

**AGENDA ITEM**

**REPORT TO AUDIT AND  
GOVERNANCE COMMITTEE**

**31 JULY 2023**

**REPORT OF DIRECTOR OF  
FINANCE, DEVELOPMENT  
AND REGENERATION AND  
DEPUTY CHIEF EXECUTIVE**

**DRAFT STATEMENT OF ACCOUNTS 2022/2023**

**PURPOSE OF REPORT**

This report presents to Members the Council's (and Group) Draft Statement of Accounts for 2022/2023.

The Council is required by law to produce a detailed Statement of Financial Accounts, which provides information to all stakeholders. The Statement explains in detail how the Council uses its resources and, the net value of the Council (in terms of its assets, liabilities and reserves).

**RECOMMENDATIONS**

It is recommended that the Audit and Governance Committee

- Note the financial information presented in the report and the Council's unaudited Statement of Accounts and the financial position for 2022/23, as at 31 March 2023.
- Note the arrangements for the public inspection and external audit of the Statement of Accounts for 2022/23.
- Note that at this stage, due to ongoing external audit delays it is anticipated that the statutory accounts publication deadline is unlikely to be achieved for the 2022/23 financial year.

**DETAIL**

1. The accounts have been completed in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023" which is prepared under International Financial Reporting Standards.
2. The Accounts and Audit Regulations (England) 2015 came into effect on 1<sup>st</sup> April 2015. The regulations changed the arrangements for the approval and publication of the Statement of Accounts and the Annual Governance Statement. The Accounts and Audit (England) Regulations 2015 - Regulation 15, as amended by The Accounts and Audit (Amendment) Regulations 2021 require the council to publish the unaudited Statement of Accounts for the financial year ending 31 March 2023 by 31 May 2023.
3. The Council were unable to achieve this deadline due to ongoing unresolved revaluation issues relating to the value of pension fund liabilities as at 1 April 2022. These issues are similar to difficulties faced by a number of local authorities across the Country and the majority of local authorities in England did not meet this very challenging deadline.

4. For the Publication of the unaudited statement of accounts, the requirement in the Accounts and Audit Regulations 2015 (as amended) is for the public inspection period to be commenced by 1 June. However, this commencement can only happen at the earliest the first working day after the unaudited accounts (and other specified documents) are published.
5. If publication is not possible by these dates then in England the Accounts and Audit Regulations 2015, as amended, require the following actions:
6. For the unaudited statement of accounts, as soon as reasonably practicable, publish a notice stating that the authority has not been able to commence the period for the exercise of public rights and the reasons for this. The public inspection period must then be commenced as soon as reasonably practicable. This notice with the relevant explanation for the delay was posted on the Councils website on the 31<sup>st</sup> May 2023.
7. Based on the updated regulations it is the intention that following this meeting the period in which electors have the right to examine the accounts, question the auditor and to make objections at audit will be set. This is a period of 30 working days which will commence on 1<sup>st</sup> August and will end on 11<sup>th</sup> September 2023.
8. The Accounts and Audit Regulations (Amendment 2022) were laid before Parliament on the 28<sup>th</sup> June 2022. These amendments change the deadline for Authorities to publish their statement of accounts and supporting documents (together with any certificate or opinion of the local auditor) from 31st July to 30th September for the financial years beginning in 2022, 2023, 2024, 2025, 2026 and 2027.
9. However, due to national challenges impacting on the completion of Local Authority audits, there is a risk that the 2022/23 accounts audit will not be completed in accordance with the 30 September 2023 deadline. Further details of delays are covered in page 5 and 6 of Mazars Audit Progress report, which is also presented as part of the agenda.
10. During 2022/23 the Government continued to provide a range of Covid financial support packages and also funds in relation to the energy crisis. These included additional funding to support service pressures (both income and expenditure) caused by the pandemic, funding for specific measures and initiatives, and grants paid to local businesses and households. In accordance with the Code of Practice, where the authority has the ability to determine/influence the grant scheme criteria it is said to be acting as a Principal. Where the authority has acted as principal, transactions are included in the financial statements and on this basis, the majority of Covid grants are recognised in the Comprehensive Income and Expenditure Statement (CIES).
11. However, there are some instances where the Council has acted as an agent i.e. the Council has simply acted as an intermediary and passed the funds onto recipients following government criteria. Where the Council has acted as an agent, transactions are not reflected in the authority's financial statements.

