

Report to: **Audit and Governance Committee**

Date: **23 July 2024**

Title: **Draft Statement of Accounts and Draft Annual Governance Statement 2023/2024**

Portfolio Area: **Resources – Cllr C Edmonds**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:

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RECOMMENDATIONS:

That the Audit & Governance Committee NOTE:

- 1. the Draft Statement of Accounts (appendix A refers);**
 - 2. the Draft Summary Accounts (appendix B refers); and**
 - 3. the Draft Annual Governance Statement (AGS) (appendix C refers)**
- for the financial year ended 31 March 2024.**

1. Executive summary

- 1.1 The report advises Members that a surplus of £149,000 was generated in 2023/2024 which was transferred to the General Fund Balance (un-earmarked revenue reserve). The level of this reserve now stands at £1.718 million at 31 March 2024.
- 1.2 The Narrative Statement to the Accounts gives a summary of the main items in the Statement of Accounts for 2023/2024.

2. Background

- 2.1 The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA). These regulations introduced revised procedures for the approval and publication of accounting statements. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the

completion of the audit. The target date for the unaudited accounts to be produced and certified by the Chief Finance Officer was 31 May for 2023/24.

- 2.2 As a response to the disruption caused by the Covid-19 pandemic, the Government extended the date by which local authorities should publish their draft accounts from 31 May to 31 July. However, for 2022/23 onwards the regulation date has been brought forward to 31 May, two months earlier.
- 2.3 The Council has been unable to complete all the necessary processes in order to meet the earlier deadline and the draft 2023/24 Statement of Accounts were published on 15 July 2024. As required a notice was added to our website setting out this position and explaining that this was due to a delay in the Council receiving the fixed asset valuations from the external valuer initially appointed by the Council. A second external valuer provider was appointed to carry out the work. The fixed asset valuations are needed for material transactions and disclosures. Therefore it was necessary to delay the publication of the Council's 2023/24 Draft Statement of Accounts. The view of the S151 Officer was that the accuracy of the financial statements was paramount.
- 2.4 Many Authorities have not been able to meet the regulation date of 31 May for 2023/24. As at 1 June, according to research by a local government expert, 41% of lower tier authorities had published their 2023/24 accounts by 31 May 2024.
- 2.5 The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for future use.
- 2.6 The attached booklet in **Appendix A** contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow.
- 2.7 The accounts have been prepared in accordance with all relevant and appropriate accounting standards, including International Accounting Standard (IAS) 19 which deals with pension costs. This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the Council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's Statement of Accounts. Members are advised that the accounting arrangements for IAS 19 are for reporting purposes only. Indeed the required entries are reversed out of the accounts and consequently, IAS 19 has no impact on the Council's surplus for the year.
- 2.8 In light of the length of the statutory accounts a shortened version has been prepared for 2023/24. The summary of the draft Accounts in **Appendix B** is a more user friendly document which can be easily read by members of the public and our businesses to get an understanding of the financial position of the Council for 2023/24.

2.9 The Annual Governance Statement (AGS) for 2023/24 shown in **Appendix C** reflects the reporting requirements introduced by CIPFA/SOLACE's 2016 Delivering Good Governance in Local Government Framework. The requirements include:

- An acknowledgement of responsibility for ensuring there is a sound system of governance
- A reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment.
- An opinion on the level of assurance that the governance arrangements can provide.
- An agreed action plan.
- A conclusion.

2.10 The CIPFA/SOLACE 2016 Framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with seven core principles of good governance. Examples of the framework the Council adopts to comply with the Code's key principles are included within the AGS, as well as an accompanying assurance statement.

