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| This report is public | |
| Draft Statement of Accounts 2023-2024 | |
| Committee | Accounts, Audit and Risk Committee |
| Date of Committee | 17 July 2024 |
| Portfolio Holder presenting the report | Councillor Lesley McLean, Portfolio Holder for Finance and Resources |
| Date Portfolio Holder agreed report | 1 July 2024 |
| Report of | Assistant Director of Finance (Section 151), Michael Furness |

Purpose of report

To provide an opportunity for review of the draft 2023/24 Statement of Accounts which were published on the council's website on 31 May 2024.

1. Recommendations

The Accounts, Audit and Risk committee resolves:

- 1.1 To note the report and publication of the draft statement of accounts 2023/24 (Appendix 1).

2. Executive Summary

- 2.1 The draft statement of accounts 2023/24 were published on 31 May 2024. Section 15 of the Accounts and Audit Regulations 2015 require the statement of accounts to be published by 31 May each year, to allow the public inspection period to include the first 10 working days of June. A public inspection notice was published on the council's website alongside the draft accounts, which declared that the public inspection period commenced on 3 June 2024 and ended on 12 July 2024.
- 2.2 The draft statement of accounts for 2023/24 are now being presented to the Accounts, Audit and Risk committee for review (Appendix 1).

Implications & Impact Assessments

| Implications | Commentary |
|----------------|---|
| Finance | There are no financial implications as a result of this report. |

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|--|--|---------|----------|----------------|
| | Joanne Kaye, Head of Finance (Deputy S151) 24 June 2024 | | | |
| Legal | The statement of accounts is required under the Accounts and Audit Regulations 2015. There are no legal implications arising directly from this report. Shiraz Sheikh, Assistant Director of Law and Governance (Monitoring Officer) 24 June 2024 | | | |
| Risk Management | There are no risk implications arising directly from this report. Celia Prado-Teeling, Performance & Insight Team Leader, 28 June 2024 | | | |
| Impact Assessments | Positive | Neutral | Negative | Commentary |
| Equality Impact | | | | Not Applicable |
| A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality? | | | | Not Applicable |
| B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users? | | | | Not Applicable |
| Climate & Environmental Impact | | | | Not applicable |
| ICT & Digital Impact | | | | Not applicable |
| Data Impact | | | | Not applicable |
| Procurement & subsidy | | | | Not applicable |
| Council Priorities | Not applicable | | | |
| Human Resources | N/A | | | |
| Property | N/A | | | |
| Consultation & Engagement | No consultation necessary. | | | |

Supporting Information

3. Background

- 3.1 All local authorities must produce a statement of accounts annually to help ensure that there is appropriate stewardship of public finances. Section 15 of the Accounts and Audit Regulations 2015 require the statement of accounts to be published by 31 May each year to allow the public inspection period to include the first 10 working days of June. A public inspection notice was published on the council's website alongside the draft accounts on 31 May 2024, which declared that the public inspection period commenced on the 3 June 2024 and ended on the 12 July 2024.
- 3.2 The statements of accounts are produced according to accounting standards to ensure that they are produced on a consistent standard and are comparable with other statements of accounts. Local Authority statements of accounts are produced by following the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code occasionally overrides International Financial Reporting Standards (IFRS) where public sector adaptations are required, or where statute takes precedence over accounting standards.
- 3.3 The Statement of Accounts is made up of the following elements:
- The Narrative Statement - an introduction to Cherwell District Council (CDC) and what it has achieved over the year.
 - The main financial statements:
 - Expenditure and Funding Analysis (EFA)
 - Comprehensive Income and Expenditure Statement (CIES)
 - Movement in Reserves Statement (MIRS)
 - Balance Sheet
 - Cashflow Statement
 - Supporting Notes to the Accounts
 - Collection Fund accounts – setting out the Non-Domestic Rates and Council Tax collected and distributed by the council as the billing authority.
 - Group accounts and explanatory notes – a set of accounts where the subsidiaries within the group have been consolidated with the council's accounts.
 - Annual Governance Statement – an annual assessment of the governance arrangements for the council which is required to be published alongside the financial statements.

4. Details

- 4.1 The council's draft statement of accounts for 2023/24 are attached at Appendix 1. This report will provide an overview of what the main financial statements say about the council.

