

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

Audit & Standards Committee
28 May 2024

Report Title: Draft Statement of Accounts 2023/24

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<p>To report upon the financial outturn for 2023/24. The report highlights key issues, including a commentary on the General Fund outturn, the Balance Sheet the Collection Fund, the Capital Programme and the Council's reserves.</p>	
<p><u>Recommendations</u></p> <p>1. The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2024 be noted.</p> <p>2. The draft Statement of Accounts for 2023/24 be approved for publication and audit.</p>	
<p><u>Reasons</u></p> <p>Regular reporting of the Council's financial position is a key discipline supporting sound financial management and corporate governance.</p>	

1. **Background**

- 1.1 The Accounts and Audit Regulations include a deadline for the Council to prepare the draft Statement of Accounts, publish and submit these to their external auditors for review. Currently, this deadline is 31 May. It is intended that they will be made available for public inspection between 1 June 2024 and 28 June 2024.
- 1.2 The regulations require the audited Statement of Accounts for 2023/24 to be published by 30 September 2024.
- 1.3 The external audit will commence during July, primarily for the selection of samples and should be completed prior to 30 September 2024.
- 1.4 The final Statement of Accounts should be presented to the Audit and Standards Committee for approval on 30 September 2024.
- 1.5 This report focuses on reporting the provisional outturn position and the key elements of the Council's provisional financial position as at 31 March 2024.

2. Issues

The General Fund Outturn

- 2.1 The General Fund is the main revenue account of the Council and relates to all of those services which are funded by the Council Tax, Retained Business Rates and Government Grant.
- 2.2 The Council's revenue budget relies on service income from fees and charges of around £0.750m per month across a wide range of services, with a significant proportion coming from Jubilee 2 and car parking. Income losses from fees and charges for the financial year amount to £0.611m.
- 2.3 The Council approved a General Fund Revenue Budget of £16.857m on 15 February 2023. The outturn for 2023/24 shows a favourable variance of £0.007m against this budget.
- 2.4 The adverse variances that occurred during 2023/24 include:
- a. Income shortfalls from sales, fees and charges which amount to £0.611m for the financial year,
 - b. A shortfall of £0.505m in Housing Benefits subsidy grant regarding accommodation for and payments for which full subsidy is not claimable,
 - c. A pay award of £1,925 per employee has been that is in excess of the amount provided for in the budget (4%). Including national insurance and pension the additional amount totals £0.400m at the close of the financial year,
 - d. Additional audit fees of £0.100m for the audit of the 2023/24 Statement of Accounts will be incurred following the re-tender completed by the Public Sector Audit Appointments board,
 - e. Backdated rent payable on a commercial property rented by the Council amounting to £0.082m and business rates payable on empty properties owned by the Council which amounted to £0.031m,
 - f. Additional overtime and temporary staff costs within the Waste and Recycling service have amounted to £0.240m.
- 2.5 These adverse variances have been offset in full by the following favourable variances:
- a. Utilisation of the Cost of Living Reserve that was established during the budget setting for 2023/24 in order to respond to any above inflationary increases in costs. The £0.400m paid into this reserve has been fully used to offset the pay award,
 - b. Interest receivable on cash that the Council holds in terms of Town Deal and Future High Street funding, together with Section 31 grant and remaining Coronavirus grant funding (that are repayable to Central Government) totals £1.400m. This has also eliminated the need for any in year borrowing to be undertaken saving £0.255m in interest payments.

Flexible Use of Capital Receipts

- 2.9 The Service Director for Finance (Section 151 Officer) informed the Department for Levelling Up, Housing and Communities (DLUHC) by letter of the Council's intention to

make flexible use of capital receipts in the financial year 2023/24. The flexible use of capital receipts has been utilised in 2023/24 to part fund expenditure in relation the One Council programme (£0.124m) during this period.

