

SUBJECT: STATEMENT OF ACCOUNTS 2022/23**REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK****LEAD OFFICER: LAURA SHIPLEY, FINANCIAL SERVICES MANAGER****1. Purpose of Report**

- 1.1 To present, for information, the final Statement of Accounts for the financial year ending 31 March 2023, following substantial completion of the audit opinion.

2. Executive Summary

- 2.1 The Statement of Accounts (SOA) for 2022/23 provide a comprehensive picture of the Council's financial circumstances and are compiled to demonstrate probity and stewardship of public funds.
- 2.2 The Council is statutorily required to publish its draft Statement of Accounts for 2022/23 by 31 May 2023 with an audit opinion and certificate by no later than 30 September 2023.
- 2.3 The Audit Committee should note that the Statement of Accounts for 2022/23 are still subject to final verification by external audit. The audit of the accounts is being finalised by Mazars, who commenced the audit in July. The majority of the audit work has now been completed, however should any changes be necessary as a result of this final external work, these will be reported to the Chair of the Audit Committee, with any material changes notified to the Audit Committee.
- 2.4 The Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from Mazars, this ran from 1st June until 15 June 2023 and the External Auditor was available to answer questions during that period, however no questions were received.
- 2.5 The Audit Completion Report also states that there were no significant findings or recommendations in relation to internal controls during the completion of the audit work.
- 2.6 The Council is also required to provide a documented annual review of the effectiveness of its governance arrangements (Annual Governance Statement), which sits alongside the Statement of Accounts. The overall level of assurance provided in 2022/23 was substantial (green) and is in line with our Code of Corporate Governance. Substantial progress has been made against the significant issue in relation to the IT Disaster Recovery Plan, that was included in the previous year's AGS, to the extent that the issue is no longer a significant governance issue. There were no new significant governance issues that were identified for inclusion in the 2022/23.

3. Background

3.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be certified by the Council's Chief Finance Officer by the 31 May each year. The Accounts were then released to be audited by the Council's external auditor, Mazars. After completion of the audit the accounts must be published with the audit opinion and certificate, and before that must have been approved by Full Council, normally by no later than 31 July each year. However, amended Regulations published in 2022 have extended this date to 30th September for a period of 6 years i.e. up to 2027/28. The timescales involved with the approval of the Statement of Accounts for 2022/23 are therefore as follows:

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|---|------------------|
| a) Report draft accounts to Audit Committee | 17 July 2023 |
| b) Report to Audit Committee | 8 November 2023 |
| c) Report to the Executive | 20 November 2023 |
| d) Approval by Council | 28 November 2023 |

3.2 In order to ensure that the current statutory deadline of 30 September is met Mazars must complete their audit and issue the relevant audit opinion. Where an audit of accounts has not been concluded by the statutory deadline, the Council must (in accordance with the Accounts and Audit Regulations 2015) publish as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the Statement of Accounts and its reasons for this. In accordance with this, a notice was published on the Council's website on 30 September to state that the audit of the 2022/23 Statement of Accounts had not yet been completed.

3.3 There is a great deal of technical detail contained in the statutory rigid format of the Accounts that is not always easily understood by the reader unless they are familiar with accounting and audit standards. To assist members in their understanding of the accounts:

- Training has been provided to the Audit Committee
- A short summary of the accounts has been produced at Appendix A
- The remainder of this report sets out a short summary highlighting the key figures in the financial statements.

4. Going Concern Assessment

4.1 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2022/23. In accordance with the Code the Council's Statement of Accounts is prepared assuming that the functions of the authority will continue in operational existence for the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business. The Code also states "An authority shall prepare its financial statements on a going concern basis unless there is an intention by government that the services provided by the authority will no longer be

provided. An intention by government to transfer services from one authority to another (for example, as part of local government reorganisation) does not negate the presumption that the authority is a going concern.”

- 4.2 We are satisfied there are no indications of changes to the ‘continued provision of services’ principle, which underpins our assessment of the Council’s going concern basis. The Council is not reliant on significant alternative sources of non-statutory funding and no events or conditions have been identified that highlight uncertainties in relation to the Council’s continuing existence and the extent to which our services may cease or transfer outside of the public sector.

