

**Report for:                      Audit Committee**

---

Date of Meeting:	25 June 2024
Subject:	<b>DRAFT Statement of Accounts 2023/24</b>
Cabinet Member:	Cllr James Buczkowski, Cabinet Member for Finance
Responsible Officer:	Andrew Jarrett, Deputy Chief Executive (S151)
Exempt:	N/A
Wards Affected:	All
Enclosures:	N/A

**Section 1 – Summary and Recommendation(s)**

To present the draft version of the annual Statement of Accounts to Members published on the website and presented for external audit.

**Recommendation(s):**

- 1. That the Committee note the publication of the draft 2023/24 Statement of Accounts and agree to review them ahead of the conclusion of the external audit and the presentation of the final accounts for approval, planned for the October 2024.**

**Section 2 – Report**

**1.0 Introduction**

- 1.1 The Statement of Accounts for 2023/24 have been produced in full compliance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and all other relevant accounting legislation. There were no material changes for 2023/24 in the Accounting Standards.

## 2.0 The Statement of Accounts

- 2.1 The unaudited Statement of Accounts 2023/24 were signed off by the Council's S151 Officer in June 2024 – after the statutory deadline but before the start of the external audit review, now planned for August. The relatively minor delay is due to reduced staffing levels. The draft accounts have been available online since 14 June 2024. The period of public inspection runs from 17 June to 26 July 2024.
- 2.2 The main highlights of the Statement of Accounts are to be found in the Narrative Report to the accounts beginning on page 14. The General Fund position must be considered against the position agreed by Full Council in March 2023 to draw £625k from General Reserves to balance the budget and the £400k vacancy saving target to be identified in-year. Therefore, officers were set the challenge to offset £1,025k in-year to avoid drawing on reserves and taking them below the £2,000k recommended minimum balance.
- 2.3 In addition to the above budgetary challenge, the Council also incurred exceptional one-off costs totalling £1,483k in order to deliver the soft closure of 3 Rivers Developments Ltd.
- 2.4 Therefore, the Council has delivered overall in-year savings and increased income of circa £1,873k, to offset the above challenges totalling £2,508k, requiring a draw of only £635k from reserves. This is a major corporate achievement and reflects the hard work and efforts of managers and services during the year.
- 2.5 The detailed management accounts were included in the outturn report presented to the Cabinet on 4 June 2024. This report provides a summary of the year-end position for the General Fund (£635k overspent), the Housing Revenue Account (£393k underspent), and the Capital Programme (£28,441k carried forward).

## 2.6 Key Differences from the prior year

### 2.6.1 Movement in Reserves Statement (page 52)

In order to provide a summary financial position of how the Council ended 2023/24 a summary of the Useable Reserves Balances held as at 31 March 2024 is detailed below.

<b>Usable Reserves</b>	<b>31/03/2023</b>	<b>In Year Movement</b>	<b>31/03/2024</b>
<b><i>Unring-fenced Reserves</i></b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
General Fund	(2,025)	0	(2,025)
Housing Revenue Account	(2,000)	0	(2,000)
<b>Total</b>	<b>(4,025)</b>	<b>0</b>	<b>(4,025)</b>
<b>Earmarked Reserves (See Appendix 3)</b>			
General Fund	(18,160)	1,532	(16,628)
Housing Revenue Account	(22,190)	860	(21,330)
<b>Total</b>	<b>(40,350)</b>	<b>2,392</b>	<b>(37,958)</b>

As can be seen from the above balances, the Council remains in a strong position to deal with the funding challenges it faces. Notes 6 provides further breakdown of the Earmarked Reserves and Note 42 describes what each category of reserve is.

#### 2.6.2 Comprehensive Income and Expenditure Statement (Page 54)

The Outturn Report provides commentary on any Service variances against budget in excess of £20k. The Narrative report also provides some of the key financial highlights or issues within the year, including the breakdown of income and expenditure, treasury position and non-performance highlights.

The notable difference from 2022/23 is the revaluation of the pension liability arising from changes in financial assumptions (see page 83).

#### 2.6.3 Balance Sheet (page 55)

The first notable difference is the increase in the valuation of Property, Plant and Equipment, largely due to the inclusion of Assets Under Construction following the purchase of assets from 3Rivers (see note 22). Short term debtors is the other main movement following the repayment of the loans by 3Rivers (see note 36).