4.2 Expenditure and Funding Analysis

- 4.2.1 The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council taxpayers how the funding available to the council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
- 4.2.2 The EFA also shows how this expenditure is allocated for decision making purposes between the council's directorates within the General Fund. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.
- 4.2.3 All figures shown in the EFA are net expenditure or (income) figures. Therefore, a figure without brackets shows a net cost and a figure with brackets is a net income item.
- 4.2.4 The council reported to its Executive Committee a balanced revenue outturn position for 2023/24 in June 2024. This position did not (and should not have) included the statutory accounting adjustments found in the EFA. The overall surplus on the General Fund and Earmarked Reserves for the provision of services for the year was (£7.2m). This consists of a (£0.0m) surplus on the General Fund, and (£7.2m) contribution to Earmarked reserves. In total there were £2.7m of adjustments between the net expenditure chargeable to the general fund and net expenditure in the CIES. These are statutory adjustments between the funding basis for the council and the accounting requirements of the CIPFA code. The adjustments are as follows:
- **Capital Statutory adjustments of £2.8m**
This adjustment adds in capital items not chargeable to the general fund such as depreciation, impairment, revaluation movements and capital grant income. It also removes statutory charges for capital financing such as the Minimum Revenue provision as these are not chargeable under generally accepted accounting practices.
 - **Pensions Statutory adjustments of (£3.5m)**
This adjustment removes the pension contributions chargeable to the general fund under statute and replaces with the accounting charges based on estimated changes in the net defined benefit pension liability as calculated by the pension scheme actuary.
 - **Other Statutory Adjustments of £3.4m**
Consisting primarily of the difference between what is chargeable to the general fund under statutory regulations for Council Tax and Non-Domestic Rates and the income recognised in the CIES under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

4.3 Comprehensive Income and Expenditure Statement

- 4.3.1 The CIES 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. Authorities raise taxation to cover expenditure in accordance with

statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the EFA and the Movement in Reserves Statement (MIRS).

4.3.2 All figures shown in the CIES with brackets are income and without brackets are expenditure.

4.3.3 Table 1 below compares the Net Expenditure/ (Income) for the council for 2022/23 and 2023/24

Table 1: Comparison of Net Expenditure / (Income) for the council between 2022/23 and 2023/24

| | 2022/23 Net Expenditure / (Income) £m | 2023/24 Net Expenditure / (Income) £m | Increase/ (decrease) £m |
|--|--|--|--------------------------------|
| Chief Executive | 8.5 | 9.2 | 0.7 |
| Communities | 13.1 | 14.5 | 1.4 |
| Resources | 14.9 | 7.9 | (7.0) |
| Cost of Services | 36.5 | 31.5 | (5.0) |
| Other Operating Expenditure | 4.6 | 5.9 | 1.3 |
| Financing and Investment (Income) and Expenditure | (0.7) | (1.4) | (0.7) |
| Taxation and Non-specific Grant (Income) | (36.1) | (40.6) | (4.5) |
| (Surplus) or Deficit on Provision of Services | 4.3 | (4.5) | (8.8) |

4.3.4 The primary factors in the (£8.8m) reduction in net deficit on provision of services are as follows. There was increased business rates income shown in the Taxation and Non-specific grant income line. Across the directorates in cost of services there was a reduction in the IAS19 pension adjustments and a budgeted increase in direct employee costs. Note that the IAS19 pension adjustments (£7.7m) portion of this reduction do not impact on the general fund (i.e. in-year costs to the council tax payer) due to the pension statutory overrides. This is broken down in table 2 below:

Table 2: Breakdown of reduction in net deficit on provision of services

| | IAS19 Adjustments £m | Business Rates Income £m | Employee Costs £m | Capital movements £m | Other Net movements | Total Increase / (Decrease) |
|--|-------------------------|--------------------------------|-------------------------|----------------------------|------------------------|-----------------------------------|
| Chief Executive | (1.0) | 0.0 | 0.8 | 1.6 | (0.7) | 0.7 |
| Communities | (2.0) | 0.0 | 0.7 | 0.9 | 1.8 | 1.4 |
| Resources | (4.7) | 0.0 | 1.2 | (3.5) | 0.0 | (7.0) |
| Cost of Services | (7.7) | 0.0 | 2.7 | (1.0) | 1.0 | (5.0) |
| Other Operating Expenditure | 0.0 | 0.0 | 0.0 | 1.1 | 0.2 | 1.3 |
| Financing and Investment (Income) and Expenditure | 0.0 | 0.0 | 0.0 | (0.4) | (0.3) | (0.7) |
| Taxation and Non-specific Grant (Income) | 0.0 | (3.4) | 0.0 | 0.0 | (1.1) | (4.5) |
| (Surplus) or Deficit on Provision of Services | (7.7) | (3.4) | 2.7 | (0.3) | (0.1) | (8.8) |