5. Summary of Key Issues in the Financial Statements

5.1 The Comprehensive Income and Expenditure Statement

- 5.1.1 **The Comprehensive Income and Expenditure Statement (CIES)** (SOA page 25) – in line with statutory accounting practice the Comprehensive Income and Expenditure Statement (CIES) shows the Council’s actual performance for the year measured in terms of the resources consumed and generated over the last 12 months. It should not be misinterpreted as the financial outturn position of the Council as this statement contains a number of accounting entries required under International Financial Reporting Standards (IFRS). Regulation allows local authorities to reverse these amounts out of the accounts before determining their outturn position. There is a note to the accounts (Expenditure & Funding Analysis (SOA page 55)) that adjusts the expenditure that is chargeable to general fund and the HRA balances (as per the actual outturn position) to the accounting entries in the CIES under IFRS. To further assist members interpretation of the CIES the table below summarises the reconciliation between the net surplus on the Provision of Services of £25.317m in the CIES to the outturn position of a decrease in General Fund Balances of £0.218m and a decrease on HRA balances of £0.161m as reported in the Financial Outturn report (Executive 30 May 2023).

	£m	£m
Net (surplus)/deficit on the Provision of Services		(25.317)

Of which:

General Fund	£m	£m
Net (surplus)/deficit on the Provision of Services		(2.110)
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	(1.598)	
Revenue expenditure funded from capital under Statute	(4.461)	
Direct Revenue financing of capital expenditure	0	
Gain/loss on the sale of non-current assets	0	
Contribution to/from the pensions reserve	(1.389)	
Debt repayment and premiums & discounts on debt	0.824	
Short-term compensated absences	0.058	
Contribution to Government's Housing Capital Receipts Pool	0	
Capital grants & contributions unapplied credited to CIES	9.445	
Adjustment for Collection Fund	4.661	
Adjustment for Financial Instruments	0.002	
Transfer to/from Earmarked reserves	(5.650)	
Total Adjustments		1.892
(Increase)/decrease in General Fund Balances		(0.218)

Of which:

HRA	£m	£m
Net (surplus)/deficit on the Provision of Services		(23,207)
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	19.798	
Direct Revenue financing of capital expenditure	0	
Gain/loss on the sale of non-current assets	0.627	
Contribution to/from the pensions reserve	(0.799)	
Short-term compensated absences	0.029	
Capital grants & contributions unapplied credited to CI&ES	0.496	
Transfer to/from the HRA	2.147	
Transfer to/from Earmarked reserves	0.748	
Total Adjustments		23.046
(Increase)/decrease in HRA Balances		(0.161)
Overall (Increase)/decrease in Balances		(0.377)

- 5.1.2 Clearly the most significant issue for Members to be aware of from the Comprehensive Income and Expenditure Statement is how the Council performed financially in 2022/23, in comparison to the revised budget for the year. The General Fund is reporting an outturn of an overall budget surplus of £0.218m, against a revised budgeted surplus of £0.061m, resulting in an underspend of £0.157m. General Fund balances were therefore £2.415m as at

31st March 2023.

5.1.3 The Housing Revenue Account is reporting an outturn of an overall budget surplus £0.161m against a revised budgeted surplus of £0.039m, resulting in an underspend of £0.121m. HRA balances were therefore £1.191m as at 31st March 2023.

5.1.4 Further details on these are provided in the Narrative Report in the Statement of Accounts (SOA *page 3*) and were subject to a separate report to Performance Scrutiny Committee and Executive on the 25th May 2023 and 30th May 2023, respectively.

5.2 The Balance Sheet (SOA *page 26*)

5.2.1 **The Balance Sheet** is fundamental to understanding the Council's financial position at the year-end. It shows the Council's balances and reserves, long-term indebtedness, and the non-current and current assets employed in the Council's operations. The key information for members to be aware of in the Balance Sheet as at 31 March 2023 are:

5.2.2 **General Balances** – General balances have increased by £0.377m during the year, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
General Fund balances	2.197	2.415	0.218
HRA balances	1.030	1.191	0.159
HRS	0	0	0
Total	3.227	3.604	0.377

5.2.3 **Earmarked Reserves** - in total monies carried forward to pay for specific future commitments (including the insurance fund) have decreased by £5.627m, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	12.668	7.040	(5.627)

This is due to a number of contributions to and from earmarked reserves as reported as part of the 2021/22 Provisional outturn to the Executive 30th May 2023 and as detailed in Note 10 (Transfers to/ from Earmarked Reserves) in the Statement of Accounts (SOA *page 64*). The most significant use of reserves relates to the authorities share of the Business Rate deficit. Funding of £5.1m was utilised from the Business Rates Volatility Reserve, which had been received from the Government in 20/21 to finance the Collection Fund deficits which had occurred due to the Reliefs awarded in 21/22.