Balance Sheet

2.10 The main features of the balance sheet in the draft Statement of Accounts) are as follows:

- a. There are fixed assets of £70.612m (£69.321m at 31 March 2023) which consist of Plant, Property and Equipment, Surplus Assets, Investment Properties and Heritage Assets, the increased net book value relates primarily to the upwards revaluations of the depot and York Place.
- b. Assets held for sale total nil (£1.925m at 31 March 2023), this relates to the sale of assets held within this category (Lowlands Road).
- c. Short-term investments of £17.5m and cash of £0.593m (£17m and £4.381m respectively at 31 March 2023), this relates to monies temporarily held due to cash flows. These include Town Deals Fund and Future High Streets Fund grants received in advance of spend.
- d. Revenue Grants received in advance of £1.422m, an increase from £0.760m at 31 March 2023. This relates to Town Deals Fund, Future High Streets Fund and Health Inequalities revenue grants that have been received in advance of spend.
- e. Capital Grants received in advance have decreased to £19.474m from £20.474m at 31 March 2023. This relates to spend of part of the Future High Streets Fund capital grant that had previously been received in advance of spend.
- f. The amount the Council owes to its creditors is £9.949m. Creditors have decreased from £11.681m at 31 March 2023. This is primarily due to the repayment of Section 31 grant (Business Rates) relating to the Covid-19 Additional Relief Fund.
- g. The amount that the Council is due from its debtors is £14.080m. Debtors have increased from £12.287m at 31 March 2023. This is primarily due to the amount repayable by preceptors to the collection fund in respect of the collection fund balance and the associated arrears and provisions.
- h. The liability (and the corresponding reserve) relating to defined benefit pension schemes of £3.010m at 31 March 2023 has transferred to a net asset at 31 March 2024 of £15.573m due to strong investment returns that have increased assets held and positive assumption changes which lower the value placed on the obligations of the scheme. These amounts are required to be included in the Council's accounts as a result of the application of International Accounting Standard 19 (IAS19). They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme assets or liabilities.

The Collection Fund

2.11 Local tax income is collected by billing authorities and paid into local 'collection funds' (the Council is a billing authority). Where there is a difference in tax receipts (compared to expected levels), this leads to a surplus or deficit on the collection fund. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year or in the instance of a surplus a repayment to the precepting authorities will be made.

2.12 In response to forecast shortfalls in tax receipts relating to Government policy business rates reliefs, Section 31 grant is paid to contribute towards the costs of these reliefs. This amount is estimated via the NNDR1 return and the actual relief is reported and reconciled at the close of the financial year.

2.13 The cumulative variances in tax receipts (i.e. including the impact of balances held in respect of previous years) and the impact of Section 31 grant received as at 31 March 2024 are:

Tax	Total (Surplus)/Deficit	Council's Share
Council Tax	£0.056m	£0.006m
Business Rates	£1.207m	£0.483m
Total re. Tax Receipts	£1.263m	£0.489m
Section 31 Grant	(£0.288m)	(£0.115m)
Total	£0.975m	£0.374m

2.14 The deficit shown is repayable by the Council in future years and will subsequently be transferred from the Business Rates reserve, which is used to provide for any collection fund shortfalls. The deficit incurred on the Business Rates collection fund is a result of decreased rateable values and unoccupied property.

Reserves

2.15 The Council has usable revenue reserves totalling £5.210m. The main items, with their balances at 31 March 2024, and a comparison to the balances forecast for the close of 2023/24 as per the 2024/25 budget setting, are:

Reserve/Fund	Balance 31.03.24 (£'000's)	Balance Forecast Budget Setting (£'000's)	Variance (£'000's)	Comments
General Fund	2,157	1,910	247	Unforeseen adverse events, increase from VAT refund re. Leisure
Walley's Quarry Reserve	200	100	100	To assist with the Council's actions regarding air quality issues at Walley's Quarry, increase from VAT refund re. Leisure
Equipment Replacement	54	30	24	Replacement of Environmental Heath equipment
Budget and Borrowing Support Fund	490	465	25	Committed expenditure to be utilised in 2024/25
Budget Support – Local Plan	211	248	(37)	To provide funding for the Borough Local Plan
Budget Support – Homelessness	183	200	(17)	Homelessness funding to be utilised in 2024/25
Borough Growth	80	-	80	To fund investment in corporate priorities

Conservation & Heritage	30	30	-	To provide repair grants to owners of historic buildings
Mayor's Charity	31	-	31	To hold funds on behalf of the Mayor's charity
Museum Purchases	46	38	8	Balance held to be utilised on Museum projects
Business Rates	1,654	1,654	-	£0.201m held as business rates contingency. Remainder held as contingency re. fair funding review and to offset any collection fund deficit
Elections	50	50	-	To provide budget on a 4 year cycle for Borough Elections
Clayton Community Centre	24	24	-	Sinking fund held on behalf of Committee (contributions made by Committee)
Totals	5,210	4,749	461	

2.16 The General Fund Balance is £2.157m as at 31 March 2024. The amount required to be held in this reserve is assessed each year when the revenue budget is compiled, by identifying and quantifying the risks applicable to the revenue budget and using this information as the basis to calculate a prudent sum to keep in reserve to meet those risks should they arise.

