



## Statement of Accounts 2023-24

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<b>Lead Member/Relevant Portfolio Holder</b>	<b>Councillor Sarah Cox</b> – Portfolio Holder for Corporate Finance, Property and Resources

<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery (inward)
<b>Relevant Ward Member(s):</b>	All
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No

### 1 Summary

- 1.1 The Statement of Accounts are presented for approval and are prepared in accordance with the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2024.
- 1.2 This covering report pulls out the key issues within the annual accounts for 2023-24 to aid members' understanding.

### 2 Recommendations

That Committee:	
2.1	Approve the Statement of Accounts for 2023-24
2.2	Approve the Letter of Representation for the year ended 31 March 2024

### 3 Reason for Recommendations

- 3.1 The Accounts and Audit Regulations 2015 (The Regulations) and the Accounts and Audit (Amendment) Regulations 2024, require a Statement of Accounts to be produced and approved by the Council or appropriate committee to whom the function has been

delegated. For the financial year 2023-24 this approval must be by 28 February 2025 (the back-stop date), although it is considered to be good practice to submit these as early as possible.

- 3.2 It is also a requirement of the regulations that the unaudited accounts have to be signed off by the Section 151 Officer and published by 31 May 2024, and are available for approval for public inspection for a 30 day period, which must include the first 10 days in June. The Council published the unaudited accounts on 31 May 2024, and propose to publish the final audited accounts as soon as practicable following their final approval.
- 3.3 The format of the accounts is largely governed by the Code of Practice on Local Authority Accounting in the United Kingdom (the code) guidance notes, produced for Local Authorities by the Chartered Institute of Public Finance & Accountancy (CIPFA).
- 3.4 The regulations require the person presiding at the committee at which the accounts are approved to sign and date the Statement of Accounts.
- 3.5 The Statement of Accounts essentially shows the year end revenue and capital position in a prescribed format as required by the code. A report considering the provisional General Fund (GF) and Housing Revenue Account (HRA) position in comparison to the budget was considered by Cabinet on 9 July 2024. Key points to note in relation to the balance sheet summarising the Council's assets and liabilities at 31 March 2024 are set out in the following paragraphs. The external auditor's report referencing these accounts is elsewhere on this agenda.

## **4 Background**

### **4.1 Back-stop Dates**

The backlog in the publication of audited accounts of local authorities in England has reached an unprecedented level. This backlog undermines accountability in the sector and reduces the information available to the users of the accounts.

A solution of "backstop dates" was developed by a collaboration of the organisations involved in the regulation and oversight of local body financial reporting, these organisations include CIPFA, the Financial Reporting Council (FRC), the Institute of Chartered Accountants in England and Wales (ICAEW), the Ministry of Housing, Communities and Local Government (MHCLG), the National Audit Officer (NAO) and Public Sector Audit Appointments (PSAA).

The first backstop date of 13 December 2024 helped clear the backlog and enable a focus on the more recent accounts. Five further backstops will enable auditors to rebuild assurance over several audit cycles reducing the risk of the backlog re-emerging. Further, longer term reforms are under review, by the above organisations, to prevent the backlog recurring after the backstop dates cease.

As a result of the backstop dates hundreds of financial statements across the country will continue to be published with "modified" opinions for 2023-24, which will vary depending upon the extent to which the auditor was unable to obtain evidence.

Local authorities should not be unfairly judged based on disclaimed or modified opinions caused by the introduction of the backstop dates that are largely beyond their control and auditors will be expected to provide clear reasoning for the issuing of such opinions, to mitigate the potential reputational risk that local authorities may face. Modified opinions will affect the statements in subsequent years as assurance is normally gained from the previous years unmodified opinion.

The statutory backstop date for the publication of the statements for 2023-24 is 28 February 2025.

#### 4.2 Revenue and Capital Accounts

The service classification within the Comprehensive Income and Expenditure Statement (shown on page 5 of the Statement of Accounts) is presented in line with the Council's organisational structure as at 31 March 2024, under which it operates and manages its services. These include all costs, not just the controllable costs reported to Cabinet that are within the budget holder's control, for areas such as accrued employee benefits for untaken annual leave.

#### 4.3 Narrative Statement

The Narrative Statement provided separately to the Statement of Accounts compares the final year end position against the original budget approved in February 2023. The Council must prepare a Narrative Statement to include a comment on its financial performance and its economy, efficiency and effectiveness in its use of resources over the financial year. The Narrative Statement is attached at Appendix B for information.

#### 4.4 Balance Sheet

Closer analysis of the Balance Sheet tells us, for example, the Council's position on reserves and whether past capital expenditure is financed or subject to borrowing arrangements, explains whether money owed to the Council exceeds money owed by it and explains what resources the Council has to invest. However, it should be noted that the figures shown in the Balance Sheet are a snapshot taken on one day i.e. 31 March 2024.