4.3.5 Capital movements includes changes in revaluation movements for property plant and equipment, gains/losses on disposal of assets and Revenue Expenditure Funded from Capital Under Statute (REFCUS). The net impact of these movements was less in 2023/24 than in 2022/23. Other net movements include changes in grant income, council tax income and other small changes. For more detail on some of the other net movements see the 2023/24 Outturn report taken to Executive on 10 June 2024.

4.4 Movement in Reserves Statement

4.4.1 The MIRS shows the movement from the start of the year to the end of the year for the different reserves held by the council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves' (e.g. the Revaluation Reserve which holds unrealised gains and losses from the revaluation of assets or the Capital Adjustment Account which holds adjustments between the accounting basis and funding basis under regulations).

4.4.2 This statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net (Increase)/Decrease line shows the statutory General Fund Balance in the year following those adjustments.

4.4.3 The MIRS combines both levels of reserves held (balances) and changes in the level of reserves that have happened through the year. Where there is a change in the year that contributes to - (increases) - a reserve this is shown with brackets. Where there is a use of - decreases - a reserve this is shown without brackets.

- 4.4.4 The council's general reserve is unchanged at (£6.2m). Other usable reserves have increased from (£29.5m) to (£37.2m), meaning total usable reserves as at 31 March 2024 are (£43.3m). The increase relates primarily to contributions to earmarked reserves agreed by Executive throughout the financial year.
- 4.4.5 Total unusable reserves have increased by (£9.7m) from (£16.0m) to (£25.7m) as at 31 March 2024. The increase relates primarily to a (£16.2m) increase in the pension reserve. This increase in the pension reserve is due to a £16.2m reduction in the net pension liability, reducing from (£31.3m) to (£15.1m), as the reserve mirrors the liability (see section 4.5.5 for detail on the pension liability movement).

4.5 Balance sheet

- 4.5.1 The balance sheet shows the values as at 31 March 2024 of the assets and (liabilities) recognised by the council. The net assets of the council - assets less (liabilities) - are matched by the reserves held by the council, analysed between 'useable' and 'unusable' reserves, shown in the bottom portion of the Balance Sheet. Assets are shown without brackets, whilst (liabilities) are shown with brackets.
- 4.5.2 The Balance Sheet is split between long-term and short-term items (also referred to as non-current and current respectively). Long-term items are expected to last or mature after a period of more than 1 year. Short-term items are expected to last or mature within 1 year of the balance sheet date.
- 4.5.3 A high-level breakdown of the balance sheet is shown in table 3 below, for a full breakdown please see the balance sheet as presented on pg28 of Appendix 1.

Table 3 – High-Level Balance Sheet

| Category | 2022/23 £m | 2023/24 £m | Movement £m |
|--------------------------|-----------------------|-----------------------|------------------------|
| Long term Assets | 288.7 | 290.7 | 2.0 |
| Current Assets | 61.6 | 35.5 | (26.1) |
| Total Assets | 350.3 | 326.2 | (24.1) |
| Current Liabilities | (76.5) | (78.9) | (2.4) |
| Long Term Liabilities | (222.1) | (178.3) | 43.8 |
| Total Liabilities | (298.6) | (257.1) | 41.5 |
| Net Assets | 51.7 | 69.0 | 17.3 |
| Total Reserves | (51.7) | (69.0) | (17.3) |

- 4.5.4 The increase to net assets of £17.3m is largely attributed to the £16.2m reduction in the net pension liability (found in Long Term Liabilities) from (£31.3m) to (£15.1m) – mirrored by a (£16.2m) increase in the pensions reserve (in Total Reserves) due to the accounting entries for defined benefit pensions.
- 4.5.5 The net pension liability reduction is primarily due to a higher than expected return on plan assets (in comparison to the actuary's assumption on future returns made in the previous year), and an increase in the discount rate assumption used by the actuaries to estimate the liability. The discount rate is linked to the yield of corporate bonds, and so has risen alongside the interest rate increases from the Bank of

England. The discount rate is used to discount future cashflows to reflect the time value of money. Therefore, an increase in the discount rate means the present value of future pension payments has decreased, and so the pension liability has decreased.

