



**COTSWOLD**  
DISTRICT COUNCIL

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT AND GOVERNANCE COMMITTEE – 18<sup>th</sup> OCTOBER 2023</b>
Subject	<b>2022/23 STATEMENT OF ACCOUNTS</b>
Wards affected	None
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:Mike.Every@cotswold.gov.uk">Mike.Every@cotswold.gov.uk</a>
Accountable officer	David Stanley, Deputy Chief Executive and S151. Officer Email: <a href="mailto:David.Stanley@Cotswold.gov.uk">David.Stanley@Cotswold.gov.uk</a>
Report author	Michelle Burge, Chief Accountant Email: <a href="mailto:Michelle.Burge@publicagroup.uk">Michelle.Burge@publicagroup.uk</a>
Summary/Purpose	<p>The Statement of Accounts for 2022/23 shows the financial position of the Council as of 31 March 2023 as well as the performance during the year.</p> <p>Under the Council's Constitution, the Audit and Governance Committee is charged with the responsibility of the approval of the accounts.</p> <p>This report presents to the Committee for consideration the published (unaudited) draft Statement of Accounts for the year ended 31 March 2023.</p>
Annexes	<p>Annex A – 2022/2023 Draft Statement of Accounts (Unaudited)</p> <p>Annex B – Letter from Minister Lee Rowley regarding Local Audit</p> <p>Annex C - Local Audit Delays – Cross-System Statement On Proposals To Clear The Backlog And Embed Timely Audits</p>
Recommendation(s)	<p>That the Audit and Governance Committee resolves to note:</p> <ol style="list-style-type: none"> <li>1. The draft unaudited Statement of Accounts 2022/23 (as attached at Annex A).</li> <li>2. Key highlights from the Statement of Accounts 2022/23 as set out within this report.</li> <li>3. The position on Local Audit delays as set out in Annex B and Annex C</li> </ol>
Corporate priorities	<ul style="list-style-type: none"> <li>• Deliver the highest standard of service.</li> </ul>
Key Decision	NO

Exempt	NO
Consultees/ Consultation	None

## I. EXECUTIVE SUMMARY

- I.1 The Statement of Accounts for 2022/23 shows the financial position of the Council as at 31 March 2023 as well as the performance during the year. Under the Council's Constitution, the Audit and Governance Committee is charged with the responsibility of the approval of the accounts.
- I.2 This report summarises the key aspects of the 2022/23 Statement of Accounts. The accounts are draft and subject to external audit. The public inspection period began on the 9<sup>th</sup> October 2023 and is due to end on the 17<sup>th</sup> November 2023. The draft published Statement of Accounts can be found at **Annex A**.
- I.3 A final version of the Statement of Accounts, together with the Council's external auditor's opinion on those accounts will be presented to a future Committee meeting following completion of the external audit. It is expected that the fieldwork is unlikely to commence until January 2024 due to the Local Government audit sector being under significant pressure due to a backlogs in accounts sign offs.
- I.4 The draft Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code'). The Council is statutorily obliged under the Accounts and Audit Regulations 2015 to prepare its Statement of Accounts in accordance with the Code.
- I.5 Members of the Committee received training Statement of Accounts training on the 3<sup>rd</sup> October, providing an overview of the Accounts, an explanation of their role as a Councillor, an explanation of the key statement and an explanation of some of the key balances and entries. Slides were circulated for those members of the Committee who were unable to attend.
- I.6 The Statement of Accounts have a specified format which includes a narrative report, four primary statements, accounting policies and notes to the accounts. The purpose of the primary statements are set out below together with any key highlights from those statements for the year ended 31 March 2023.



## **2. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CI&ES)**

**2.1** This statement includes the net cost of services in accordance with generally accepted accounting practices which for 2022/23 was a deficit of £2.418m. This differs from the revenue outturn report which reported a deficit of £1.284m as the CI&ES is prepared under International Financial Reporting Standards (IRFS) while the management accounts are prepared based upon local authority accounting rules. The “Expenditure and Funding Analysis” (page 17) of the Statement of Accounts reconciles the difference between the IFRS net deficit and management accounts outturn.

**2.2** A reconciliation of the CIE&S with budget monitoring is shown below:

	<b>2022/23 £m</b>
Deficit for the year per CIE&S	2.418
Technical Accounting Adjustments	2.135
(Use)/Top up of Earmarked Reserves	-4.934
Budgeted transfer to General Fund in lieu of pension fund contribution	1.634
Budgeted surplus transfer to General Fund not made	0.032
<b>Net deficit against budget</b>	<b>1.284</b>

**2.3** The technical accounting adjustments include movements for:

- Neutralisation of depreciation
- Revaluation gain/losses for the Council’s property portfolio
- Transfer of capital grant to the capital grants reserve
- Revenue expenditure funded from capital under statute
- Adjustments to the pension reserve which neutralises the current service cost and ensures that the actuarial estimates are not charged to Council tax payers.

