has been sought.

**What are the resource implications?**

- 7 This is a factual and retrospective report of the Chief Finance Officer on the financial accounts of the Council for 2022/23. There are no additional financial or value for money implications.

**What are the key risks and how are they being managed?**

- 8 The Council's external auditors will provide a risk assessment on the accounts process as part of their annual audit plan, which is expected to be presented to the Committee at the September meeting. The specific areas identified as audit risks will be covered as part of their audit work, and any issues arising will be reported to this committee at the meeting at which the final audited accounts are presented for approval.

**What are the legal implications?**

- 9 The Accounts and Audit Regulations 2015 set out the timescales and the roles and responsibilities for approving English local government annual accounts.

- 10 The requirements for approving the statement of accounts are :

10.1 The draft accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer, and then to be made available for public inspection for a period of thirty working days.

10.2 In response to the ongoing impact of the coronavirus pandemic and delays to the audit process arising from a number of factors, the government had previously made changes to the Regulations to extend the publication deadlines for councils' draft accounts for 2020/21 and 2021/22 to 31<sup>st</sup> July. However for 2022/23 the government opted to set the publication

date as 31<sup>st</sup> May. In setting this date, the government had been made aware via a consultation that it would not be achievable for a significant number of councils. In the event, less than a third of English local authorities published their draft accounts by 31<sup>st</sup> May, and the Council is therefore not unusual in publishing its 2022/23 draft accounts later than the statutory deadline. A notice was published on the Council's website explaining the reasons that the date of 31<sup>st</sup> May was not met and giving the expected timescales for publication.

10.3 Once the audit process has been completed, this Committee is charged with approving and publishing the final audited accounts on behalf of the Council. For the 2022/23 accounts the Government has brought forward the deadline for publishing final audited accounts to 30<sup>th</sup> September 2023. In the event that the audit is not completed by the statutory date, as has been indicated by Grant Thornton will be the case, a notice must be published on the council's website by this date to explain the delay.

10.4 To enable members to discharge their responsibilities for approving the accounts, which is expected to be at the February 2024 meeting of the Committee, the following assurances can already be given, or will be given within the approval process :

- a) The Chief Finance Officer in her capacity as the Responsible Financial Officer will sign the draft 2022/23 accounts, confirming that she is satisfied that they present a true and fair view of the Council's financial position.
- b) The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which represents proper accounting practice for local authorities, as required by the Accounts and Audit Regulations 2015.
- c) Grant Thornton will be undertaking a detailed audit of the accounts to ascertain that, in their view, the accounts show a true and fair view of the Council's financial position. They will report any significant issues back to this Committee.
- d) Stakeholders have thirty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered an eligible objection the auditors would investigate the complaint or questions and determine whether the accounts needed amendment. Any significant issues raised in this way would be reported back to this Committee. For 2022/23, the public inspection period will commence on 24<sup>th</sup> July.
- e) Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the February Committee prior to approving the accounts. In addition, informal briefing sessions will be held for members before the final audited accounts are presented to the Committee for approval.

## **Options, timescales and measuring success**

### **What other options were considered?**

11 The report presents the 2022/23 draft statement of accounts to the committee, and does not relate to a proposed course of action requiring options.

### **How will success be measured?**

12 The results of Grant Thornton's 2022/23 audit will be reported to the committee.

**What is the timetable and who will be responsible for implementation?**

13 The report relates to financial performance in the 2022/23 financial year rather than to future actions which would require implementation.

**Appendices**

- None

**Background papers**

- None