
Draft Statutory Statement of Accounts & Annual Governance Statement 2022/23

Decision to be taken by: N/A

Date of meeting: 19th July 2023

Lead director: Amy Oliver

Useful information

- Ward(s) affected: All
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- Report version number: 1.0

1. Summary

- 1.1. To provide an opportunity for the committee to consider the Council's Draft Annual Statement of Accounts and Annual Governance Statement for 2022/23 before they are brought back to committee for formal approval.
- 1.2. To provide an update on the progress of the external audits for 2020/21 and 2021/22.

2. Recommendations

- 2.1. The Committee is asked to note the contents of the report and make any comments.
- 2.2. The Committee is asked to consider the:
 - 2.1.1. Draft Annual Statement of Accounts for 2022/23 at appendix A.
 - 2.1.2. Draft Annual Governance Statement 2022/23 at appendix A.
 - 2.1.3. Informing the Audit Risk Assessment 2022/23 at appendix C.
 - 2.1.4. Indicative Audit Risks 2022/23 at appendix D.

3. Background

- 3.1. The Accounts & Audit (England) Regulations 2015 require that the Council present its audited Statement of Accounts along with its Annual Governance statement for approval annually by the 31st July. This is delegated to the Governance & Audit Committee by Council. For 2022/23, this deadline has been extended to the 30th September 2023 due to issues being experienced in the local authority audit sector. The draft accounts are therefore presented to this meeting for information and consideration, and will be brought to a future meeting for formal approval following the completion of the external audit.

4. Draft Annual Statement of Accounts for 2022/23

- 4.1. The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. Separate management accounts are presented to the Executive and to the Overview Select Committee, which set out the revenue and capital outturn for the authority. The financial position of the

authority is presented in a different way in the Statement of Accounts. The outturn reports focus on the in-year financial performance in a format consistent with the Council's budgets, while the Statement of Accounts shows the in-year performance in a standard format adopted by all local authorities, including a balance sheet showing the underlying financial position.

4.2. Despite the wide variations in the way the position is presented, the key point is that both the outturn reports and the accounts are consistent.

4.3. The core financial statements are:

4.3.1. Movement in Reserves Statement

This shows the movement in the year on the different reserves held by the authority. This statement distinguishes between "usable reserves" which can be used to fund expenditure or reduce local taxation and "unusable reserves" which are effectively accounting entries and not available to spend. The level of uncommitted general balances at 31st March 2023 was £15.0m, in line with the Council's financial strategy.

4.3.2. Comprehensive Income and Expenditure Statement (CIES)

This shows the Council's actual performance for the year in accordance with the Code of Practice. This means that the accounts are prepared on a different basis than that used to set the Council's budget and raise council tax. There are a number of statutory adjustments that are made to the surplus or deficit shown on this statement to arrive at the balance on the General Fund shown in the Movement in Reserves Statement above.

4.3.3. Balance Sheet

The balance sheet shows the net worth of the Council in terms of its assets and liabilities. It shows the net value of the organisation including the balances and reserves, its long-term indebtedness, and its fixed and net current assets employed in its operations.

4.3.4. Cash Flow Statement

This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the local authority context.

4.4. The Council's Draft Statement of Accounts were published on the website on the 2nd June 2023. The publication of the draft accounts fell very slightly behind the statutory deadline of 31st May this year, due to the knock-on effect of the delay in signing off the 2021/22 accounts.

4.5. The external audit is due to commence at the end of July. Any recommendations made will be reported to your committee, along with any alterations made to the draft Statement of Accounts.

4.6. Due to the issues being experienced in the local authority audit sector, the usual statutory deadlines have been extended and the final audited accounts are not required to be completed until the 30th September 2023. However, the accounts audit work cannot be completed until the Leicestershire County Council Pension

Fund has been audited. This audit is unlikely to be completed by 30th September 2023, which will impact the conclusion of the Council audit.

4.7. When producing the Statement of Accounts, a number of accounting estimates are used. These estimates rely on the professional judgement of experts in the relevant areas. As these estimates are material to the accounts it is important that the committee understand them and the impact on the accounts. For the Council the main estimates are:

- Property, Plant & Equipment – remaining useful lives, asset values
- Pensions Liability
- Fair Value of loans

4.8. The overall pension fund liability has reduced significantly, it is now no longer a liability and is shown as breaking even in the accounts (not an asset or liability). This is due in the main to the more recently expected longer term higher interest rates (reducing longer term liability), offset to some degree by higher inflation in the shorter term. The overall reduced liability estimate has no direct impact on the resources available to fund the Council.

4.9. These estimates are included in the Informing the Risk document at appendix C. Further detail on significant estimates in the accounts can be found in Note 5 (page 43) of the Statement of Accounts and at appendix B.

5. Draft Annual Governance Statement

5.1. The Council is required to publish, as part of its financial accounts reporting, an Annual Governance Statement. This statement should assure the people of Leicester that the Council operates in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse. The draft Annual Governance Statement is being presented here for comment before final approval by this committee.

5.2. The format of the Annual Governance Statement to a large extent is dictated by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'.

5.3. It should be noted that in with the Audit Recommendation in the 2021/22 accounts, the Annual Governance Statement has been enhanced for 2022/23 to provide greater detail on how the Council ensures its governance arrangements in place are appropriate and adequate and are functioning effectively

6. Update on the progress of the closure of the external audit for 2020/21 & 2021/22

6.1. As previously reported to the Committee, the closure of the 2020/21 audit and issuing the audit certificate was delayed due to the national accounting issue concerning the valuation of infrastructure assets (e.g. Highways and Footpaths). This has since been resolved and the audit certificate has now been issued and published on the Council's website. Due to the timing of when the 2020/21 audit certificate was issued, it also contains reference to items that have come to the auditor's attention throughout the 2021/22 audit.

6.2. A further update for the committee is the progress of the 2021/22 audit. The external audit opinion for the 2021/22 audit has been issued and the remaining item which needs to be concluded before the 2021/22 audit certificate can be issued is the Value for Money Opinion. Which is being progressed with a view to being finalised shortly.

6. Financial, legal, equalities, climate emergency and other implications

6.1 Financial implications

The report is exclusively concerned with financial issues.

6.2 Legal implications

N/A

6.3 Equalities implications

N/A

6.4 Climate Emergency implications

N/A

6.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

7. Other Implications

<u>OTHER IMPLICATIONS</u>	<u>YES/NO</u>	<u>PARAGRAPH REFERRED</u>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights / People on low incomes	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

8. Background papers:

Revenue and capital outturn reports presented to the Overview Select Committee on 13th July 2023.

9. Summary of Appendices:

Appendix A – Draft Annual Statement of Accounts & Annual Governance Statement 2022/23

Appendix B – Estimates – Key Assumptions

Appendix C – Informing the Audit Risk Assessment 2022/23

Appendix D – Indicative Audit Risks 2022/23

10. Consultations

All departments are consulted during the Authority's close down period.

11. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

12. Is this a “key decision”? If so, why? No