##### 4.4.1 Working Balance and Reserves

The balance on the Corporate Priorities Reserve (the Council's main un-earmarked reserve) has increased from £1,239k at 1 April 2023 to £2,444k at 31 March 2024. The movements to this reserve are as follows:

<b>Corporate Priorities Reserve</b>	<b>£'000</b>
<b>Balance Brought Forward 1 April 2023</b>	<b>1,239</b>
Contribution to Revenue Account	-39
Contribution to Carry Forward Reserves	-45
Pool levy re-distribution	1,289
<b>Balance Carried Forward 31 March 2024</b>	<b>2,444</b>

The balance on the General reserve for Special Expenses (MM) for the same period has reduced from £215k to £119k. For Special Expenses (MM) the working balance has remained at £50k being its approved level, as approved by Council on 23 February 2023. For General Expenses the working balance has increased from £850k to £1m as approved at the same meeting. The level of reserves will be adjusted in 2024-25 in order to reflect the carry forward of capital budget underspends from 2023-24. Separate reserves deal with the revenue budget carry forwards, so they will not cause an adjustment on the Corporate Priorities or Special Expenses reserves.

The working balance on the HRA increased from £750k to £1m at 31 March 2024 as approved at the same meeting as above.

#### 4.4.2 Capital Financing Requirement

An analysis of the balance sheet allows us to determine whether the actual amount of borrowing during the year for capital purposes is significantly different to the Capital Financing requirement (CFR). The CFR represents the amount of borrowing required to fund capital expenditure after utilising all other funds available e.g. capital receipts, capital grants, capital and revenue contributions etc. The following table indicates that the Council's actual borrowing was within the level of the CFR:

<b>Analysis of Balance Sheet</b>	<b>31-Mar-23</b>	<b>31-Mar-24</b>
	<b>£'000</b>	<b>£'000</b>
Fixed Assets	159,667	168,636
Less Financing to date	-128,128	-137,108
CFR (Borrowing Requirement)	31,539	31,528
Less Borrowing	-31,413	-31,413
Under Borrowing	<b>126</b>	<b>115</b>

\* note all borrowing relates to the HRA

The net borrowing at the balance sheet date should not exceed the CFR, and at 31 March 2024 was below that figure due to a small amount of internal borrowing (£71k) and the notional set aside amount regarding the registrars (£44k). No new borrowing has been taken out in the year.

#### 4.4.3 Debtors and Creditors

The table below illustrates that there is an excess of debtors at 31 March 2024 (money owed to the Council) over creditors (money owed by the Council). For a healthy cash flow position this is not the ideal scenario and therefore shows reduced performance over the previous year. However, as mentioned above, the figures shown in the balance sheet are a snapshot at 31 March 2024. It can be more useful to make comparisons over time, hence the previous years' figures are shown. The main reasons for the change in both the short term creditors and debtors figures is explained below:

The Business rate retention scheme preceptor balances moved from debtor to creditor balances, a movement of £1,672k, due to the increased NNDR prepayments, reduced provision for appeals, increased debtors and reduced deficit. The collection fund (ratepayers) debtors increased by £337k.

The amounts of Section 31 and Transitional payments due back to government reduced by £439k.

The provision for the Council's share of outstanding business rates appeals has reduced by £82k.

The settlement of the Business Rates levy payments from previous years to the pool has resulted in this reduced creditor of £988k.

Payments from the COVID and Energy Support Schemes have reduced these creditors by £813k.

There is a general decrease in the figure for capital creditors of £199k and a decrease in the sundry creditors (including reserved creditors) of £138k. The many transactions that make up these figures include all the Council's miscellaneous creditors. There is also an increase in the sundry debtors (including reserved debtors) of £597k.

Prepayments and accounts in credit for housing rent, council tax and NNDR increased by £380k.

Interest accrued increased by £258k on the previous year, due to increased interest rates achievable on balances.

The provision for doubtful sundry debts was reduced by £172k, due to lower outstanding arrears. The provision for arrears on housing debt has reduced by £46k due to lower outstanding current tenant arrears which is off-set by the Housing rent debtor.

The VAT debtor has reduced by £83k due to lower amounts of invoices processed in period 12.

The remainder is a mixture of smaller movements on other debtor and creditor balances.

<b>Analysis of Balance Sheet</b>	<b>31-Mar-23</b>	<b>31-Mar-24</b>
	£'000	£'000
Creditors & Provisions	5,684	3,712
Less:		
Short Term Debtors	4,953	4,791
<b>Excess of Creditors over Debtors</b>	<b>731</b>	<b>-1,079</b>

#### 4.4.4 Cash Resources

The following table shows that where there have been cash resources available that these have been invested, either internally or externally, in order to both maximise the Council's income from interest receipts or reduce interest paid. The previous year has been included for comparison purposes:

<b>Analysis of Balance Sheet</b>	<b>31-Mar-23</b>	<b>31-Mar-24</b>
	£'000	£'000
Cash Resources:		
- Useable Capital Receipts & Contributions	4,279	3,724
- Earmarked Reserves	13,942	12,849
- Balances	1,651	2,050
<b>Funds Available for Investment</b>	<b>19,872</b>	<b>18,623</b>
Excess of Creditors over Debtors	731	-1,079
<b>Resources / Cash Available for Investment</b>	<b>20,603</b>	<b>17,544</b>
Short-term Investments	15,500	16,000
Cash & Cash Equivalents	2,269	422
Property Investment Fund	1,848	1,804
<b>Excess (-) / Deficit of Investments over Resources</b>	<b>986</b>	<b>-682</b>

The Council continues, at the balance sheet date, to maximise its funds available.