## **3. MOVEMENT IN RESERVES STATEMENT (MiRS)**

**3.1** The MiRs details the movement in the year between reserves, from the deficit on provision of services in the Comprehensive Income and Expenditure Statement, to the position on the Balance Sheet at 31 March 2023. The reserves are also split into usable reserves (which are available to spend and unusable reserves which represent reserves held for accounting purposes (and are not available for use).

## **4. BALANCE SHEET**

**4.1** The Balance Sheet depicts the assets and liabilities of the Council as at 31 March 2023 splitting these between current (less than 12 months) and on current (long term assets and liabilities).

Subtracting liabilities from assets leads to a net position which represents the Council's 'net worth'.

- 4.2** As at 31 March 2023, the Council's net worth was £85.282m compared to £55.176m the previous year, an increase of £30.106m. This is largely due to a reduction in the pension liability, following the triennial revaluation which assessed the Pension Fund as being 110 per cent funded, compared to 102 per cent funded in 2019. This is partly due to improved investment returns. Alongside changes to the discount rate, this improved funding position has reduced pension fund liabilities in the Balance Sheet from £37.9m at 31 March 2022 down to just £7.188m at 31 March 2023.
- 4.3** Current assets have reduced overall by £9.645m, mainly due to a £5.3m decrease in government short term debtors, reflecting amounts owed by preceptors in relation to business rates deficit as part of the collection fund in 2021/22.
- 4.4** Current liabilities have reduced by £11.460m, largely due to movements in creditors including a receipt in advance held in 2021/22 for the Council Tax Agency Rebate Scheme (£3.9m), and Covid-19 business grant funding (£4.3m). Government creditors have also reduced due to higher levels of business rate relief owed back to Government at 31 March 2022 in comparison to 31 March 2023 (£7.5m)
- 4.5** The Pooled Fund Adjustment Account (note C3) has increased by £0.998m due to unrealised falls in the capital value of Pooled Investment Fund.
- 4.6** The Collection Fund Adjustment Account has increased by £4.8m which is largely due having a collection fund deficit in 2021/22 and a surplus in 2022/23 following movement of £4.12m from the Business Rate Smoothing reserve.
- 4.7** The Statement of Accounts includes a transfer of £4.12m from the Business Rate Smoothing Reserve (held within useable reserves). This reserve held government funding received to offset the impact of business rate reliefs granted as part of the government's Covid-19 support measures to businesses. This funding ensures that Council did not lose funding when business were given business rate support during the pandemic. This reserve has been fully utilised in 2022/23 to offset the collection fund deficit recognised this year which resulted from these support measures.
- 4.8** The total balance of capital resources (excluding Community Infrastructure Levy receipts) as at 31 March 2023 is £8.876m including capital grants. Expenditure on capital projects was £4.560 in 2022/23 including the purchase of a homeless property in Tetbury (£1.148m), Private Sector Housing Renewal Grants (£1.092m), Affordable Housing in Moreton in Marsh (£0.550m) and car park improvements in Bourton on the Water (£0.440m).

## **5. COLLECTION FUND BALANCES**



- 5.1** This is a statutory statement which all billing authorities are required to produce in relation to the collection from taxpayers of Council Tax and Non Domestic Rates (NDR).
- 5.2** The balance on the Collection Fund for Council Tax at the year end was a surplus of £0.108m. Any balance on the Council Tax Fund will be distributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police Authority and Cotswold District Council, based on a proportion of the total precept demand from each body. Based on an estimated deficit position in January 2022 for 2021/22 we recovered £0.062m from the preceptors in 2022/23. The balance of £0.108m will be distributed in the 2023/24 estimate of outturn in January 2024.
- 5.3** The balance on the Collection Fund for business rates at the year-end was a surplus of £0.492m (£11.532m deficit in 2021/22) which is split between Cotswold District Council, Gloucestershire County Council and central government, the Council's share of the surplus is £0.197m.

## **6. CASHFLOW STATEMENT**

- 6.1** The cashflow statement shows the year-on-year change in cash and cash equivalents which includes on -demand deposits rather than simply showing the movement in the bank balance. There has been a £2.638m decrease in cash and cash equivalents due to a decrease in cash held in short term deposits (call accounts)

## **7. NOTES TO THE ACCOUNTS**

- 7.1** The notes to the accounts provide the detailed breakdown of the numbers contained within the primary statements together with relevant supporting information to assist the readers of the accounts and to comply with accounting standards disclosure requirements. These can be found at pages 17 to 89.

