

Title of report: 2022/23 Draft Statement of Accounts

Meeting: Audit and Governance Committee

Meeting date: Friday 23 June 2023

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To note the draft, unaudited Statement of Accounts for 2022/23.

Recommendation(s)

That:

- a) **Audit and Governance Committee note, and comment on as appropriate, the draft, unaudited Statement of Accounts for 2022/23.**

Alternative options

1. To not provide a Statement of Accounts. This is not an option. The Local Audit and Accountability Act 2014 requires the council to produce a Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. The process requires the final accounts to be approved by the Audit and Governance Committee.

Key considerations

2. The council is required to prepare an annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015 and the 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the council and comprises: a narrative report and annual governance statement, comprehensive income and expenditure statement, balance

sheet, movement in reserves statement, cash flow statement, collection fund statement, group accounts and supporting notes.

3. The council has prepared the draft Statement of Accounts for 2022/23 (Appendix 1) and published them on 31 May 2023, in line with the statutory deadline determined by the Accounts and Audit Regulations 2015 and provided accounts to the external auditors on this date.
4. It is anticipated that the external audit fieldwork will be completed by Grant Thornton UK LLP over July to September, with audited Statement of Accounts and audit findings to be presented at September meeting of this committee, to meet the statutory deadline of 30 September 2023.
5. The financial outturn position reported for 2022/23 is an overspend of £5.6 million against a net budget of £175.9 million (3.2%). The net deficit on the provision of services presented in the comprehensive income and expenditure statement is £32.6 million; this represents the accounting deficit after financial accounting adjustments including pension actuarial costs and capital costs allowable under International Financial Reporting Standards (IFRS). These accounting adjustments are explained in note 8 to the accounts: Expenditure and funding analysis.
6. The general fund balance has remained at £9.6 million and earmarked reserves have decreased from £96.5 million to £81.8 million. These figures include balances of £9.3 million held for individual maintained schools.
7. The cumulative dedicated schools grant (DSG) deficit brought forward from last financial year of £0.3 million has increased by £0.8 million, representing the deficit in 2022/23, to £1.1 million. In line with the School and Early years Finance (England) Regulations 2020, the deficit reserve is classified as an unusable reserve instead of an earmarked reserve.
8. The council instructed external valuers Wilks Head & Eve LLP to carry out the land and buildings asset valuations in 2022/23 in line with the rolling programme of valuations. Valuations were completed in accordance with the professional standards of the Royal Institution of Chartered Surveyors (RICS) as per the planned timetable and revaluations have been processed to update carrying values at 31 March 2023 which are reflected in the 2022/23 draft statement of accounts.
9. Net assets on the balance sheet have increased from £342.7 million at 31 March 2022 to £604.9 million at 31 March 2023. The main reason for this is the movement in the net pension liability within other long term liabilities, which has decreased from £273.2 million to £24.1 million following the triennial pension valuation undertaken by the Pension Fund actuaries: Mercer Limited.
10. The group accounts consolidate the performance of the council with its subsidiary undertaking: Hoople Ltd. The impact of the consolidation is an increase in the group reserves of £3.3 million, which includes reserves applicable to the minority interest of £0.7 million.
11. The Statement of Accounts has been reviewed and decluttered for 2022/23 with significant changes to the presentation and ordering of the primary statements and supporting notes. The Statement of Accounts is now easier for the reader to understand, with the removal of non-material notes and disclosures, whilst still being compliant with the CIPFA Code. A summary financial statements document has also been produced (Appendix 2) to provide high level summary figures and brief explanations of the purpose of each statement in two pages.

Community impact

12. Publication of the Statement of Accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. The council is

accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

Environmental impact

13. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
14. This report is to note the draft 2022/23 Statement of Accounts so will have minimal environmental impacts, however consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example, the external audit on the draft accounts will be completed remotely, reducing travel impact and paper usage.

Equality duty

15. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

17. There are no new resource implications from this report.

Legal implications

18. Regulation 9 of the Accounts and Audit Regulations 2015 requires the following:
 - a. The S151 officer to sign and date the Statement of Accounts, and confirm that they are satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year; and
 - b. A period of time to allow the public to inspect the accounts. This will commence on 1 June 2023 and last for six weeks; and
 - c. Once there has been a period of public inspection, the committee must approve the Statement of Accounts by a resolution and ensure that the Statement of Accounts are signed and dated by the person presiding at this committee.

Risk management

19. The council is required to make arrangements for the proper administration of its financial affairs and to secure that the Chief Financial Officer has the responsibility for the administration of those affairs. The council is also required to secure economic, efficient and effective use of resources on which Grant Thornton provide a value for money opinion.

Consultees

20. The Statement of Accounts was made available for public inspection for a six week period commencing 1 June 2023.

Appendices

Appendix 1 Draft Statement of Accounts 2022/23

Appendix 2 Summary Financial Statements 2022/23

Background papers

None identified.