

AUDIT & GOVERNANCE COMMITTEE

27th SEPTEMBER 2023

REPORT OF THE INTERIM EXECUTIVE DIRECTOR FINANCE

ANNUAL STATEMENT OF ACCOUNTS & REPORT 2022/23

EXEMPT INFORMATION

None

PURPOSE

To approve the Statement of Accounts (the Statement) for the financial year ended 31st March 2023 following completion of the external audit.

RECOMMENDATION

That Members:

- 1. approve the Annual Statement of Accounts 2022/23;**
- 2. delegate authority to the Chair of the Audit and Governance Committee to approve any changes and re-sign the accounts, if necessary, once the audit is concluded by the external auditors.**

EXECUTIVE SUMMARY

Legislation detailed in Accounts and Audit (England) Regulations 2015, requires the Council to prepare a Draft Statement of Accounts by 31st May (approved by the Council's Chief Finance Officer - the Executive Director Finance), a Committee of the Council to approve the Statement by 31st July and for the Council to publish the Statement together with the Auditors' opinion by 31st July.

However, because of the impact of continuing issues regarding accounts and audit completion., the requirement was amended again for 2022/23, with the deadline for publishing audited statements being pushed back to 30th September 2023.

The Finance team planned for the completion of the Statutory Accounts by 30th June, and the final draft accounts as signed by the Executive Director Finance were issued to the External Auditor and published on the Council's website on 22nd June 2023.

As part of the annual audit process for 2022/23, the Council's external auditors, Grant Thornton, have prepared their Audit Findings Report (to be considered separately on this agenda) for consideration prior to issue of their opinion, conclusion & certificate.

It has previously been reported to Members that as a result of the need to close the accounts earlier (and sometimes rely on estimates in doing so) it is more likely that there will be changes required to the draft accounts before they are finalised.

The external auditors have during the course of their audit identified a number of misstatements as set out in their Audit Findings Report, including £565k arising from an error in the valuations of Garages Land as part of Other Land and Buildings. The impact of the misstatements is less than the £1.25m materiality limit and therefore does not require any amendments to the accounts.

Following identification as part of the audit, a number of other amendments to the Draft (as published on the website on 22nd June) have been discussed & agreed with Grant Thornton.

The agreed changes have been actioned within the Final Statement of Accounts for 2022/23 as attached at **Appendix 1**. It is important to note that these adjustments relate to presentational or disclosure issues and have not changed the overall figures within the main financial statements and the associated notes and do not have any impact on the reported outturn position and net balances of the General Fund, Housing Revenue Account or Collection Fund.

Regulations require the Chair of the Audit & Governance Committee meeting to sign and date the Statement of Accounts with the intention that the Chair's signature formally represents the completion of the Council's approval process of the accounts.

However, whilst the External Auditors have concluded the vast majority of their work on the accounts, we have been advised that concluding work is needed and the opinion on the accounts is not yet available, pending the completion of the audit. For this reason it is proposed to delegate authority to the Chair to approve any changes and re-sign the accounts, if necessary, once this work is complete and the audit can be concluded. Members of Audit and Governance Committee will be advised of any significant changes at the earliest available opportunity.

It is worth noting that both the External Audit team and the Finance teams have faced significantly higher assurance and information demands arising from the additional testing requirements and higher sample sizes now required by the audit regulator – including for valuations, journals, income and expenditure, cut off testing, and assurances around ICT.

RESOURCE IMPLICATIONS

For 2022/23, a revenue budget underspend for the General Fund of £0.717m is reported with an increase in General Fund closing balances of £0.46m compared to the budgeted/planned decrease of £1.206m.

It should be noted that the Medium Term Financial Strategy, approved in February 2023, identified estimated budgeted General Fund balances of £9.17m (at 1st April 2023) compared to the actual closing balances of £9.615m - additional balances of £0.445m. There has been no material change from the Provisional Outturn forecast closing balances of £9.531m.

The main variances for the year include:

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income*		
Additional car park income	(119)	
Additional S31 grant income associated with administering LA grant schemes (net of transfer to reserve for future year costs)	(135)	
Higher business rates pooling returned levy due to increased business rate income	(1,155)	
Higher levels of investment income due to the rise in interest rates during the year, including item 8 recharge and property fund dividends	(1,577)	(2,986)
Shortfalls in Income		
Summer Fest - lower income levels than forecast	500	
Bad debt provision for unpaid rent invoices	705	1,205
Non-Budgeted Expenditure / Overspends		
Joint waste service – additional costs due to current economic conditions	183	
Higher levels of interest payable to the HRA and reserves	513	
Increased provision for property fund valuation reduction	520	1,216
Savings / Underspends		
Unspent contingency	(132)	(132)
Other Variances - Net (Underspends) / Overspends		(20)
Total (Favourable) / Unfavourable Variance		(717)

The Housing Revenue Account reports an overspend of £1.003m with a decrease in Housing Revenue Account closing balances of £2.956m. For the HRA balances of £4.431m were forecast at 1st April 2023 compared to the actual closing balances of £2.761m – reduced balances of £1.67m. There has been no material change from the Provisional Outturn forecast closing balances of £2.845m.

The main variances for the year include:

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income		
Increased investment income on balances (item 8)	(358)	(358)
Non-Budgeted Expenditure / Overspends		
Higher provision for depreciation due to increased asset valuation	1,102	
Housing Repairs - additional costs associated with response to COVID-19 including payments made under the Government guidance note PPN02/20	130	
Increased Contribution to Capital due to reinvestment of affordable rents in line with agreed policy	395	
Increased interest on debt due to rising interest rates	133	1,760
Savings / Underspends		
Housing Repairs - reduced planned maintenance	(219)	
Contingency Budget not required	(130)	(349)
Other Variances - Net (Underspends) / Overspends		(50)
Total (Favourable) / Unfavourable Variance		1,003

The outturn for the 2022/23 capital programme identifies an underspend of £34.4m against the approved budget of £53.166m. The actual spend was £18.765m (no change since the Provisional Outturn).

It has been approved that £29.154m of scheme spend be re-profiled into 2022/23. This will result in an overall underspend of £5.2m for the 2022/23 capital programme.

Deferred Capital Expenditure	£000	£000
Housing Capital Programme		
Enhancements to Council Dwellings	3.3	
Improvements to the High Rise Flats	0.7	
Regeneration & Acquisition of Council Dwellings	3.7	
Other	0.1	7.9
General Fund Services		
Future High Street Fund Town Centre Regeneration	17.1	
Gungate Development	0.7	
Repairs to Castle	0.4	
Amington Community Woodland	0.8	
Disabled Facilities Grant	1.3	
Other Capital Schemes	1.0	21.3
Total		29.2

LEGAL / RISK IMPLICATIONS

Legislation detailed in Accounts and Audit (England) Regulations 2015, requires the draft statement of accounts to be prepared by 31st May and for a Committee of the Council to approve the audited Statement and for the Council to publish the Statement together with the Auditors' opinion by 31st July.

However, because of the impact of continuing issues being experienced with regard to accounts and audit completion., the requirement was amended again for 2022/23, with the deadline for publishing audited statements being pushed back to 30th September 2023.

REPORT AUTHOR

Jo Goodfellow, Interim Executive Director Finance

LIST OF BACKGROUND PAPERS

Quarter Four 2022/23 Performance Report (including Provisional Outturn Report 2022/23) – Corporate Scrutiny Committee, 20th June 2023 and Cabinet, 29th June 2023

