

Arun District Council

REPORT TO:	Audit and Governance Committee – 3 December 2024
SUBJECT:	Draft Statement of Accounts 2023/24
LEAD OFFICER:	Antony Baden, Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Councillor Matt Stanley
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: The Council has a statutory duty to approve the Statement of Accounts.	
DIRECTORATE POLICY CONTEXT: The Group Head of Finance and Section 151 Officer is responsible for the preparation of the accounts, submission for audit and for publishing the approved Statement of Accounts.	
FINANCIAL SUMMARY: This report provides information of the Council's financial performance for 2023/24 and of its financial position as at 31 March 2024. The draft Statement of Accounts 2023/24 is attached as Appendix 1.	

1. PURPOSE OF REPORT

- 1.1. The Statement of Accounts for the financial year 2023/24 has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Accounting Code of Practice. The Accounts and Audit Regulations 2015 (as amended) require the accounts to be approved by Members. This report recommends to Committee the approval of the 2023/24 Statement of Accounts, subject to audit, in order that the Council fulfils its statutory duty.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee:

- (a) Approves the draft Statement of Accounts 2023/24, contained in Appendix 1, which is subject to the completion of the audit, with any resulting changes delegated to the Section 151 Officer, in consultation with the Chair of the Audit and Governance Committee, for resolution.
- (b) Authorises the Chair of the Audit and Governance Committee to sign off the final 2023/24 Statement of Accounts, after the audit, subject to there being no material changes to the draft approved by the Committee under recommendation 2.1 (a).
- (c) Authorises the Chair of the Audit and Governance Committee to sign the Management Letter of Representation 2023/24 on behalf of the Committee.

3. EXECUTIVE SUMMARY

- 3.1. The 2023/24 Statement of Accounts attached as Appendix 1 require approval by the Committee in accordance with the Accounts and Audit regulations.
- 3.2. Approval prior to the audit, subject to there being no material changes arising from the audit, will contribute towards the timely publication of the final set of accounts within the statutory backstop date of 28 February 2025.
- 3.3. This report sets out some of the main highlights from the financial statements.

4. INTRODUCTION AND BACKGROUND

- 4.1. The draft (subject to audit) Statement of Accounts was published on the Council's website on 21 October. The period of public inspection commenced 22 October for 30 working days, meaning that the last day of inspection is 2 December.
- 4.2. Work undertaken by Ernst & Young, the Council's auditors, on the 2023/24 value for money assessment is ongoing. Should the assessment identify any significant changes that should be made to the draft Statement, an updated copy shall be circulated ahead of the meeting.
- 4.3. On 3 October 2024, this Committee was informed by Ernst and Young, in its External Audit Update Report, that the 2023/24 audit was not commencing in October and that it would re-assess whether the audit could start later and be completed and fully reported by the end of January.
- 4.4. Final audited accounts must be published by the statutory backstop date of 28 February 2025. Ernst and Young has indicated that a disclaimed opinion on the accounts is likely to be given, as potentially not all of the work can be completed by the deadline.

5. DRAFT STATEMENT OF ACCOUNTS 2023/24

- 5.1. The Statement of Accounts summarises the Council's financial transactions for 2023/24 and its financial position as at 31 March 2024. It is comprised of:
 - Narrative report
 - Statement of Responsibilities
 - Core financial statements
 - Notes to the accounts (including accounting policies)
 - Supplementary statements
 - Auditor's opinion

The 2023/24 accounts remain subject to audit.

5.2. This report focuses on the key highlights from the core financial and supplementary statements. The core statements are:

- Comprehensive Income and Expenditure Statement (CIES)
- Movement in Reserves Statement (MiRS)
- Balance Sheet
- Cash Flow Statement

The supplementary statements are:

- Housing Revenue Account
- Collection Fund

5.3. Comprehensive Income and Expenditure Statement (CIES)

The Council's accounts are prepared in accordance with the CIPFA Accounting Code of Practice 2023/24 which incorporates all relevant accounting standards and in particular International Financial Reporting Standards (IFRS). The CIES shows all costs and income for the year rather than the actual amounts that are funded from taxation. Consequently, the CIES can include significant sums that do not actually get charged against or credited to the Council's usable reserves.

For 2023/24 the Council's net total was net Comprehensive Expenditure of £39.8m compared to net Comprehensive Income of £65.4m, a difference of £105.2m. The single biggest reason is the re-measurement cost on defined benefit pension scheme of £47.7m in 2023/24 compared to a re-measurement gain of £47.8m in the previous year, a change of £95.5m. The swing is down to technical estimates made by the actuary which, because the Council has a pensions net asset, is limited by the application of an asset ceiling. In 2022/23 the asset ceiling was above the value of the pensions net asset but in 2023/24 the asset ceiling was well below the value of the pensions net asset at 31 March 2024. A cap was therefore applied to the value that could be recognised in the accounts.

These pension technical adjustments are required to be made in accordance with accounting standards but do not hit directly on usable reserves.

The costs of providing services in 2023/24 were £101.9m (£80.1m in 2022/23) and service income was £70.9m (£66.4m 2022/23).

5.4. Movement in Reserves Statement (MiRS)

The MiRS shows how the gains or losses recorded in the CIES translate to increases or decreases in the Council's usable and unusable reserves following accounting and funding adjustments.