#### 2.6.4 Cash Flow Statement (page 56)

Note 50 explains the adjustments to net surplus or deficit on the provision of services for non-cash movement. The main year-on-year movement is the decrease in debtors referenced above. The other notable movement is the pension liability reversal.

#### 2.6.5 Housing Revenue Account (page 124)

The only notable movement is due to the revaluation of Council Dwellings primarily attributable to the movement in house prices during the year.

#### 2.6.6 Collection Fund (page 136)

The Council Tax collected increased by over £3m due to the combination of an increase in the Band D charge and improved collection rate. This resulted in a small surplus being generated which has reduced the deficit on the fund to £320k (from £553k in 2022/23) with Mid Devon's share of this amounting to £42k.

The Business Rates receivable also increased through an excellent collection rate and additional income following the national revaluation exercise. This significant increase has removed the 2022/23 collection deficit (£267k for the year, with Mid Devon's 40% share of this amounting to £107k) and created a collection surplus of £4870k with Mid Devon's share of this amounting to £195k.

#### 2.6.7 Group Accounts (page 141)

The accounts of the Council's wholly owned company, 3 Rivers Developments Ltd, are incorporated into the Council's Statement of Accounts to provide the full financial picture of the Council. Transactions between MDDC and 3 Rivers Developments Ltd are stripped out to avoid double counting.

### **3.0 Appraisal of Going Concern Concept at 31 March 2024**

3.1 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2023/24 (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate for the foreseeable future and that it is able to do so within the current and anticipated resources available.

3.2 If an authority were in financial difficulty, as has been the case for several authorities over recent years, alternative arrangements have been made by Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

#### **3.3 2024/25 Financial Position**

3.3.1 As previously stated net over spend for 2023/24 of £635k was reported to Cabinet in June. Given the financial challenges faced within the year, this is seen as a major achievement. In addition, Services requested a number of carry forward requests to assist with their commitments in 2024/25 and beyond.

3.3.2 At 31 March the financial statements show a General Fund reserve standing at £2,025k, which equates to circa 13% of our budgeted Net Cost of Service for 2023/24. These resources should be viewed against the estimated requirement to retain a minimum of £2,000k to meet unforeseen financial risks. General Reserves therefore remain marginally higher than required for this purpose. In addition there are also General Fund Earmarked Reserves amounting to £16,628k. (£18,160k 31 March 2023). This decrease was largely down to the final impairment of 3Rivers losses.

3.3.3 The Council approved a balanced budget for 2024/25 that maintains the services provided. The budget included meeting inflationary pressures (at that time) and unavoidable service cost pressures, all within the referendum limits for Council Tax increases.

3.3.4 The Council has external debt of £31.373m across two external loans that have different maturity dates to ensure a balanced portfolio, with further repayments of £1,975k planned to be made during 2024/25. Following the soft closure of 3Rivers, there are no outstanding loans for the company.

3.3.5 The Balance Sheet at 31 March shows that we have net current assets of £16,513k (£32,348k in 2022/23). The reduction due to the repayment of the loans to 3Rivers. The Council can meet its cash outgoings over the next twelve months. The current ratio<sup>1</sup> is favourable at 2.55 (3.43 in 2022/23). Short term

---

<sup>1</sup> (current assets / current liabilities) – Greater than 1 is the target.

liabilities at 31 March amounted to £10,622k whereas our short-term investments of £12,000k and cash equivalents of £3,401k exceed our liabilities.

- 3.3.6 The Council's net assets amounted to £217,123k (£204,781k in 2022/23). This includes the net pension scheme liability of £10,166k (£16,077k in 2022/23). Excluding the pension liability, the current net worth is £227,289k (£220,858k in 2022/23).

### 3.4 Medium Term Financial Plan

- 3.4.1 Major uncertainties around the future of Local Government remain until such time as the outcome of the Fair Funding Review and the review of the Business Rates Retention scheme are known. Adding to this is the Government's commitment to continuing its current austerity programme which is likely to extend for the foreseeable future to offset the significant financial implications of Covid-19 and the Cost of Living Crisis. These all place complex and inter-related difficulties in estimating the financial resources that will be available to the Council over the next 3 – 5 years.

