

## **AUDIT COMMITTEE**

26 July 2023

### **The Statement of Accounts for the year ended 31 March 2023**

Report of Councillor Richard Wearmouth, Deputy Leader and Portfolio Holder for Corporate Services

Executive Director: Jan Willis, Executive Director of Transformation and Resources

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#### **1. Purpose of the Report**

- 1.1. To present the draft (unaudited) Statement of Accounts for the year ended 31 March 2023 and raise any significant issues arising from the accounts.

#### **2. Recommendations**

- 2.1. It is recommended that Audit Committee consider the Statement of Accounts for the Council for the financial year ended 31 March 2023.

#### **3. Key Issues**

- 3.1. The unaudited Statement of Accounts for Northumberland County Council for the financial year ended 31 March 2023 was authorised by the responsible financial officer (Executive Director of Transformation and Resources & Section 151 Officer) and published on the Council's website on 31 May 2023.
- 3.2. The Statement of Accounts was made available for public inspection for the period covering 1 June 2023 to 12 July 2023.
- 3.3. The Statement of Accounts will now be reviewed by the External Auditor (Mazars LLP). Following this review, the final (audited) Statement of Accounts will be presented to Members of the Audit Committee for approval.

#### **4. Background**

- 4.1. The Accounts and Audit (Amendment) Regulations 2022 stipulate a two-stage approval process for the Statement of Accounts.
- 4.2. The first statutory deadline requires that the responsible financial officer, by no later than 31 May should sign and certify that the Statement of Accounts presents a true and fair view of:
  - (a) the financial position of the Council for the year to 31 March previous, and
  - (b) its expenditure and income for the year to 31 March previous,

subject to the views of the External Auditor.

- 4.3. The second stage requires that on or before 30 September approval needs to be given to the Statement of Accounts by resolution of a Committee, which for Northumberland County Council is the Audit Committee. This approval will take account of the views of the External Auditor. Once approved, the Statement of Accounts must be formally published on the Council's website.
- 4.4. The draft (unaudited) Statement of Accounts for the Council for the financial year ended 31 March 2023 was authorised by the responsible financial officer (the Executive Director of Transformation and Resources & Section 151 Officer) and published on the Council's website on 31 May 2023.
- 4.5. The Statement of Accounts was made available for inspection by the public from 1 June 2023 to 12 July 2023.
- 4.6. The Statement of Accounts is now subject to audit by Mazars LLP. The timetable for the audit of the Statement of Accounts will be confirmed in the Audit Strategy Memorandum 2022-23 and upon completion the Auditors report will be incorporated into the published version of the document.
- 4.7. Following the completion of the external audit, the final Statement of Accounts for 2022-23 will be presented for approval to the Audit Committee.

## **5. Statement of Accounts**

- 5.1. The Statement of Accounts for the financial year 2022-23 has been prepared in accordance with the Accounts and Audit (England) Regulations 2015 and the Code of Practice on Local Authority Accounting 2022-23 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 5.2. The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The Council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.
- 5.3. To help Members in reading and interpreting the contents, Appendix 1 to this report briefly explains the purpose of each section of the statement.

## **6. Key Information from the Statement of Accounts**

- 6.1. There are four core statements to provide fundamental information on the financial activities of the Council:
  - (a) Comprehensive Income and Expenditure Statement (page 29)
  - (b) Movement in Reserves Statement (page 30)
  - (c) Balance Sheet (page 31) and
  - (d) Cash Flow Statement (page 32).

- 6.2. The Statement of Accounts also includes the accounts of the Housing Revenue Account (commencing on page 147), The Collection Fund Account (commencing on page 155), the Group Accounts (commencing on page 159) and the Firefighters' Pension Fund (commencing on page 173).
- 6.3. The financial position of the Council remains healthy. The published draft Statement of Accounts shows that the Council's net worth was £921.455 million at 31 March 2023. This represents an increase of £543.259 million during 2022-23, mainly due to a decrease in the estimated pension liability for employees of £509.358 million. This is calculated by the Pension Fund Actuary and relates largely to actuarial gains due to changes in financial assumptions. It should be noted that the 2021-22 pension liability figure shown in the published draft accounts will need to be updated to reflect the revised IAS 19 report, taking account of the triennial valuation information as at 31 March 2022, received from the Actuary following the publication of the draft accounts. This adjustment will reduce the 2021-22 pension liability by £15.010 million meaning that the overall net worth increase will be £528.249 million with £494.348 million relating to changes to the pension liability. The adjustments required as a result of the revised IAS 19 report, along with any changes identified during the audit, will be made before the final Statement of Accounts is presented for approval.
- 6.4. The Council's usable reserves have decreased during 2022-23. The general fund reserve has decreased by £19.124 million. This includes the planned use of £25.000 million from this reserve identified in the Medium-Term Financial Plan and the net revenue underspend, after accounting for transfers to earmarked reserves and provisions, of £5.916 million. The general fund reserve at 31 March 2023 is £50.955 million. Earmarked reserves, including those held for schools have decreased by £5.410 million to £179.915 million.

