

Audit and Standards Committee - 18 December 2023

Report of the Director of Finance and Legal Services

Statement of Accounts 2022/23

Purpose of Report

1. To present the Statement of Accounts to the Audit and Standards Committee for consideration and approval, and to inform the Audit and Standards Committee of progress with the audit of the accounts. The Statement of Accounts, and the audit of them, are the main formal and public report on the financial standing of the authority.

Recommendations

2. It is recommended that:
 - The Committee consider and approve the Statement of Accounts.
 - The Chair of the Committee signs and dates the Statement of Accounts to give evidence of the approval above.
 - The Committee authorises the Chair of the Audit & Standards Committee in consultation with the Director of Finance & Legal Services to approve any changes to the Statement of Accounts arising from audit work after the date of the Committee meeting as long as there is no impact on usable reserves at 31 March 2023.

Background

3. The Statement of Accounts is circulated with the committee papers. The audit of the accounts is currently on-going and has resulted in a small number of adjustments to the unaudited accounts and further adjustments may be required. None of these changes are expected to affect the Council's usable reserves at 31 March 2023.

4. These accounts are prepared under International Financial Reporting Standards (IFRS) as adopted for local authorities by the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

General Fund outturn

5. The General Fund outturn of £292.7m was reported to Cabinet on 6 July 2023. The Statement of Accounts presented to this Committee is consistent with this outturn position.

Statement of Accounts

6. The layout of the Statement of Accounts is as last year, with the Movement in Reserves (MiRS), which sets out a summary of the changes to General Fund Balance, Housing Revenue Account (HRA) balance and other reserves over the year, presented as the first key statement.
7. A summary of the key financial statements is detailed below:

Movement in Reserves Statement (MiRS)

8. This statement shows the movements on the Authority's reserves, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.
9. The Surplus or Deficit on Provision of Services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). Other Comprehensive Income and Expenditure shows unrealised valuation gains and losses on property, and on pension assets and liabilities which only affect the unusable reserves.
10. The accounting charges in the Surplus or Deficit above are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and rent setting purposes. Adjustments between accounting basis and funding basis under regulations reverse out the accounting charges (such as actuarial pensions costs) and insert the statutory ones, such as actual payments for pension provision.

11. After transfers to and from earmarked reserves, the year end balance on the General Fund has decreased by £5.4m from £27.2m to £21.8m. This is consistent with the outturn reported to Cabinet.

Comprehensive Income and Expenditure Statement (CIES)

12. The net effect of income and expenditure items results in a deficit on the provision of services of £46.2m. This is a technical deficit intended to represent the Council's revenue position as it would be if calculated according to IFRS. As such it differs from the movement on the General Fund shown in the MiRS and in the outturn report. This is adjusted by Other Comprehensive Income and Expenditure (balance sheet revaluation items) to arrive at a total Comprehensive Income and Expenditure surplus of £716.3m. This matches the increase in balance sheet net asset value from £527.4m to £1,243.7m.

Balance Sheet

13. The Balance Sheet shows that the value of total net assets has increased by £716.3m between 31 March 2022 and 31 March 2023. This is mainly due to a decrease in the Net Pension Liability caused by changes in the actuarial assumptions that comply with IAS19 in 2022/23 compared to 2021/22.
14. The lower half of the Balance Sheet summarises the usable and unusable reserves held by the Authority. The General Fund balance decreased by £5.4m as discussed above.
 - Earmarked General Fund reserves have decreased by £5m
 - School reserves have decreased by £2.6m
 - HRA reserves have increased by £1.7m

The decrease in usable earmarked General Fund reserves is mainly due to the Business Rates grants received in 2022/23 being much lower than the prior year due to covid lockdown having been lifted.

The changes in unusable reserves are mainly due to the decrease in pension liability. There has also been a net increase in the Revaluation Reserve due to the latest revaluation of assets and a net increase in the Capital Adjustment Account due to adjustments between the accounting basis and funding basis.

Audit of the Accounts

15. The audit of the accounts for 2022/23 is nearing completion and the statutory date for publication of audited accounts was 30 September 2023. Due to delays in the provision of supporting information in respect of asset valuations, Dudley issued a late publication notice on 24 May 2023 and subsequently issued draft accounts for public consultation on 19 September 2023. The public consultation ended 31 October 2023.
16. As a result of the audit process, and reviews by officers there are several amendments to the accounts, these are noted below:
 - Housing Revenue Account – When reconciling the valuations report to the fixed asset register an £11.5m adjustment was identified to reduce the balance of Council Dwellings in the balance sheet.
 - Pensions Net Liability – During the audit the Council requested an assessment (IFRIC 14) on the extent it should recognise a defined benefit pension surplus in its balance sheet and was advised by the actuary to restrict the asset to zero. This was originally shown in the draft accounts as an £9.8m net pension asset.
 - Insurance Prepayment - £3.8m was processed incorrectly to creditors within the balance sheet and has been corrected to be reflected in payments in advance.
 - Cash (Balance Sheet) – The value was adjusted to reflect the difference between presented and unrepresented items as at 31 March 2023. The correction of this led to an increase to both current assets and current liabilities of £8.6m.

The changes to the accounts noted above do not impact the usable reserves balance as at 31 March 2023.

17. At the time of writing this report, some audit work was outstanding in a few areas, particularly relating to the valuations of Other Land and Buildings which requires the provision of further audit evidence from the Council's valuers and evidence required from Technology, Systems and Services in relation to controls and processes. There may be further amendments to the accounts before the audit is finalised, but they are not expected to impact on usable reserves at 31 March 2023.

18. The Code of Audit Practice requires the auditors to report the results of their audit work to the approving body before signing their audit opinion. This report will be presented at a later meeting of the Audit and Standards Committee.
19. A management representation letter is provided to the auditors each year, assuring auditors that all material information has been made available to them. This will be signed by the Director of Finance and Legal Services, relying in some matters on assurances by the Lead for Law & Governance.

Finance

20. This report is entirely financial in content, but does not give rise to any direct costs.

Law

21. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made there under.

Risk Management

22. The Statement of Accounts include significant estimates which require professional judgement and there is a risk of material adjustment in future years. These are detailed in notes 35 and 36.

Equality Impact

23. The proposals consider the Council's Policy on Equality and Diversity.

Human Resources/Organisational Development

24. There are no Human Resources or Organisational Development implications resulting from the items in this report.

Commercial/Procurement

25. There are no Commercial or Procurement implications resulting from the items in this report.

Environment/Climate Change

26. There are no direct environmental implications impacting on the Council's work to address Climate Change and achieve our Net Zero target by 2030.

Council Priorities

27. The Statement of Accounts details the financial performance of services that are delivering the Council's priorities.



Iain Newman
Director of Finance and Legal Services

List of Background Papers

Working and supporting papers for the accounts.

Code of Practice on Local Authority Accounting in the UK 2022/23

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