The Council's total usable reserves (revenue and capital) reduced by £3.5m, from £39.5m at the beginning of the year to £36.0m at 31 March 2024. General Fund reserves reduced by £6.1m to £19.7m and the HRA reserve fell by £1.0m to £0.5m.

Unusable reserves decreased by £36.3m from £355.8m at 1 April 2023 to £319.5m at 31 March 2024. This is mainly down to the re-measurement of the net defined benefit pension asset offset to a degree by revaluation gains.

5.5. Balance Sheet

Council's net assets at 31 March 2024 reduced by £39.8m to £355.6m. This change is equal to the net Comprehensive expenditure shown in the CIES.

The main changes were in:

	£m
Property, plant and equipment	4.4
Net pension asset	(44.0)
Short term investments	(10.0)
Short term debtors	4.9
Cash and cash equivalents	8.8
Other	<u>(3.9)</u>
Total decrease	<u>(39.8)</u>

5.6. Cash Flow Statement

As the Balance Sheet changes above show, the Council's cash and cash equivalents at 31 March 2024 increased by £8.8m to £14.9m. This is almost the reversing of the reduction shown in 2022/23 (£8.5m).

5.7. Housing Revenue Account

The Income and Expenditure Statement for the HRA reported an accounting deficit of £0.4m compared to a surplus of £14.2m in the previous year, a change of £14.6m. This is mainly down to the change in property revaluation movements that were required to be posted to the revenue account. Such movements are included within the Depreciation, impairments and revaluation losses/(gains) of non-current assets line within the HRA Income and Expenditure Statement.

After the necessary accounting and funding adjustments required to arrive at the actual impact to the HRA usable reserve, the final position was an in-year deficit of £1m (£2.4m deficit in 31 March 2023). The HRA reserve stood at £0.5m at 31 March 2024.

5.8. Collection Fund

The Collection Fund is the account that shows the collection of council tax and business rates and the distribution of the income due to the Council, government and major preceptors.

The actual surplus or deficit arising on council tax or business rates is shared or recovered generally over the following 2 years.

There was a very small in-year deficit on the Council Tax Collection Fund of £0.06m (£0.4m surplus in 2022/23) and an in-year surplus of £4.2m (surplus

£8.5m in 2022/23) on the NNDR Collection Fund. These resulted in a final Council Tax deficit of £1.1m and NNDR surplus of £2.4m as at 31 March 2024.

5.9. Notes to the accounts

The core and supplementary financial statements are supported by notes to show and explain further the changes.

6. LETTER OF REPRESENTATION

6.1. The letter of representation is a formal letter, the template of which is provided by Ernst & Young, required to be signed by the section 151 Officer and by the Chair of Audit and Governance Committee, following Committee approval to do so.

6.2. The letter is a vital part of the assurances required by Ernst and Young to enable it to form an opinion as to whether the Council's financial statements give a true and fair view of its financial position as at 31 March 2024 and of its financial performance for 2023/24. The Letter will not be ready to sign until after the audit work has been undertaken.

6.3. Committee is asked to authorise the Chair to sign the Letter to help minimise risk of any delay with the final publication of the audited accounts by the backstop date of 28 February 2025.

7. CONSULTATION

7.1. Not applicable.

8. OPTIONS / ALTERNATIVES CONSIDERED

8.1. Not applicable.

9. COMMENTS BY GROUP HEAD OF FINANCE/SECTION 151 OFFICER

9.1. The Statement of Accounts for 2023/24 has been prepared in accordance with the CIPFA Accounting Code of Practice 2023/24. I have reviewed the accounts and certified that the accounts present a true and fair view of the position of the Council at 31 March 2024 and of its income and expenditure for the year ended 31 March 2024.

10. RISK ASSESSMENT CONSIDERATIONS

10.1. There is potentially a reputational risk arising due to the Council's 2023/24 accounts being likely to receive a disclaimed audit report.

10.2. Should this occur it is incumbent on our external auditors, Ernst and Young, to communicate clearly, effectively and widely on why one is issued in order that the Council's stakeholders and other interested parties understand the reasons.

11. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

11.1. The Statement of Accounts is a statutory document. The Group Head of Finance is responsible for ensuring that the annual statement of accounts is prepared and published. The Committee has a role in relation to final audited accounts including reviewing and approving the annual Statement of Accounts which includes the Annual Governance Statement.

12. HUMAN RESOURCES IMPACT

12.1. There are no direct implications.

13. HEALTH & SAFETY IMPACT

13.1. There are no direct implications.

14. PROPERTY & ESTATES IMPACT

14.1. There are no direct implications.

15. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

15.1. There are no direct implications.

16. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

16.1. There are no direct implications.

17. CRIME AND DISORDER REDUCTION IMPACT

17.1. There are no direct implications.

18. HUMAN RIGHTS IMPACT

18.1. None.

19. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

19.1. There are no direct implications.

CONTACT OFFICER:

Name: Jason Stott

Job Title: Financial Services Manager and Deputy s151 Officer

Contact Number: 01903 737602

BACKGROUND DOCUMENTS:

The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (CIPFA) (*Link not available as copyright*).