## **KEY FINANCIAL INFORMATION**

12. The following key financial figures (non-group) are included in the accounts:
  - A deficit of £1.413 million is reported against directorate revenue budgets for 2022/23 (see revenue year end table page 15). This reflects the planned use of available surplus general fund balances, following outturn 2021-22. A further £2.327m in usable reserves was applied in 2022/23. This use of reserves was approved by Council on 22<sup>nd</sup> February 2023. Further details of the outturn position

can be found in the MTFP report presented to Cabinet on 13th July 2023.

- Total capital spending was £47.9 million during 2022/23 (see page 16).
  - Due to the significant reduction in the re-measurement of the defined benefit pension liability the Comprehensive Income and Expenditure Statement shows a surplus of £340.046 million in year. Also see paragraphs 13-16 below.
  - Current long-term investments and cash and cash equivalents amount to £24.341 million. This is a reduction of £6.631 million from the previous year.
  - The Council's current long and short-term borrowings total £94.240 million which is an increase of £9.777 million over the previous year. This increase reflects an increase in short term borrowings undertaken at the year-end for cash flow purposes. This is in line with our Treasury Management Strategy, approved by Council on 23<sup>rd</sup> February 2022, and the total borrowing amount is lower than estimated. The Treasury Management Outturn Report 2022/23 will be presented to the Audit & Governance Committee in September, which will provide details of Treasury Management activities during 2022/23.
  - The Council's earmarked reserves (excluding schools) stand at £52.706 million and school related reserves are £3.493 million. Note 7 provides further details on earmarked reserves.
  - The level of General Fund Balances at the 31<sup>st</sup> March stands at £8.0 million a decrease of £1.413 million over the previous year, in line with the MTFP report to Council in February 2023. General Fund Balances are intended to provide some overall flexibility and protection against adverse variances in budget assumptions, and unforeseen events.
13. Following the pensions valuation by the Councils actuary, Hymans Robertson LLP, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2023 resulting in a pension plan asset for the first time. The pension fund liability of £243.939 as at 31<sup>st</sup> March 2022 has shifted markedly to become a net pension asset (in other words the value of pension fund assets are in excess of the value of pension fund liabilities) and stands at a net value of £101.742 million.
14. This significant change relates to a change in the assumptions used by the Pension Fund Actuary, Hymans Robertson LLP, as part of the Council's actuarial valuation. The assumptions are determined by the Actuary and represent market conditions at the reporting date.
15. There is a limit of the value of Pension Asset that can be recognised on the Councils balance sheet which is set by International Accounting Standards. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:
- The surplus in the defined benefit plan; and
  - The asset ceiling, the asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
16. At the time of publishing the Council has not adjusted the pension fund asset values to reflect the asset ceiling figure, as we are awaiting technical guidance on how to present this within the accounts. The statement will be updated, prior to the publication of the final

accounts.

17. The external auditors, Mazars LLP will commence the statutory audit as soon as practically possible.

### **FINANCIAL AND LEGAL IMPLICATIONS**

Regulation 9(1) of the Accounts and Audit Regulations 2015 requires the Council's Responsible Financial Officer (Director of Finance, Development and Business Services) to sign and date the statement of accounts and certify that it presents a true and fair view of the financial position of the Council. Regulation 9(2) requires the Statement of Accounts to be approved by members prior to publication.

### **RISK ASSESSMENT**

None directly from this report.

### **COMMUNITY STRATEGY IMPLICATIONS**

None directly from this report.

### **CONSULTATION**

None directly from this report.

**Garry Cummings**

**Director of Finance, Development and Regeneration and Deputy Chief Executive**

**Contact Officer: Andy Bryson, Chief Accountant**

**Telephone Number 01642 528850**

**Email: [andy.bryson@stockton.gov.uk](mailto:andy.bryson@stockton.gov.uk)**