## **7. Audit of Accounts**

- 7.1. The final audit of the Statement of Accounts will shortly commence. The timetable for the audit of the Statement of Accounts will be confirmed in the Audit Strategy Memorandum 2022-23. At the end of the process the external auditor will provide a completion report. This report will detail their comments and any recommendations for improvement, based on the position as at 31 March 2023.

## **8. Member Training**

- 8.1. A training session has been organised for members of the Audit Committee to take place 19 July 2023. CIPFA will deliver a 'Guide to Understanding your Council's Financial Reporting Requirements' workshop which aims to provide members of the Committee with greater insight into the Council's financial reporting requirements and the knowledge and confidence to deliver effective engagement, scrutiny and challenge of the Statement of Accounts as part of their overall governance role. The workshop will also consider the latest developments in local authority accounting and how that might impact on the financial statements that members are required to approve.

## IMPLICATIONS ARISING OUT OF THE REPORT

<b>Policy</b>	None.
<b>Finance and value for money</b>	The Statement of Accounts summarises the financial performance of the Council for the 2022-23 financial year and shows its net worth as at 31 March 2023.
<b>Legal</b>	It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.
<b>Procurement</b>	None.
<b>Human Resources</b>	None.
<b>Property</b>	None.
<b>Equalities</b>	None.
<b>Risk Assessment</b>	The risks within the preparation of the Statement of Accounts are well managed through the embedded processes in place.
<b>Crime &amp; Disorder</b>	None.
<b>Customer Considerations</b>	None.
<b>Carbon Reduction</b>	None.
<b>Health &amp; Wellbeing</b>	The Council's budget is founded on the principle of promoting inclusivity.
<b>Wards</b>	All.

### Background Papers:

Northumberland County Council Statement of Accounts 2022-23

Audit Committee 25 January 2023: Northumberland County Council Statement of Accounts 2022-23

Audit Committee 25 January 2023: Changes to the Code of Practice for Local Authority Accounting in the UK for 2022-23

Audit Committee 29 March 2023: Statement of Accounts – Group Boundary Review

Audit Committee 26 July 2023: Northumberland County Council – Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2023

### Report sign off:

	<b>Name</b>
Monitoring Officer/Legal	Stephen Gerrard
Executive Director of Transformation and Resources & S151 Officer	Jan Willis
Chief Executive	Helen Paterson

Portfolio Holder(s)	Richard Wearmouth
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Item	Page	Explanation of Purpose and Content
Narrative Report	5	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Independent Auditor's Report to Northumberland County Council	24	Once the audit is complete the Auditor's report will be inserted and signed.
Statement of Responsibilities	27	Sets out the responsibilities of the Council and of the Section 151 Officer for the statement of accounts.
<b>Core Financial Statements</b>		
Comprehensive Income and Expenditure Account (CIES)	29	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Movement in Reserves Statement	30	This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable' reserves and other reserves.
Balance Sheet	31	The balance sheet shows the value of the assets and liabilities recognised by the Council as at 31 March. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
Cash Flow Statement	32	The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
Notes to the Accounts	35	The notes are important in the presentation of a true and fair view. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information required by the Code that is not presented elsewhere and by providing

Item	Page	Explanation of Purpose and Content
		information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the policies and procedures adopted in compiling the accounts.
Housing Revenue Account	147	The Housing Revenue Account (HRA) is a ring-fenced account and records expenditure and income relating to the running of the Council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants.
Collection Fund Account	155	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Group Accounts	159	The Group accounts consolidate the results and balances of the Council with those organisations considered to be part of the Group.
Firefighters Pension Fund	173	The Firefighters' Pension Fund shows Employee and Employer contributions being paid into the fund, offset by Pension payments being paid out of the fund. The shortfall is met by central government grant from the Home Office.
Glossary of Terms used in the Accounts	177	To assist readers in understanding terminology used in the statement of accounts.