

SUBJECT: STATEMENT OF ACCOUNTS 2023/24

REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: LAURA SHIPLEY, FINANCIAL SERVICES MANAGER

1. Purpose of Report

- 1.1 To present the Statement of Accounts for the financial year ended 31 March 2024, together with a short summary of the key issues reflected in the statutory financial statements, for scrutiny.

2. Executive Summary

- 2.1 The Statement of Accounts (SOA) for 2023/24 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 2023/24 by 31 May 2024 with an audit opinion and certificate by no later than 30 September 2024.
- 2.3 The Audit Committee should note that the Statement of Accounts for 2023/24 are still subject to external audit. The audit of the accounts is being undertaken by KPMG, who will commence the audit in July. Should any material changes be necessary as a result of this external audit work, these will be reported to a meeting of this Committee when the audited Statement of Accounts are presented for approval.
- 2.4 The Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from KPMG, this runs from 3 June until 14 June 2024 and the External Auditor is available to answer questions during this period.
- 2.5 The Council is also required to provide a documented annual review of the effectiveness of its governance arrangements (Annual Governance Statement AGS), which sits alongside the Statement of Accounts. The overall level of assurance provided in 2023/24 was substantial (green) and is in line with the Council's Code of Corporate Governance. There were no significant governance issues that were identified for inclusion in the 2023/24 AGS.

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 are then released to be audited by the Council's external auditor, KPMG. 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, by no later than 31 July each year. However, amended Regulations published in 2022 have extended this date to 30 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 2023/24 are therefore as follows:

- | | |
|---|-------------------|
| a) Report draft accounts to Audit Committee | 15 July 2024 |
| b) Report to Audit Committee | 23 September 2024 |
| c) Approval by Council | 24 September 2024 |

3.2 In order to ensure that the statutory deadline of 30 September is met KPMG must complete their audit and issue the relevant audit opinion. Should any material changes be necessary as a result of this external audit work, these will be reported to a meeting of this Committee when the audited Statement of Accounts will be presented for approval. The Audit Committee will also receive the Audit Opinion from KPMG at that meeting.

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. Training has been provided prior to this meeting to assist members in their understanding of the accounts and a short summary of the accounts will be produced to accompany the Final Statement of Accounts when it is presented to members in September. The remainder of this report sets out a summary, which highlights the key figures in the financial statements which it is hoped will prompt questions in order for the Council to promote greater accountability and transparency for the significant sums of public money entrusted to the Council.

4. Summary of Key Issues in the Financial Statements

4.1 The Comprehensive Income and Expenditure Statement

4.1.1 **The Comprehensive Income and Expenditure Statement (CIES)** (*SOA page 27*) – 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 57)*) 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 £15.870m in the CIES to the outturn position of an increase in General Fund Balances (including earmarked reserves) of £0.600m and an increase on HRA balances (including earmarked reserves) of £1.039m as reported in the Financial Outturn report (Executive 3 June 2024).

	£m	£m
Net surplus/(deficit) on the Provision of Services		15.870
<i>Of which:</i>		
General Fund	£m	£m
Net surplus/(deficit) on the Provision of Services		3.845
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	3.109	
Revenue expenditure funded from capital under Statute	3.807	
Direct Revenue financing of capital expenditure	(3.394)	
Gain/loss on the sale of non-current assets	(0.150)	
Contribution to/from the pensions reserve	(0.938)	
Debt repayment and premiums & discounts on debt	(0.867)	
Short-term compensated absences	0.037	
Contribution to Government's Housing Capital Receipts Pool	0	
Capital grants & contributions credited to CI&ES	(5.407)	
Adjustment for Collection Fund	0.558	
Adjustment for Financial Instruments	0	
Total Adjustments		(3.245)
(Increase)/decrease in General Fund Balances/Reserves		0.600
<i>Of which:</i>		
HRA	£m	£m
Net surplus/(deficit) on the Provision of Services		12.025
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	1.461	
Direct Revenue financing of capital expenditure	0	
Gain/loss on the sale of non-current assets	(0.218)	
Contribution to/from the pensions reserve	(0.651)	
Short-term compensated absences	(0.009)	
Capital grants & contributions credited to CI&ES	(0.817)	
Transfer to/from the MRR	(10.752)	
Total Adjustments		(10.986)
(Increase)/decrease in HRA Balances/Reserves		1.039
Overall (Increase)/decrease in Balances/Reserves		1.639

- 4.1.2 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 2023/24, in comparison to the revised budget for the year. The General Fund is reporting a provisional outturn of an overall budget deficit of £0.175m, resulting in General Fund balances (including earmarked reserves) of £11.525m as at 31 March 2024.
- 4.1.3 The Housing Revenue Account is reporting a provisional overspend against the revised budget of £0.053m, resulting in HRA balances (including earmarked reserves) of £7.797m as at 31 March 2024.

- 4.1.4 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 23 May 2024 and 3 June 2024 respectively.

4.2 The Balance Sheet (SOA page 28)

- 4.2.1 **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 2024 are:

- 4.2.2 **General Balances** – General balances have decreased by £0.227m during the year, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
General Fund balances	2.415	2.245	(0.170)
HRA balances	1.189	1.132	(0.057)
Total	3.604	3.377	(0.227)

- 4.2.3 **Earmarked Reserves** - in total monies carried forward to pay for specific future commitments (including the insurance fund) have increased by £1.866m, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	14.072	15.938	1.866

This is due to a number of contributions to and from earmarked reserves as reported as part of the 2023/24 Provisional outturn to the Executive 3 June 2024 and as detailed in Note 10 (Transfers to/ from Earmarked Reserves) in the Statement of Accounts (SOA page 67-69). The most significant movement in reserves relates to a contribution to the Business Rates volatility reserve. The reserve is used to smooth the impact of potential fluctuations in Business Rates income received by the Council from year to year - £1.2m has been appropriated into the reserve during 2023/24, arising from business rate surpluses and £481k was utilised as part of the final year the spreading of the impact of Covid19 business rate reliefs. In addition, £800k was contributed to the HRA Business Plan reserve for future priorities in line with the 30-Year Plan.