- 5.2.4 **Liquidity** – a reliable indication of liquidity is the ratio of current assets (excluding inventories) to current liabilities. The Council's current assets (excluding inventories) of £55.487m exceed current liabilities of £40.649m by a ratio of 1.36:1, which represents an increase from the previous year's ratio of 1.3:1. This is due to a reduction in short-term borrowing and short-term creditors.
- 5.2.5 **Debtors** – debtors have decreased by £8.371m to £16.545m. The decrease is mainly due to decreases in balances on the Central Government and County Council shares of the Council Tax and Business Rates Collection Fund deficits, both preceptors now having creditor balances, and a reduction in Housing Subsidy and Standard Rent Allowance grants.
- 5.2.6 **Creditors** – have decreased by £17.676m to £26.254m. This is mainly due to the utilisation/repayment of grants related to CT energy rebate, CARF and Towns fund all paid in 2021/22 in advance of being awarded in 2022/23.

5.3 Cross Cutting Key Issues

- 5.3.1 There are a number of areas that have significant impacts or are of particular interest that sit both within the Comprehensive Income and Expenditure Statement and the Balance Sheet. To aid members understanding of the Accounts these are summarised below:

- 5.3.2 **Non-Current Assets** are shown in the Balance Sheet and represent the Council's land, building, heritage, community and intangible assets.

- **The value of non-current assets and assets held for sale in the Balance Sheet has increased by £28.2m (6.1%) to £485m between 31 March 2022 and 31st March 2023 (see the Balance Sheet and Notes 14, 15 and 16 for further detail). This net increase is the result of a number of factors:**

- **Revaluations** - The Council's Assets are valued on a rolling programme, which ensures each asset is re-valued every 5 years as at the 31 March. In addition to this, all assets are reviewed for any material change in their value at the end of each financial year. The results for 22/23 have seen an **overall increase in value of £13.693m**, which is the net result of valuation gains and losses across a range of assets.

Accounting rules require that where a balance has not built up on the Revaluation Reserve for an individual asset (a reserve which holds accumulated gains following previous revaluations upwards) then any revaluation losses (downwards revaluation in asset values) must be recognised in the Comprehensive Income and Expenditure Statement (CI&ES) and then reversed out in the Movement in Reserves Statement before it impacts on Council Tax payers. Accounting rules also require that where a revaluation loss previously recognised in the CI&ES on an individual asset is subsequently

reversed by an upwards revaluation, then the revaluation gain should be recognised in the Comprehensive Income and Expenditure Statement up to the value of the original revaluation loss. Within the £13.693m net upwards movements due to revaluation gains and losses in 22/23, there were:

- **£12.763m of net revaluation gain** required to be charged to Cost of Services in the CIES. This is mainly due to reflecting the social housing value of housing stock (£11.932m).
- **£0.930m of net upwards revaluations** were reflected in the Revaluation Reserve (shown in Other Comprehensive Income and Expenditure in the CIES). This was mainly due to the upward revaluation (£1.1m) an increase in the council's land and buildings.
- **Additions - New capital investment in assets belonging to the Council totalled £19.399m.** The main areas of expenditure include £4.6m spent on the Council's new build and acquisition programme, £6.0m improving Council dwellings including re-roofing, kitchens and landscaping, Central Market Improvements £4.3m and Town Fund schemes £2.3m. To pay for this investment, the Council has used £5.94m of capital grants and contributions, £1.93m of capital receipts, £7.0m of the Major Repairs Reserve, £4.0m of unsupported borrowing, and £0.47m of direct revenue financing.
- **Depreciation** – a charge is made to the Comprehensive Income and Expenditure account for depreciation to reflect the use of assets in the provision of services during the year. The value of non-current assets in the Balance Sheet is reduced by an equivalent amount. For General Fund services this charge is reversed out in the Movement in Reserves Statement (MiRS) and replaced with a statutory charge for the repayment of debt. In the HRA under self financing, depreciation is a real charge to the service however, it is set aside in the Major Repairs Reserve for future investment in the housing stock. **In 2022/23 total depreciation was £9.943m** (£7.5m in relation to HRA dwellings and £2.4m relating to non HRA assets. £7.5m was charged to the HRA which is available in the Major Repairs Reserve for future investment).
- **Disposals – assets valued at £2.634m in the Balance Sheet were disposed** of in 2022/23. This included 51 Right to Buy sales of council dwellings.