## **8. ACCOUNTING POLICIES**

- 8.1** The Council's Financial Rules state that the Chief Finance Officer is responsible for setting the Council's Accounting Policies. The Statement of Accounts is prepared based upon these policies. Whilst is the Chief Finance Officer's responsibility to set the policies, the Audit and Governance Committee is responsible for approving them.
- 8.2** The Accounting Policies as set out in the draft Statement of Accounts were prepared and approved by the Audit Committee at the meeting on the 27<sup>th</sup> April 2023. No further changes have been made to the policies presented and approved at that meeting.

## **9. APPROVAL AND PUBLICATION OF THE ACCOUNTS**



- 9.1 The Audit and Governance Committee is responsible for formally approving the audited Statement of Accounts on behalf of the Council. The statutory deadline for completing the 2022/23 external audit was the 30<sup>th</sup> September 2023.
- 9.2 Members will be aware of the wider delays with the audit of the accounts and receiving audit opinions across local government, as set out in the Audit Update report to Audit Committee in April 2023.
- 9.3 The Government is currently considering options to reduce the backlog of outstanding audits (516 as at 30 June 2023) following Minister Lee Rowley (Parliamentary Under-Secretary of State for Local Government and Building Safety) letter from July 2023 Local Audit Delays – Cross-System Statement On Proposals To Clear The Backlog And Embed Timely Audits. A copy of the letter and document is included as Annex B and Annex C. Whilst Cotswold District Council is in a relatively good position, there could be an impact on the commencement of the 2023/24 audit if the 2022/23 audit opinion is subject to delay.
- 9.4 With the conclusion of the 2021/22 audit work, the Council's preference is for the audit of the 2022/23 to commence as soon as is practically possible with the aim/intention for the audit opinion to be received no later than January 2024. This would ensure the Council's finance team are able to respond effectively to audit queries in a timely manner, to facilitate a clean transition to the new external auditors in April (Bishop Fleming), and to ensure that the finance team are able to focus on finalising the 2024/25 budget work and Q3 budget monitoring during January and February 2024.
- 9.5 The Deputy Chief Executive and Section 151 Officer is liaising with Grant Thornton on the timescale for the start and completion of the audit on the financial statements. Work on assessing the Value for Money arrangements will commence in mid-October 2024 and conclude in December 2024.
- 9.6 On completion of the audit, the Committee will be asked to approve the signing of the Statement of Accounts and Letter of Representation. At this point, the accounts can be formally approved by the Committee and the external auditor (Grant Thornton UK LLP). The S.151 Officer will then sign the accounts and they will be published on the Council's website alongside the notice of the completion of Audit.

## **10. POST BALANCE SHEET EVENTS**

- 10.1 The S.151 Officer will continue to monitor matters which occur after the balance sheet date (31 March 2023) which could have an impact on amounts included within the accounts up to the date the external auditor signs the Statement of Accounts. If the matter meets the definition of an "adjusting" event and would have a material impact on an amount or amounts included within the statements, further adjustments to the statement may be required. Any such events would be discussed with the external auditor and reported to the Committee.

## **11. ALTERNATIVE OPTIONS**



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- 11.1 There are no alternative options as the Council has a legal obligation to prepare the statutory statement of accounts and for those to be subject to external audit.

## **12. CONCLUSIONS**

- 12.1 The statement of accounts at Annex A are draft at this stage and an audited version of the accounts will be presented to the Committee at a later meeting for final sign off following finalisation of the audit.

## **13. FINANCIAL IMPLICATIONS**

- 13.1 Revenue and capital balances as detailed within the report and the annex. There are no other direct financial implications arising from this report.

## **14. LEGAL IMPLICATIONS**

- 14.1 None specific.

## **15. RISK ASSESSMENT**

- 15.1 The main risks arise from a lack of financial control and poor accounts preparation processes. The Council has appropriate controls in place to mitigate these. In addition any recommendation made by the External Auditor which have been accepted will be implemented within the agreed deadline.

## **16. EQUALITIES IMPACT**

- 16.1 This report presents to the Committee a statutory report which the Council has a legal obligation to prepare and as such, there are no equalities impacts.

## **17. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

- 17.1 None.

## **18. BACKGROUND PAPERS**

- 18.1 27 April 2023 Audit and Governance Committee approved the Draft Accounting Policies  
18.2 17 July 2023 Cabinet received the 2022/23 Financial Performance Report.

(END)