- 4.2.4 **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 £38.550m exceed current liabilities of £32.043m by a ratio of 1.2:1, which represents a decrease from the previous year's ratio of 1.36:1. This is due to a reduction in short-term investments.

4.2.5 **Debtors** – debtors have increased by £3.664m to £20.209m. The increase is mainly due to increases in balances on the Central Government and County Council preceptor shares of the Council Tax Collection Fund, an increase in VAT repayments due from HMRC, and an increase in Housing Subsidy and Standard Rent Allowance grants.

4.2.6 **Creditors** – have increased by £1.573m to £27.827m. This is mainly due to grants being held with conditions to be met awaiting utilisation.

4.3 Cross Cutting Key Issues

4.3.1 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:

4.3.2 **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 £11.5m (2.4%)** to £498m between 31 March 2023 and 31 March 2024 (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 has a full revaluation 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 via a desktop review. The results for 23/24 have seen an **overall increase in value of £3.059m**, which is the net result of valuation gains and losses across a range of assets.
- **Additions - New capital investment in assets belonging to the Council totalled £22.558m.** The main areas of expenditure include £6.980m spent on the Council's new build and acquisition programme, £7.307m improving Council dwellings including re-roofing, kitchens and landscaping, Central Market Improvements £3.321m and Town Fund schemes £1.331m. To pay for this investment, the Council has used £6.042m of capital grants and contributions, £2.557m of capital receipts, £9.645m of the Major Repairs Reserve, £4.154m of unsupported borrowing, and £0.160m 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 2023/24 total depreciation was £10.475m** (£8.199m in relation to HRA dwellings and £2.277m relating to non HRA assets. £8.199m was charged to the HRA which is available in the Major Repairs Reserve for future investment).

- **Disposals – assets valued at £1.744m in the Balance Sheet were disposed** of in 2023/24. This included 34 Right to Buy sales of council dwellings.

4.3.3 **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 41 to the accounts – Defined Benefit Pension Schemes (*SOA page 103*). 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 £3.547m reflecting the retirement benefits earned during 2023/24 and to be funded in the future. This includes £3.156m current service costs, £0.138m admin expenses, £0.0m past service costs and a net interest cost on the defined benefit obligations of £0.253m. 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 £5.136m.
- **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 2023/24 the net liability has increased by £5.192m to £12.988m. The actuarial assumption changes are detailed in note 44 to the accounts 'Defined benefit pension scheme'. The main driver for the significant reduction in liability being a changes in financial assumptions, which take in

to account the discount rate (time value of money), linked to high quality bond yields, and the rate of future inflation.

It is important for members to be aware that the statutory arrangements for funding the remaining liability of £12.988m 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.

4.3.4 **Officer remuneration** – note 32 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 the Council's redundancy policy.

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

- Between 31 March 2023 and 31 March 2024, the Council's total borrowing reduced to £107.742m (excluding accrued interest which is shown in the Balance Sheet under short-term borrowing as at 31 March 2024).
- The total borrowing can be split between short term borrowing (payable within 12 months) of £2.675m and long term borrowing of £105.067m.
- The average rate of interest payable on borrowing during the financial year was 3.21%, a slight increase on the previous year (2022/23 - 3.02%) due to repayment of lower rate loans during the year.
- The Comprehensive Income and Expenditure Statement for 2023/24 includes £3.639m interest payable on borrowing (excluding leases) of which £1.322m relates to the General Fund and £2.317m to the HRA.

The maturity profile of the outstanding borrowing as at 31 March 2024 is as follows:

Within	£m	% of Total Debt
1 year	2.675	2%
1 – 2 years	1.578	1%
2 – 5 years	7.073	7%
5 years +	96.416	89%
Total	107.742	100.00%

4.3.6 **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 31 March 2024 the councils total investment balance was £17.543m, a reduction of £19.142m when compared with the balance at the previous year end (£36.685m).
- Average investment balance during 2023/24 was £36.319m, compared to £55.555m in 2022/23. The reduction in investment balance due repayment of borrowing using internal resources rather the reborrowing while interest rates are at the peak (forecast to reduce 24/25).
- The average interest rate received achieved on investments during 2023/24 was 5.11% (2.10% 22/23), an increase on the prior year due to the increases in the Bank of England base rate). The comparable performance indicator being the SONIA overnight average rate (4.96%).

5. **Strategic Priorities**

5.1 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 2023/24.

5.2 Communication - The draft Statement of Accounts is available on the Council's website and the period of public inspection has been advertised. The completion of the audit of the Council's Statement of Accounts will be published on the Council website by 30th September 2024. The Statement of Accounts will also be made available on the website along with a summary version of the accounts.

6. **Organisational Impacts**

6.1 Finance - The financial implications are contained throughout this report.

6.2 Legal - 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 30 September 2024.

6.3 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.

7. Risk Implications

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

8. Recommendation

8.1 The Audit Committee are invited to scrutinise and comment upon the draft Statement of Accounts.

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

List of Background Papers: Medium Term Financial Strategy 2024-2029
Financial Performance - Outturn 2023/24

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