5.3.3 Pensions – the payments made by the Council to the Lincolnshire County Council Pension Fund each year as employer contributions to the scheme and any addition costs relating to pension strain etc are reflected in the financial outturn position of the Council. However, accounting practice requires that in

the Statement of Accounts pension costs are shown when the Council is committed to give them, even if the actual giving may be years into the future. This means that:

- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements reflect the liabilities arising from the Council's retirement obligations.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities

Full details are provided in Note 44 to the accounts – Defined Benefit Pension Schemes (*SOA page 104*). The impact of these accounting requirements in the core financial statements are:

- **Comprehensive Income & Expenditure Statement (CIES)** - The cost of retirement benefits in the CIES is shown as an actuarial estimate of £7.475m reflecting the retirement benefits earned during 2022/23 and to be funded in the future. This includes £5.960m current service costs, £0.127m admin expenses, £0.122m past service costs and a net interest cost on the defined benefit obligations of £1.266m. This net cost is reversed out in the Movement in Reserves Statement (MiRS) and is replaced by the actual amount charged for pension contributions in the year of £5.287m.
- **Balance Sheet** – The Pension Reserve shows the underlying commitments that the Council has in the long term to pay retirement benefits based on an assessment by the pension schemes actuary. The balance on the Pensions Reserve is the net position of the scheme's liabilities and assets. During 2022/23 the net liability has decreased by £72.203m to £7.796m. The actuarial assumptions are detailed in note 44 to the accounts 'Defined benefit pension scheme'.

It is important for members to be aware that the statutory arrangements for funding the remaining liability of £7.796 means that this deficit will be made good by the increased level of annual employer contributions payable to the Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme. The financial position of the Council remains healthy.

5.3.4 **Officer Remuneration** – note 35 to the accounts (*SOA page 94*) details senior staff salaries and the number of employees receiving more than £50k remuneration during the year (this includes receipt of any redundancy payments). Also detailed within the note is the redundancy/pension/payment in lieu costs paid in year, in line with Executive approvals of Towards Financial Sustainability business cases and the Council's redundancy policy.

5.3.5 **Borrowing** – the Council takes borrowing to fund capital expenditure. It also occasionally takes short-term borrowing for cash flow purposes.

- Between 31st March 2022 and 31st March 2023, the Council's total borrowing reduced to £121.996m (excluding accrued interest which is shown in the Balance Sheet under short-term borrowing as at 31st March 2023).
- The total borrowing can be split between short term borrowing (payable within 12 months) of £12.753m and long term borrowing of £109.243m.
- The average rate of interest payable on borrowing remained the same as the previous financial year (2021/22) at 3.02%.
- The Comprehensive Income and Expenditure Statement for 2022/23 includes £3.840m interest payable on borrowing (excluding leases) of which £1.408m relates to the General Fund and £2.432m to the HRA.

The maturity profile of the outstanding borrowing as at 31st March 2023 is as follows:

Within	£m	% of Total Debt
1 year	12.754	10.46%
1 – 2 years	2.225	1.81%
2 – 5 years	4.104	3.37%
5 +	102.913	84.36%
Total	121.996	100.00%

5.3.6 **Investments** – in line with its Treasury Management Strategy, the Council invests surplus cash on the money markets, typically for periods less than one year to approved organisations, although core cash balances may be invested for periods over 1 year if interest rates and market conditions are favourable.

- As at 31st March 2023, total investments had decreased by £13.165m, from £49.850m to £36.685m, compared to the previous year end.
- Average investment balance during 2022/23 was £55.850m, compared to £44.7m in 2021/22. The higher investment balance mainly being due to retaining BIES (covid) grant funding which has since been returned to government.
- The average interest rate received on investments in 2022/23 was 2.10% (an increase of 1.91% on the average rate achieved in 2021/22 due to the Bank of England base rate increases seen during the year). The comparable performance indicator is SONIA 7 day uncompounded (2.23%).

6. Strategic Priorities

6.1 The Council's Statement of Accounts are a financial summary of the Council's activities in support of its Vision 2025 and Strategic Priorities during the

financial year 2022/23.

- 6.2 Communication - The final Statement of Accounts along with the summary version will be published on the Council website.

7. Organisational Impacts

7.1 Finance

The financial implications are contained throughout this report.

7.2 Legal Implications including Procurement Rules

In accordance with the Accounts and Audit (Amendment) Regulations 2022 the Statement of Accounts must be approved and published by the Council, together with the audit opinion and certificate, by the 30th September 2023. Where an audit of accounts has not been concluded by the specified date, the Council must publish as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the Statement of Accounts and its reasons for this. In accordance with this, a notice was published on the Council's website on 30th September to state that the audit of the 2022/23 Statement of Accounts had not yet been completed.

7.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Due to the nature of the report, no specific Equality Impact Analysis is required.

8. Risk Implications

- 8.1 There are no direct risk implications arising as a result of this report.

9. Recommendation

- 9.1 The Executive are invited to scrutinise the Statement of Accounts and make any comments to full Council on the 28 November 2023.

Key Decision

No

Key Decision Reference No.

N/A

Do the Exempt Information Categories Apply

No

Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?

No

Does the report contain Appendices?

Yes - Two

List of Background Papers:

Medium Term Financial Strategy 2023-2028
Financial Performance - Outturn 2022/23

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