3. Outcomes/outputs

Revenue Expenditure

- 3.1 Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity.
- 3.2 In 2023/24 the Council generated savings and additional income of £1.546 million. This was from extra treasury management investment income (£0.989 million) by realising the opportunity from high interest rates and securing advantageous rates from reviewing market offers on a daily basis. In addition, proactive management action resulted in salary savings from vacancies of £0.237 million.
- 3.3 The Council also secured extra business rates income from identifying renewable energy sites (£0.216m) and generated additional car parking income (£0.104m).
- 3.4 This additional income and savings were offset by the fact that the Council also incurred additional costs and a shortfall in income of £1.475 million (equating to 17.2% of the Council's net budget of £8.588 million). Many of the additional costs were as a result of the current economic climate with high inflation and the cost of living crisis.
- 3.5 The extra costs incurred in the year included the impact of the national local government pay award (£0.130 million), the waste and cleansing

service (£0.156 million) and temporary accommodation costs (£0.251 million).

3.6 In addition there was an increase in the overall bad debt provision for debtors (£0.094 million) and higher inflation than budgeted mainly in respect of IT, utilities and insurance totalling £0.215 million. The Council also experienced a shortfall in planning income of £0.103 million.

3.7 **Therefore there was an overall surplus of £149,000 on the outturn position for 2023/24.**

3.8 The 2023/24 budget was £8.588 million and therefore the surplus of £149,000 means that the actual net spend was 1.7% less than the budget. This surplus will go into the Council's Unearmarked Reserves which now stand at £1.718 million. The main variations from budget are shown on Pages 7 and 8 of the Narrative Statement in the Statement of Accounts.

Capital Expenditure

3.9 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £4.33 million in 2023/24. The main areas of expenditure were as follows:

- Purchase of 5 properties in Okehampton for refugees and temporary accommodation as a secondary use (£1.2m) – utilising Government Local Authority Housing Fund grant
- Purchase of 3 properties in Tavistock for refugees and temporary accommodation as a secondary use (£0.8m) – utilising Government Local Authority Housing Fund grant
- Local Housing renovation grants including disabled facilities grants (£1.1m)
- Okehampton Interchange - Transport Hub (£0.5m) – preliminary design and engineering work

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (see Note 33 of the Statement of Accounts for 2023/24).

Earmarked Reserves – Business Rates s31 Compensation Grant

3.10 The total Earmarked Reserves balance at 31 March 2024 of £11.154 million includes £1.216 million held in the Business Rates s31 Compensation Grant Reserve. This earmarked reserve is a holding account and contains the section 31 grant received from Central Government to reimburse Councils for the business rate relief which was awarded to businesses by the Government (75% rate relief for businesses in the retail, hospitality and leisure sector, up to a cash cap of £110,000 per business).

3.11 The Local Government Accounting Regulations for Business Rates mean that there is a timing delay between receipt of the section 31 grant in the General Fund and when it is released into the Collection Fund. This temporary increase in reserves will reverse back out again in the 2024/25 Accounts, to fund the deficit on the Collection Fund as at 31 March 2024. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

4. Proposed Way Forward

4.1 Members are advised that Bishop Fleming will commence the external audit of the accounts at the end of July 2024. Following the Audit, the Statement of Accounts will be brought back to the Audit and Governance Committee for approval in either October or December 2024.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.</p> <p>The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).</p>
Financial implications to include reference to value for money		<p>The financial implications to this report are that a surplus of £149,000 was generated in 2023/2024. This means that the Council's actual net spend for 2023/2024 was 1.7% less than the budget set for the year of £8.588 million.</p> <p>As part of Grant Thornton's external audit of the Statement of Accounts for 2023/2024, they will assess the arrangements the Council has in place for:-</p> <ul style="list-style-type: none"> • Improving economy, efficiency and effectiveness • Financial Sustainability • Governance
Risk		<p>Public Accountability – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United</p>

		Kingdom 2023/24 which is recognised by statute as representing proper accounting practice. Resource Planning – the Council takes into account any significant issues when developing the Council’s Medium Term Financial Strategy.
Supporting Corporate Strategy		The Annual Statement of Accounts and Annual Governance Statement support all of the Thematic Delivery Plans within the Council’s strategic vision, the Council Plan.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Draft Statement of Accounts 2023/24

Appendix B – Draft Summary of Accounts 2023/24

Appendix C – Annual Governance Statement 2023/24

Background Papers:

None