



**Committee and Date**

Audit Committee  
27<sup>th</sup> June 2024

Item

Public



# Approval of the Council's Draft Statement of Accounts 2023/24

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<b>Cabinet Member</b> (Portfolio Holder):	

## 1. Synopsis

*The Council has produced the pre-audit accounts by the statutory deadline of 31<sup>st</sup> May 2024 and confirmed the financial position at the end of 2023/24.*

## 2. Executive Summary

2.1. The Accounts and Audit (amendment Regulations 2022) came into force on 22<sup>nd</sup> July 2022 and stated the statutory deadline for publishing the final audited accounts to 30<sup>th</sup> September. Therefore the deadline for publishing unaudited accounts is the 31<sup>st</sup> May for the 2023/24 accounts. The table below summarises the key deadlines with regards to preparing and approval of the Statement of Accounts:

Task	Statutory Deadline	Planned Timeline
Year end	31 <sup>st</sup> March 2024	31 <sup>st</sup> March 2024
Produce and approve Draft Statement of Account	31 <sup>st</sup> May 2024 <b>Achieved</b>	31 <sup>st</sup> May 2024 <b>Achieved</b>

Approve and publish Audited Statement of Accounts	30 <sup>th</sup> September 2024	30 <sup>th</sup> November 2024
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- 2.2. The Draft Statement of Accounts for 2023/24 is appended to this report. This report provides an overview of the Accounts and provides details of the reasons for the most significant changes between the 2022/23 Accounts and the 2023/24 Accounts.
- 2.3. The final revenue outturn for 2023/24 is an overspend of £7.877m, a 3.1% variance on the net budget. The final capital outturn shows a spend of £92.339m, representing 90.3% of the revised budget. The authority's Earmarked Reserves and Provisions have decreased by £19.424m and the general fund balance has increased by £1.144m. Delegated Schools' balances have decreased by £3.146m. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in a separate report on the agenda for this meeting.

### 3. Recommendations

- 3.1. Members are asked to:
- a. Receive and comment on the 2023/24 Draft Statement of Accounts.
  - b. Note that no changes have been made to the accounting policies used within the Statement of Accounts for 2023/24.

## Report

### 4. Risk Assessment and Opportunities Appraisal

- 4.1. The review by an independent external auditor of the Council's statements of accounts is a vital part of the overall governance of the Council, providing as it does a review of both the accuracy of the reported financial position and the adequacy of the Council's governance and oversight of it.
- 4.2. Risk table

<i>Risk</i>	<i>Mitigation</i>
Inability to prepare and publish the Statement of Accounts within statutory deadlines.	The Statement of Accounts preparation is carefully managed each year with a detailed closedown timetable produced to ensure that all relevant tasks are completed in a timely fashion to ensure the statutory deadlines can be met. Dialogue is held with any external parties to ensure key deadlines are met.
Material errors within the Statement of Accounts comprising the true and fair view of the Council's financial position	The Finance team undertaken annual training on the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom to ensure that any relevant accounting practices are adhered to in preparing the Statement of Accounts.

<i>Risk</i>	<i>Mitigation</i>
	A full analytical review is performed on the Statement of Accounts to consider any material variations from the previous year's accounts, and ensure that the accounts have been prepared correctly.

## 5. Financial Implications

- 5.1. This report considers the outturn position for the 2023/24 revenue budget and the implications on the level of general fund balances of any underspend or known spending pressures.
- 5.2. The outturn reported internally to managers for the purposes of decision making is fully aligned to the statement of accounts. This is set out in note 7, the expenditure and funding analysis (p54). This shows the net expenditure reported for resource management purposes as £263.216m, which aligns to the outturn as reported to Cabinet (5 June). The key table from that report is shown below.

Directorate	Revised Budget (£'000)	Controllable Outturn (£'000)	(Under)/Overspend (£'000)
Health & Wellbeing	1,878	1,398	(480)
People	198,118	206,497	8,379
Place	75,749	77,677	1,928
Resources	2,764	4,161	1,397
Strategic Management Board	163	303	140
<b>Service Delivery Budgets</b>	<b>278,672</b>	<b>290,035</b>	<b>11,364</b>
Corporate	(22,758)	(26,819)	(4,061)
<b>Total Net Expenditure</b>	<b>255,914</b>	<b>263,216</b>	<b>7,302</b>

Figure 1 – Outturn for management decision making

The corresponding values in note 7 (Appendix 1, Draft Statement of Accounts Page 54) are shown below.

