

AGENDA ITEM

**REPORT TO AUDIT AND
GOVERNANCE COMMITTEE**

30 MAY 2024

**REPORT OF DEPUTY CHIEF
EXECUTIVE & DIRECTOR OF
FINANCE,
TRANSFORMATION &
PERFORMANCE**

STATEMENT OF ACCOUNTS 2022/2023

PURPOSE OF REPORT

This report presents to Members the Council's Annual Statement of Accounts for 2022/2023.

RECOMMENDATION

The Deputy Chief Executive & Director of Finance, Transformation and Performance and Chair of the Committee sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue these as a public document.

SUMMARY

It was a statutory requirement of the Accounts and Audit Regulations 2015 (as amended) that the audited 2022/23 Statement of Accounts were approved by Members of the Committee and published on the Council's website on or before 30th September 2023. In order to comply with the regulations, the Deputy Chief Executive & Director of Finance, Transformation and Performance and Chair of the Committee are required to sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue these as a public document.

Unfortunately, the conclusion of the audit was delayed due to a number of reasons including;

- Delays in the issuing of the Teesside Pension fund assurance letter;
- Accounting for the net pension asset (the first time there has been a net pension asset). This involved obtaining an actuarial report on the calculation of the asset ceiling to see whether the net asset disclosed needed to be capped at a lower level. The actuarial report has in fact confirmed that the net asset disclosed is less than the asset ceiling and consequently a further adjustment to the 2022/23 financial statements has not been required.
- General backlog in the audit environment and prioritising the completion of the 2021/22 audit.

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 1st 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. 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.
4. The Accounts and Audit Regulations (Amendment 2022) were laid before Parliament on the 28th 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.
5. For the 2022/23 accounts the period in which electors had the right to examine the accounts, question the auditor and to make objections covered a period of 30 working days which, commenced on the 1st August 2023 and ended on 11th September 2023. The council did not receive any requests to examine the accounts during this period.
6. During 2022/23 the Government continued to provide a range of Covid 19 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).
7. 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

8. 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 22nd 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 £47.8 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 £346.253 million in year. This is covered in page 22 of the accounts. Also see paragraphs 9-12 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 23rd February 2022, and the total borrowing amount is lower than estimated. The Treasury Management Outturn Report 2022/23 was presented to the Audit & Governance Committee in September 2023, which provided full 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 £5.679 million. Note 7 provides further details on earmarked reserves.
 - The level of General Fund Balances at the 31st 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.
9. 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 31st 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.
10. 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.
11. 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.
12. The Council considered the accounting treatment in respect of the reporting of a net asset position on the Local Government Pension Scheme for 2022/23. This included evaluating whether the pension asset needed to be capped at a lower level. Based on asset ceiling calculation provided by the actuary, no adjustment was required to the net pension asset included within the accounts.

FINANCIAL AND LEGAL IMPLICATIONS

Regulation 9(1) of the Accounts and Audit Regulations 2015 requires the Council's

Responsible Financial Officer (Deputy Chief Executive & Director of Finance, Transformation and Performance) 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. Regulation 10(1) requires the publication of the approved, audited Statement of Accounts.

The Department for Levelling Up, Housing and Communities has put in place revised regulations that came into force on 31 March 2023. The Accounts and Audit (Amendment) Regulations 2022 extend the statutory audit deadlines 2022/23 for all local authorities. The publication date for audited accounts moved to 30 September 2023 for all local authority bodies.

RISK ASSESSMENT

None directly from this report.

COMMUNITY STRATEGY IMPLICATIONS

None directly from this report.

CONSULTATION

None directly from this report.

Garry Cummings

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