

Arun District Council

REPORT TO:	Audit and Governance Committee – 3 December 2024
SUBJECT:	Statement of Accounts 2022/23 and Letter of Representation
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 and publish the audited 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 2022/23 and its financial position as at 31 March 2023. The Statement of Accounts for 2022/23 is attached as appendix 1.	

1. PURPOSE OF REPORT

- 1.1. The Statement of Accounts for the financial year 2022/23 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 2022/23 Statement of Accounts in order that the Council fulfils its statutory duty.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee:
 - (a) Approves the Statement of Accounts 2022/23, contained in Appendix 1.
 - (b) Approves the Management Letter of Representation on behalf of the Council as set out in Appendix 2 and authorises the Chair of the Audit and Governance Committee to sign on behalf of the Committee.

3. EXECUTIVE SUMMARY

- 3.1. The Statement of Accounts 2022/23 attached as Appendix 1 and the Letter of Representation attached as Appendix 2 require approval by this Committee following consideration of Ernst and Young's Completion Report for Those Charged with Governance.
- 3.2. This report sets out some of the main highlights from the financial statements and explains the purpose of the Letter of Representation.
- 3.3. Approval of the accounts and the Letter of Representation is sought to enable the audit opinion to be issued and for the accounts to be published within the statutory backstop date of 13 December 2024.

4. INTRODUCTION AND BACKGROUND

- 4.1. The draft (subject to audit) Statement of Accounts 2022/23 was originally published in July 2023. The accounts were open to a public inspection period for 6 weeks which ended in September 2023.
- 4.2. Following corrections to the 2021/22 Statement of Accounts, details of which have been previously reported to members, the 2022/23 draft set of accounts had to be revised and updated. In September 2024, the revised draft (subject to audit) for 2022/23 was published on the Council's website.
- 4.3. This Committee has been kept informed of the significant issues and delays affecting the audit of the accounts. On 3 October 2024 Ernst and Young, in its External Audit Update Report, confirmed that the Council's 2022/23 Statement of Accounts would receive a disclaimed audit opinion. The issue of the disclaimer would enable the publication of the final audited accounts to be made within the statutory backstop date of 13 December 2024.
- 4.4. With the Committee receiving Ernst and Young's Completion Report, approving the attached 2022/23 Statement of Accounts and approving the authorisation of the attached Letter of Representation this will act as a major step towards the publication of the accounts within the statutory deadline.

5. STATEMENT OF ACCOUNTS 2022/23

- 5.1. The Statement of Accounts summarises the Council's financial transactions for 2022/23 and its financial position as at 31 March 2023. It is comprised of:
 - Narrative report
 - Statement of Responsibilities
 - Core financial statements
 - Notes to the accounts (including accounting policies)
 - Supplementary statements
 - Auditor's opinion
- 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 the CIPFA Accounting Code of Practice, which incorporates the 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 show significant sums that do not get charged against or credited to the Council's usable reserves.

For 2022/23 the Council's net total was Comprehensive Income of £65.4m compared to £16.1m in 2021/22, an increase of £49.3m. The main reasons are the re-measurement gains of the Council's net pension asset being higher by £41.4m and property plant and equipment revaluations moving by £7.7m from 2021/22.

The costs of providing Council services in 2022/23 were £80.1m (£86.5m 2021/22) with income of £66.4m (£71.5m 2021/22).

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 £8.9m, from £48.4m at 1 April 2022 to £39.5m at 31 March 2023. General Fund reserves reduced by £6.7m to £25.6m and the HRA Reserve fell by £2.4m to a balance of £1.5m at 31 March 2023.

Unusable reserves increased by £74.3m from £281.5m at 1 April 2022 to £355.8m at 31 March 2023. This is down to revaluation gains of £6.9m, pension re-measurement gains of £47.8m and the technical capital adjustment account rising by £19.5m.

5.5. Balance Sheet

Council's net assets at 31 March 2023 increased by £65.4m to £395.3m.

The main changes were in:

	£m
Property, plant and equipment	30.1
Net pension asset	46.2
Short term investments	(17.5)
Cash and cash equivalents	(8.5)
Short term creditors	18.5
Other	<u>(3.4)</u>
Total increase	<u>65.4</u>

5.6. Cash Flow Statement

As the Balance Sheet changes above show, the Council's cash and cash equivalents at 31 March 2023 decreased by £8.5m to £6.1m.

5.7. Housing Revenue Account

The Income and Expenditure Statement for the HRA reported an accounting surplus of £14.2m compared to a surplus of £9.3m in the previous year, an increase in surplus of £4.9m. The main reason being a year on year increase in revaluation gains etc passing through the revenue account of £5.9m.

After the accounting and funding adjustments required to arrive at the actual impact to the HRA usable reserve, there was a deficit of £2.4m for 2022/23 (£2.6m in 2021/22) reducing the HRA reserve balance to £1.5m at 31 March 2023.

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 an in year surplus on council tax of £0.4m and an in year surplus on business rates of £8.5m. This resulted in a final deficit balance at 31 March 2023 of £1.1m council tax and £1.8m business rates, total deficit £2.9m.

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 2023 and of its financial performance for 2022/23.
- 6.3. It is recommended that the Committee approves the Letter of Representation and authorises the Chairman to sign the letter on behalf of the Committee.

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 2022/23 has been prepared in accordance with the CIPFA Accounting Code of Practice 2022/23. 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 2023 and of its income and expenditure for the year ended 31 March 2023.

10. RISK ASSESSMENT CONSIDERATIONS

- 10.1. There is potentially a reputational risk arising due to the Council's accounts receiving a disclaimed audit report.
- 10.2. It is incumbent on our external auditors, Ernst and Young, to communicate clearly, effectively and widely on why a disclaimed audit report has been issued in order that stakeholders and other interested parties clearly understand the reasons it had to do so.

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.

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BACKGROUND DOCUMENTS:

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (CIPFA) (*Link not available as copyright*).