

AGENDA ITEM

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

27 JUNE 2024

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

DRAFT STATEMENT OF ACCOUNTS 2023/2024

PURPOSE OF REPORT

This report presents to Members the Council's (and Group) Draft Statement of Accounts for 2023/2024.

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 2023/24, as at 31 March 2024.
- Note the arrangements for the public inspection and external audit of the Statement of Accounts for 2023/24 (Para 7).

DETAIL

1. The accounts have been completed in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2023/2024" 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 2024 by 31 May 2024.
3. The Council were unable to achieve this deadline due to delays in the receipt of pension fund information for the period ending March 2024.
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 31st May 2024.
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 1st July and will end on 9th August 2024.
8. 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.

KEY FINANCIAL INFORMATION

9. The following key financial figures (non-group) are included in the accounts:
 - Even though the accounts show that a breakeven position is reported against directorate revenue budgets for 2023/24 (see revenue year end table page 14) there was an actual deficit of £7.06m. This reflects the planned use of available useable reserves. This use of reserves was approved by Council on 21st February 2024. Further details of the outturn position will be found in the MTFP report to be presented to Cabinet on 18th July 2024.
 - Total capital spending was £54.648 million during 2023/24 (see page 15).
 - The Comprehensive Income and Expenditure Statement (CIES) on Page 24 shows that there was a significant movement in the re-measurement of the defined benefit pension liability of £102.294 million in year. Also see paragraphs 10-16 below. Due to this movement the CIES shows a deficit of £89.460m for the year.
 - Current long-term investments and cash and cash equivalents amount to £16.041 million. This is a reduction of £8.290 million from the previous year.
 - The Council's current long and short-term borrowings total £108.386 million which is an increase of £14.146 million over the previous year. This increase reflects an increase in short term borrowings undertaken at the year-end for cash flow purposes and also capital expenditure in year funded by borrowing.
 - The Council's earmarked reserves (excluding schools) stand at £34.696 million and school related reserves are £5.791 million. Note 7 to the accounts on page 33 provides further details on earmarked reserves.
 - The level of General Fund Balances at the 31st March stands at £8.0 million. This is 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.

10. Following the pensions valuation by the Councils actuary in the previous financial year, 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 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 this stood at a net value of £101.742 million.
11. 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.
12. 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.
13. The 'default' methodology used by the actuary has changed since 2023 with regards to asset ceiling calculations. This is due to external auditor and practitioner views. These changing views and calculations mean that the net pension asset has been limited to £0.
14. 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 (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.

RISK ASSESSMENT

None directly from this report.

COMMUNITY STRATEGY IMPLICATIONS

None directly from this report.

CONSULTATION

None directly from this report.

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