



**Governance and Audit
Committee**

13th June 2023

Subject: Unaudited Statement of Accounts 2022/23

Report by:

Director of Corporate Resources (S151)

Contact Officer:

Peter Davy
Financial Services Manager

peter.davy@west-lindsey.gov.uk

Purpose / Summary:

The 2022/23 Unaudited Statement of Accounts is presented for scrutiny.

RECOMMENDATION(S):

That Members pre-scrutinise the attached Unaudited Statement of Accounts 2022/23. Any comments of this committee will be referred to the Section 151 Officer and the Council's external auditors, Mazars.

IMPLICATIONS

Legal: The Statement of Accounts is prepared in accordance with the Accounts and Audit Regulations 2015

Financial: FIN/25/24/PD

The unaudited Statements of Accounts 2022/23 has been prepared in accordance with proper accounting practices and the requirements of International Financial Reporting Standards (IFRS). This is intended to provide for comparable accounts across all accounting boundaries, public and private, national and international.

The Actual Outturn for 2022/23 reported a surplus of £1.094m, of which £0.530m relates to budget provision for projects which have approval for carry forward as they span financial years. This leaves a £0.564m surplus which has been transferred to reserves.

Long Term assets total £66.830m.

In respect of Usable Reserves, the Council remains in a healthy position with balances detailed below:

- General Fund working balance totals £4.682m, (£5.406m 2021/22)
- General Fund Earmarked reserves total £19.340m, (£19.214m 2021/22)
- Capital receipts total £1.117m (£1.472m 2021/22)
- Capital Grants unapplied £3.018m (£2.516m 2021/22)

A number of financial performance ratios are contained within the report which illustrate that the Council remains in a healthy financial position.

Staffing : None arising from this report.

Equality and Diversity including Human Rights : None arising from this report

Data Protection Implications : None arising from this report

Climate Related Risks and Opportunities: None arising from this report

Section 17 Crime and Disorder Considerations: None arising from this report

Health Implications: None arising from this report

Title and Location of any Background Papers used in the preparation of this report :

Code of Practice on local authority accounting in the United Kingdom 2022/23.

Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2022/23 Accounts.

The Accounts and Audit (England) Regulations 2015.

Papers are located in the Financial Services section, Guildhall.

Risk Assessment :

Should the auditors find any material errors this may result in a qualification of the accounts:

Mitigation: The auditors have been consulted on any material issues identified during the closedown process and agreement has been made on the treatment of such items.

Mitigation: A robust quality check has been undertaken and working papers prepared and reviewed.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Introduction

- 1.1 The Unaudited Statement of Accounts for 2022/23 (Appendix A) has been prepared under the International Financial Reporting Standards based Code of Practice on Local Authority Accounting (the Code).
- 1.2 Following the Accounts and Audit Regulations 2015 the Council's Draft Statement of Accounts (subject to audit) must be certified by the Chief Finance Officer and published before the 31 May. Following completion of the external audit the Council must formally approve the accounts before the 31 July. However, due to a change in the regulations for 2022/23 only, the audited accounts must be published by 30 September 2023.
- 1.3 The Committee is therefore presented with the unaudited Statement of Accounts, which was approved for issue to the Auditor, Mazars, by the Director of Resources (S151 Chief Finance Officer) on 31 May 2023.
- 1.4 This Committee is responsible for the approval of the Statement of Accounts and any material amendments recommended by the external auditors. The audited Statement of Accounts will therefore be presented to this committee at the September meeting.
- 1.5 Members of the Governance and Audit Committee will be provided with specific training on the Statement of Accounts to enable them to meet these requirements.
- 1.6 The unaudited Statement of Accounts has been combined with the Annual Governance Statement (AGS) as in previous years whereby the Council publishes one document, clearly identifying that these are separate statements.
- 1.7 This Committee will review the Draft Annual Governance Statement alongside the Unaudited Statement of Accounts.
- 1.8 The Statement of Accounts, and all supporting documentation is available for inspections by the electorate and must include the period from 1st June 2023 to 12th July 2023 by appointment only. From 1st June 2023 to 12th July 2023, any local elector may make written representations and/or objections to the external auditor to anything about which the auditor could take action under section 7 of the Local Audit and Accountability Act 2014. Those sections deal with expenditure made by the District Council which is unlawful, and any matter in respect of which the auditor could make a report under section 7 of the Act. An elector must send a copy of any such objection to the Director of Corporate Services.