4.5.6 Current assets have decreased by (£26.1m). This is in relation to a (£22.0m) decrease in short term investments and a (£4.6m) decrease in short term debtors. Short term investments have matured in year, and there have been fewer new short-term investments due to repayments of borrowing and other changes in working capital. Short-term debtors have decreased primarily due to bonds and loans in relation to the councils subsidiaries having been settled.

4.5.7 Long term liabilities have decreased by £43.8m due to a variety of factors. As discussed above, the net pension liability has reduced by £16.2m. In addition, long-term borrowing and provisions have reduced by £21.0m and £6.2m respectively. The £21.0m decrease in long term borrowing is because of loans now being classified as short term as they mature in 2024/25. This means short term borrowing has increased, but by £14.0m as overall borrowing has fallen by £7.0m with loans being repaid. Similarly the £6.2m reduction in long term provisions is partly due to a reclassification of £4.1m to short term provisions, with a £2.1m net reduction in total provisions due to usage of the NNDR appeals provision.

4.5.8 The reclassification of borrowing and provisions to short term identified above increased current liabilities by (£18.1m), however the net increase in current liabilities shown in table 3 is only (£2.4m) as this is offset by a £17.3m decrease in short term creditors and some other minor movements. The decrease in short term creditors is primarily in relation to a reduction in creditors to preceptors (Oxfordshire County Council and the Police and Crime Commissioner) and central government for council tax and business rates.

4.6 Cash Flow Statement

4.6.1 The Cash Flow Statement summarises the changes in cash and cash equivalents during 2023/24. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities.

- Net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council.
- Investing activities represent the extent to which net cash flows have been made for resources which are intended to contribute to the council's future service delivery.
- Net cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

4.6.2 Increases in cash - (inflows) - are shown with brackets. Reductions in cash – outflows – are shown without brackets. A high-level summary of the cashflow statement is shown in table 4 below.

Table 4 – Cashflow Statement

| | £m |
|---|------------|
| Net Cash Flows from Operating Activities | 14.8 |
| Net Cash Flows from Investing Activities | (13.3) |
| Net Cash Flows from Financing Activities | (1.0) |
| Net (Increase) / Decrease in Cash and Cash Equivalents in the Period | 0.5 |

4.6.3 The £14.8m net cash outflow from operating activities is primarily driven by the £17.3m reduction in short term creditors as discussed in paragraph 4.5.8 above. The (£13.3m) cash inflow from investing activities is largely due to the £22.0m decrease in short term investments, offset by £9.0m of purchases of property, plant and equipment. For a full breakdown of the movements see the full cashflow statement on page 29 of Appendix 1.

5. Alternative Options and Reasons for Rejection

5.1 There are no alternative options as the council is required by the Accounts and Audit Regulations 2015 to produce and publish its statement of accounts for 2023/24 which has already been completed. This report is to give members the opportunity to comment or raise any queries so these can be discussed with officers.

6 Conclusion and Reasons for Recommendations

6.1 The statement of accounts has been prepared according the CIPFA code and represents a true and fair view of the council's financial position. The Accounts, Audit and Risk Committee is invited to note the draft statement of accounts and discuss these with officers to get an understanding of the statements.

Decision Information

| | |
|---|-----|
| Key Decision | N/A |
| Subject to Call in | N/A |
| If not, why not subject to call in | N/A |
| Ward(s) Affected | All |

Document Information

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|--------------------------|-------------------------------------|
| Appendices | |
| Appendix 1 | Draft Statement of Accounts 2023-24 |
| Background Papers | None |

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|--------------------------------------|--|
| Reference Papers | Accounts, Audit and Risk Committee report on 20 March 2024 – 2023/24 Accounting Policies Accounts, Audit and Risk Committee report on 29 May 2024 - Annual Governance Statement 2023-24 |
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