- 3.4.2 Due to these uncertainties the Council has worked hard over the past few years to; reduce operational costs; increase income (including commercial acquisitions); explore more shared arrangements and increase its level of available reserves to mitigate. This has enabled it to protect frontline service provision and maintain a "prudent" level of balances. The reserves held provides a financial "buffer" against some of these circumstances and "weather" the current cost of living crisis, which by their very nature are hard to predict and quantify. However, the Council will clearly need to focus on the future financial challenges.

- 3.4.3 The Medium Term Financial Plan indicates the future financial pressure that the Council faces due to Central Government's continuing austerity programme and the ongoing uncertainty surrounding our main funding sources. The report shows that even if no action were taken to balance the 2025/26 General Fund budget there would be sufficient General Reserves to balance that year's budget.

- 3.4.4 This Council continues to take proactive steps to strategically plan for further reductions in Central Government financial support. The Cabinet have ongoing dialogue with Leadership Team, who in turn have discussions with Corporate Managers and service managers to discuss funding reduction scenarios in order to balance our ongoing expenditure needs associated with the current Corporate Plan.

- 3.4.5 A strong culture of financial awareness is now embedded throughout the Council. This is enhanced with regular budget monitoring reports produced for Leadership Team meetings, meetings of the Cabinet and the Policy Development Groups.

- 3.4.6 The Council has already started its process of budget setting for 2025/26 in order to be able to explore all the options provided by Corporate Managers and

the Leadership Team to deliver savings and maximise income, at the same time as reducing costs wherever possible.

- 3.4.7 Despite these challenges, there are no future obligations or circumstances that we can foresee that could cause the Council to change its view of long term stability and of the going concern of the Council. It is therefore concluded that Mid Devon District Council is a going concern at 31 March 2024.

#### **4.0 The Council's Governance Arrangements**

- 4.1 The Annual Governance Statement is to be reviewed by the Committee alongside this report. The report was written by the Head of Finance, Property and Climate Resilience and approved by the Senior Leadership Team. It includes a review of the effectiveness of the Council's governance arrangements and concludes that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness.

#### **5.0 The Audit**

- 5.1 Our external auditors, Bishop Fleming, will undertake their audit in August. Therefore, their final audit opinion will not be available before the October Committee. This will include the annual commentary on our arrangements to secure economy, efficiency and effectiveness in our use of resources. Bishop Fleming will be able to give a verbal update on current progress and any findings from the Interim Audit to this committee.

#### **6.0 Conclusion**

- 6.1 Members are asked to review the Statement of Accounts to conclude at the October Audit Committee whether they reflect a true and fair view of the financial position of the Council as at 31 March 2024.

#### **Financial Implications**

Good financial management and administration underpin the entire document.

#### **Legal Implications**

It is a statutory requirement to follow the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) when producing the Statement of Accounts.

#### **Risk Assessment**

The Section 151 Officer is responsible for the administration of the financial affairs of the Council. Adhering to the Code mitigates the risk of receiving a qualified set of accounts. The Finance Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2023/24.

#### **Impact on Climate Change**

No impacts identified for this report.

## **Equalities Impact Assessment**

No equality issues identified for this report.

## **Relationship to Corporate Plan**

The financial resources of the Council impact directly on its ability to deliver the Corporate Plan prioritising the use of available resources in 2024/25. The Monitoring Report indicates how the Council's resources have been used to support the delivery of budgetary decisions.

## **Section 3 – Statutory Officer sign-off/mandatory checks**

### **Statutory Officer: Andrew Jarrett**

Agreed by or on behalf of the Section 151

**Date: 11/06/2024**

### **Statutory Officer: Maria De Leburne**

Agreed on behalf of the Monitoring Officer

**Date: 14/06/2024**

### **Chief Officer: Stephen Walford**

Agreed by or on behalf of the Chief Executive/Corporate Director

**Date: 12/06/2024**

### **Performance and risk: Dr Stephen Carr**

Agreed on behalf of the Corporate Performance & Improvement Manager

**Date: 11/06/2024**

**Cabinet member notified:** No

## **Section 4 - Contact Details and Background Papers**

**Contact:** Andrew Jarrett, Deputy Chief Executive (S151)

**Email:** [ajarrett@middevon.gov.uk](mailto:ajarrett@middevon.gov.uk)

**Telephone:** 01884 23(4242)

**Background papers:** Draft 2023/24 Statement of Accounts