2 The Statement of Accounts

The unaudited Statement of Accounts 2022/23 is attached at Appendix A. The main elements of which are detailed below;

2.1 Expenditure Funding and Analysis (Note 7 to the accounts)

This is a statement which details the net expenditure utilised by our service Clusters which (chargeable to the General Fund) when added to the statutory accounting adjustments i.e. capital charges, pensions. This then reconciles to the Comprehensive Income and Expenditure Account.

2.2 Comprehensive Income and Expenditure Statement (CIES)

This Statement records the day-to-day expenditure incurred in providing services and includes salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. This statement also shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, but such "accounting costs" do not form part of the amount required to be raised through Council Tax. In 2022/23 there was a surplus on the Provision of Services totalling £1.841m (£0.191m surplus in 2021/22).

3.3 Movement in Reserves Statement (MIRS)

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting.

The Councils usable reserves total £28.157m (£28.608m 2021/22).

3.4 Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Usable Reserves total £28.157m (£28.608m 2021/22). The second category of reserves is those

that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS Statement line 'Adjustments between accounting basis and funding basis under regulations'. Unusable Reserves total a surplus of £15.685m (deficit of £20.387m 2021/22) which gives a net balance sheet position of £43.842m, (usable reserves and unusable reserves).

3.5 **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. There has been an overall decrease in cash of £1.344m (increase of £3.065m 2021/22).

3.6 **Notes to the Accounts**

The Notes to the Accounts include additional information including the accounting policies, material items of income and expense and explanations of elements contained within the Comprehensive Income and Expenditure Account and the Balance Sheet.

3.7 **Other Financial Statements**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

4 **Going Concern**

- 4.1 This is to confirm that in publishing the 2022/23 unaudited Statement of Accounts, Management has assessed the Going

Concern for West Lindsey District Council and have not identified any material uncertainty which prevent us from applying this principle.

4.2 The main factors underpinning this assessment are;

- The Council's current financial position – the Council has delivered a balanced revenue outturn position for 2022/23 and has maintained adequate levels of reserves, which meet the minimum risk assessed level.
- The Council's projected financial position – the Council set a balanced budget for 2023/24 with the requirement to deliver ongoing efficiency savings over the medium term. The Council is developing a Programme to achieve the required savings and this is subject to ongoing review and development to ensure that required savings are delivered. The council has developed a number of financial resilience indicators which demonstrate that over the medium term the Council has enough resources to mitigate any projected deficits over the medium term.
- The Chief Finance Officer has made a formal statement on the robustness of estimates and the adequacy of reserves, as contained within the Medium-Term Financial Plan.
- The Council's cash flows are managed on a regular basis to ensure that there are enough funds to meet its financial commitments. The Council has adequate financial resources to meet its immediate financial obligations. The Council could access additional financing from the UK Debt Management Office, should it be required.
- The Council's Governance Arrangements – there is a robust governance framework in place which includes the statutory elements such as the Head of Paid Service, the Monitoring Officer and the Section 151 officer in addition to the current political arrangements (see the AGS)
- The external regulatory and control environment – Local authorities operate in a highly legislated and controlled environment. In addition to the legal framework and central government controls, there are factors such as the role of the external auditor and compliance with best practice such as that published by CIPFA. The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

- 5.1 The unaudited Statement of Accounts 2022/23 are attached at Appendix A.
- 5.2 It is recommended that Members having considered the Unaudited Statement of Accounts refer any comments to the Director of Corporate Services for subsequent discussion with the Council's External Auditors, Mazars.