2.17 The levels of reserves will be considered as part of the budget preparation process for 2025/26. Some may require contributing to, either from the revenue budget or a transfer from another reserve.

Capital Expenditure

2.18 A Capital Programme totalling £30.360m was approved for 2023/24. Of this total £17.863m relates to the total cost of new schemes for 2023/24 together with £12.497m for schemes funded by external sources (Town Deals Fund, Future High Streets Fund and Disabled Facilities Grants) and £1.000m contingency. In addition £24.013m was brought forward from the 2022/23 Capital Programme (including £22.771m from the Town Deals Fund and the Future High Streets Fund), resulting in a total Capital Programme of £54.373m for 2023/24.

2.19 A mid-year review of the capital programme for 2023/24 has been undertaken as part of the Efficiency Board and budget setting process. The revised capital programme (Annex A) for 2023/24 totalling £55.433m (including a £1m contingency and agreed carry forwards from 2022/23) was approved by Cabinet on 5 December.

2.19 In addition to the revised 2023/24 Capital Programme additional capital expenditure of £0.124m regarding the Flexible Use of Capital Receipts was incurred as well as expenditure that was fully funded by the Shared Prosperity Fund (£0.344m).

2.20 Planned expenditure financed via capital for 2023/24 therefore totalled £55.901m. Actual expenditure has totalled £11.630m, £44.271m below that planned. This relates to expenditure that has been rolled forward into 2024/25 (£42.174m) including projects planned under the Town Deals and Future High Streets funds that will be progressed during 2024/25 (£25.641m), the Council's contribution towards the construction of a new multi storey car park (£8.100m) and fleet replacement (£4.751m). There is an unused amount of capital contingency (£0.922m) and a number of projects whereby costs have been value

engineered or whereby a decision has been made not to progress with the project until a future period (£1.173m).

2.22 The expenditure of £11.630m was financed as shown below:

Financed by:	£ (000)
Capital Receipts	2.293
Government Grants and Other Contributions	9.337
Total	11.630

3. **Proposal**

3.1 The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2024 be noted.

3.2 The draft Statement of Accounts for 2023/24 be approved for publication and audit.

4. **Reasons for Proposed Solution**

4.1 Regular reporting of the Council's financial position is a key discipline supporting sound financial management and corporate governance.

5. **Options Considered**

5.1 No further options, the Council would breach the Accounts and Audit Regulations is it did not report the draft Statement of Accounts to the Audit and Standards Committee.

6. **Legal and Statutory Implications**

6.1 The draft and audited Statement of Accounts are required to be considered by the Audit and Standards Committee in accordance with the Accounts and Audit Regulations 2015.

7. **Equality Impact Assessment**

7.1 There are no differential equality issues arising.

8. **Financial and Resource Implications**

8.1 The General Fund outturn for the financial year 2023/24 shows a favourable variance against the budget of £0.007m. This amount has been paid into the Budget Support Fund.

8.2 £42.174m of the 2023/24 capital programme will be carried forward to the financial year 2024/25.

8.3 The General Fund Reserve of £2.157m is in accordance with the risk assessed minimum value as approved as part of the 2023/24 budget setting process.

8.4 The Council's share of the Collection Fund deficit amounts to £0.489m which is repayable by the Council in future years, this will be transferred from the Business Rates Reserve.

9. **Major Risks**

9.1 The ongoing cost of living crisis and changing market conditions represents the greatest risk to the revenue budget, particularly with regard to the impact it may have upon both utility prices and income receivable in relation to services where customers may choose whether

or not to use Council facilities or in the case of the waste/recycling service where the volume of recycled materials is liable to fluctuate. The impact of cost of living crisis is apparent in the reporting of this provisional outturn, impacting primarily on utility costs and the situation will continue to be monitored through the normal budget monitoring procedures during the financial year 2024/25.

8.2 The capital programme requires regular monitoring to identify any projects which are falling behind their planned completion dates. This will be carried out by the Capital, Assets and Commercial Investments Review Group, which meets on a bi-monthly basis together with quarterly and annual reports to Cabinet.

8.3 The above represents a high level view of risk. There are detailed risk registers available if members wish to see them.

10. **UN Sustainable Development Goals (UNSDG)**



11. **Key Decision Information**

11.1 This is not a key decision.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Quarterly Finance and Performance Review Reports to Cabinet.

13. **List of Appendices**

13.1 Draft Statement of Accounts 2023/24.

14. **Background Papers**

14.1 Quarterly Finance and Performance Review Reports to Cabinet.