#### 4.5 Audit Report on Material Misstatement

The auditor's report, elsewhere on this agenda will note a material misstatement in the accounts.

Our property portfolio was valued based on the use of the Gross Internal Areas (GIAs) of the buildings. On investigation by the auditor it was found that these GIAs had not been measured by the valuer, but were held over by the Corporate Property Team from the previous valuer with no workings retained, so the auditor was unable to gain assurance on the GIAs used. On 18 December 2024 it was agreed that the Council would commission a valuer to re-measure the sample identified by audit for scrutiny, this was completed by a property services company recommended by the Council's valuer as they did not have the resources available to complete the sample within the required time. These new measurements were supplied to the auditors on 20 January 2025 and in some cases differed to the original valuation report.

Workings by Grant Thornton have then concluded that, for that sample, errors netting a £4.4m understatement (which would equate to 2.66% of our currently reported PPE) have been identified.

In order for the Council to correct these errors we would need to satisfy ourselves that the calculations undertaken by Grant Thornton are correct, that the remainder of our property portfolio are correctly measured and their values corrected were necessary. An updated valuation report by the Council's valuers would then need to be provided to audit for their scrutiny.

As noted in section 4.1 above the back-stop dates require these accounts to be approved and published by 28 February 2025. The Council's valuer would not be able to re-measure the remainder of our assets and produce an updated complete report within the necessary timescales for us to change and publish our accounts, or for the auditors to re-audit the results.

As also noted in section 4.1 it is expected that the auditor would issue a modified opinion on the 2023-24 accounts due to them being unable to gain assurance from the previous years' opinions and these opening balances. These accounts will therefore be disclaimed on that basis and, in addition, on the basis of being unable to gain assurance on the PPE GIAs.

In order to ensure that the 2024-25 and future accounts are not disclaimed on the closing PPE balances, during the planning stage of the audit it is expected that auditors, valuers, the capital accountant and the corporate property team will meet to discuss the requirements for the audit in good time.

## **5 Main Considerations**

5.1 All considerations have been addressed in section 4.

## **6 Options Considered**

6.1 No other options considered as the report is a statutory requirement and therefore if it was not provided the Council would not be undertaking its statutory functions and could be open to legal challenge.

## **7 Consultation/Engagement**

7.1 The Council's external auditors have been consulted in preparing the Statement of Accounts. The public are provided with an opportunity to question the auditor on the accounts.



## **8 Next Steps – Implementation and Communication**

- 8.1 The Statement of Accounts is a corporate document. The Statement of Accounts (subject to audit) has been advertised as available for public inspection on the website and the auditors are available to answer questions. Now that the audit has been completed the audited accounts, narrative statement and Annual Governance Statement will be available on the Council's website as soon as practicable after approval and the Statement of Accounts will be available to purchase.

## **9 Financial Implications**

- 9.1 All financial implications are addressed in section 4 above.

**Financial Implications reviewed by: Director for Corporate Services**

## **10 Legal and Governance Implications**

- 10.1 As set out above the requirements covering the arrangements for the production, approval and publication of the Statement of Accounts for 2023-24 is governed by the Accounts and Audit Regulations 2015 (as amended) and the Local Audit and Accountability Act 2014.
- 10.2 The function of approving the statement of accounts must be exercised by the Council as a whole or by a committee appointed for that purpose. The Audit and Standards Committee's Terms of Reference include approval of the statement of accounts.

**Legal Implications reviewed by: Monitoring Officer.**

## **11 Equality and Safeguarding Implications**

- 11.1 There are no direct equality and safeguarding implications arising from this report.

## **12 Data Protection Implications (Mandatory)**

- 12.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

## **13 Community Safety Implications**

- 13.1 There are no direct community safety implications arising from this report.

## **14 Environmental and Climate Change Implications**

- 14.1 There are no environmental or climate change implications arising from this report.

## **15 Other Implications (where significant)**

- 15.1 There are no other implications arising from this report.

## **16 Risk & Mitigation**

- 16.1 There is a risk that the accounts will not be signed off by the auditors as a result of errors, however every effort has been made to ensure the accuracy of the Statements.

## **17 Background Papers**

- 17.1 CIPFA Code

## **18 Appendices**

- 18.1 Appendix A – Statement of Accounts 2023-24
- 18.2 Appendix B – Narrative Statement

## 18.3 Appendix C – Letter of Representation