	2023/24 Net expenditure reported for resource management £000
Health and Wellbeing	1,399
Local Authority Housing	0
People	206,496
Place	77,677

	2023/24
	Net expenditure reported for resource management
	£000
Resources	4,161
Strategic Management Board	302
Corporate	(26,819)
<b>Net Cost of Services</b>	<b>263,216</b>

Figure 2 – Extract from Note 7 to the 2023/24 Draft Statement of Accounts

## 6. Climate Change Appraisal

6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

## 7. Background

7.1. The external audit by Grant Thornton is due to start on 1<sup>st</sup> July 2024 and the bulk of the fieldwork is due to be complete in late November, after which the Statement of Accounts will be formally published, and a final report brought back to Audit Committee for approval. The report will detail any material changes required as a result of the audit which have been agreed with the External Auditor.

## 8. Statement of Accounts

8.1. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority’s finances. The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (“the Code”) issued by the Chartered Institute of Public Finance and Accountancy. To make the account as useful as possible to its audience and to make meaningful comparisons between authorities possible the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain language.

8.2. The Code is updated each year to reflect the latest accounting standards issued by the International Public Sector Accounting Standards Board and the UK

Financial Reporting Council. For 2023/24, there have only been minor changes to some of the requirements within the standards.

- 8.3. All of the above has been taken into consideration when producing the authority's Draft Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:

**Narrative Report** – this provides an explanation of the authority's financial position for 2023/24 and details the performance of the Council during the financial year.

**The Statement of Responsibilities** – this details the responsibilities of the authority and the Section 151 Officer concerning the authority's financial affairs and the actual Statement of Accounts.

**The Audit Opinion and Certificate** – this is provided by the External Auditor following the completion of the annual audit, this document is therefore awaiting completion pending the outcome of the audit.

**The Core Financial Statements**, which comprises:

- **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources. The 2023/24 Comprehensive Income and Expenditure Statement reports a surplus for the year of £88.057m, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The actual movement on the General Fund Balance was an increase of £1.144m.
- **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into 'usable reserves' and other reserves.
- **The Balance Sheet** – this is fundamental to the understanding of the authority's financial position as at the 31 March 2024. It shows the balances and reserves at the authority's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The authority's total equity amounts to £792.045m, an increase of £88.057m which is analysed in the Movement in Reserves Statement. The major swing on the balance sheet has been a reduction in the Pension Reserve/Liability by £104.9m due to an increase in plan assets as a result of positive returns on investments.
- **The Cash Flow Statement** - this consolidated statement summarises the authority's inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is

defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.

- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements and includes the Council's accounting policies.
- **The Group Accounts** – these are prepared to account for the Council's share in Shropshire Towns & Rural Housing, West Mercia Energy, West Mercia Supplies Pension and Cornovii Developments Limited.
- **The Housing Revenue Account (HRA)** – the authority is required to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 (Amended). The account details the income and expenditure relating to the local authority housing provision and details of the movement on the HRA Balance for the year.
- **The Collection Fund Account** – this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
- **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority's own finances. The statement and supporting notes are an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2023/24 and assets and liabilities as at 31 March 2024.

- 8.4. The Draft Statement of Accounts for the year ended 31 March 2024 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy.

## 9. Accounting Policies

- 9.1. The accounting policies that the Council uses to determine the treatment of items within the Statement of Accounts are detailed in Note 1 to the Core Financial Statements. There have been no significant changes to the Council's accounting policies in 2023/24 to those used in the 2022/23 Statement of Accounts.

## 10. Analytical Review

- 10.1. An analytical review has been carried out on each element of the Draft Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous year's accounts. For 2023/24 the materiality

threshold (i.e. the level of change between 2022/23 and 2023/24) used was 10% or £8m, which is used to ensure that all questions that the external auditors are likely to raise have been reviewed and explanations are readily available. Details of the significant changes between the two years are shown in Appendix 2.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Financial Outturn 2023-24 – Cabinet, 5 June 2024

**Local Member:** All

**Appendices**

1. Draft Statement of Accounts 2023/24 (Unaudited)
2. Analytical Review of Statement of Accounts