



Audit Committee

Report for:	Audit Committee
Title of report:	Statement of Accounts 2022/23
Date:	20 th September 2023
Report on behalf of:	CLlr Sally Symington, Portfolio Holder for Corporate & Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	CIPFA-The Chartered Institute of Public Finance and Accountancy

Report Author

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Responsible Officer

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Corporate Priorities	<ul style="list-style-type: none">A clean, safe and enjoyable environmentBuilding strong and vibrant communitiesEnsuring economic growth and prosperityProviding good quality affordable homes, in particular for those most in needEnsuring efficient, effective and modern service delivery
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	Climate and ecological emergency
Wards affected	All
Purpose of the report:	1. To present the audited Statement of Accounts 2022/23 for Members' approval.
Recommendation (s) to the decision maker (s):	<ol style="list-style-type: none"> 1. Review the Statement of Accounts 2022/23 (Appendix A) and raise any matters on which assurance is sought in order to approve the Statements on behalf of the Council; 2. Subject to consideration of the External Auditor's Audit Findings Report, approve the Letter of Representation (Appendix B) in the capacity of those charged with Governance and; 3. Subject to a) and b) above, approve the Statement of Accounts for 2022/23. 4. Delegate to the Chair of the Audit Committee to sign the final accounts upon receiving the final audit opinion.
Period for post policy/project review:	Not applicable.

1 Background:

1.1 The Account and Audit Regulations requires local authorities to approve their financial statements for 2022/23 by 30th September 2023. The appointed Auditor must complete their audit and issue the relevant audit opinion to ensure the statutory deadline is met. The Council's appointed Auditor is Grant Thornton UK LLP.

1.2 The purpose of the external audit of the financial statements is to give an opinion on:

- whether they present a "true and fair" view of the financial position of the audited body and its expenditure and income for the year in question; and
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

1.3 The Auditor's opinion is added to the Statement of Accounts, with further detail of the audit findings provided in the Audit Findings Report to the Council. The Audit Findings Report appears as a separate agenda item for Audit Committee on 20th September 2023.

1.4 The Statement of Accounts were prepared in accordance with the Code of Practice on Local Authority Accounting 2022/23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2 Statement of Accounts:

- 2.1 The role of the Chief Finance is to present the Council's annual Statement of Accounts to this Committee for formal approval.
- 2.2 The published accounts of the Council are an essential means by which it demonstrates stewardship of its resources and its financial performance in using those resources.
- 2.3 The Chief Finance Officer is required to:
- ensure the regularity of transactions, by putting in place systems of internal control to ensure financial transactions are lawful;
 - maintain proper accounting records; and
 - prepare financial statements that give a true and fair view of the financial position of the body and its expenditure and income.
- 2.4 The Statement of Accounts includes:
- 2.5 A **Narrative Report** which provides a user friendly guide to the most significant matters reported in the accounts and an overview of the Council's financial performance for the year.
- 2.6 The **Expenditure and Funding Analysis** showing how annual expenditure is used and funded from income (government grants, rents, council tax and business rates) in comparison with the income and expenditure in accordance with generally accepted accounting practices. It shows how this expenditure is allocated for decision making purposes between the Council's committees.
- 2.7 The **Comprehensive Income and Expenditure Statement (CIES)** reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The **Comprehensive Income and Expenditure Statement (CIES)** for 2022/23 reflects a net surplus of £155m and consists of the following:
- a. Deficit on the Provision of Services of £17.1m (2021/22 deficit of £6.8m);
 - b. Other Comprehensive Income of £172.2m (2021/22 expenditure of £109.5m) consisting of £102.8m surplus on the revaluation of property and £69.4m actuarial gains on the Pension Fund.
- 2.8 The increase in the deficit on the Provision of Services of £10.3m between years is due to:
- a. A decrease in the Total Cost of Services of £12.4m;
 - b. An overall increase in Other Operating income of £0.5m;
 - c. A decrease in Financing and Investment net Expenditure of £2.9m;
 - d. A decrease in taxation and Non Specific Grant Income of £1.3m.
- 2.9 The **Balance Sheet** is fundamental to understanding the Council's financial position at year end. It shows the balances, reserves, the long term indebtedness and the fixed and net current assets employed in its operations.

- 2.10 The **Movement in Reserves statement** shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'other reserves'.
- 2.11 The **Cash Flow Statement** shows the movement in cash and cash equivalents held by the Council throughout the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- The **Housing Revenue Account (HRA)** is 'ring-fenced' from the General Fund. This reflects the Council's statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.
 - The **Collection Fund** account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.
- 2.12 The Council is required to submit a letter of representation to its appointed Auditor. This letter confirms the basis upon which the Council has produced its Statement of Accounts and how the Council has participated in the external audit process. This letter is contained at Appendix B to this report.
- 2.13 **Balance Sheet:** The Council's net worth was £1.259bn as at 31 March 2023, which represents an increase of £155.1m on the previous financial year. The change between years is made up of movements in both the deficit on the Provision of Services and Other Comprehensive Income and Expenditure.
- 2.14 The **HRA Statement** shows a deficit of £12.441m for 2022/23. This is an increase of £9.4m on the deficit reported in 2021/22, which was £3.026m.

Changes to the Draft Accounts Approved by the Chief Finance Officer:

- 2.15 The Council published its draft Statement of Accounts on 26th May 2023, in line with the statutory deadline of the 31st May 2023. Since its publication, Council officers have agreed the following changes:
- Balance Sheet: a £1m reduction to Pension Liability (note 36) and the Pension Reserve (note 36) as a revised Pensions actuarial valuation report was received. This also changed the actuarial (gains)/losses on the Pension Asset/Liabilities line in the Comprehensive Income and Expenditure Statement.
 - Balance Sheet: a £0.25m increase in short term debtors (note 22) and Earmarked Reserves (note 12). This also increased the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Property, Plant and Equipment (note 25): An update to this disclosure note to reflect the value of assets categorised as 'Other Land and Buildings' and 'Surplus assets' to reflect the value of these assets revalued in year.
- 2.16 More detail on the findings of the appointed auditor can be found in the Audit Findings Report, a separate agenda item at Audit Committee on 20th September 2023.

3 Financial and value for money implications:

3.1 The published accounts are an essential means by which the Council demonstrates its stewardship of the resources and accounts for its financial performance.

4 Legal Implications:

4.1 The Council has a statutory obligation to publish its audited accounts by 30th September 2023 under the Accounts and Audit Regulations.

5 Risk implications

5.1 The production of the Statement of Accounts and the associated external audit process are some of the key controls in place to mitigate the risk of the weakening of the Council's finance resilience. The Council's audit certificate is dependent on our auditors receiving the audit letter from the Hertfordshire Pension Fund auditors. This is expected in late September/October.

6 Equalities, Community Impact and Human Rights:

6.1A Community Impact Assessment is not required. There are no Human Rights Implications.

7 Sustainability implications (including climate change, health and wellbeing, community safety)

7.1 None arising directly from the report.

8 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

8.1 None arising directly from the report.

7 Conclusions:

7.1 The Statement of Accounts represents a detailed picture of the Council's financial activity for 2022/23. Members are asked to review the accounts and Letter of Representation presented to them today and approve these documents.