

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
30 May 2023

Report Title: Draft Statement of Accounts 2022/23

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

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To report upon the financial outturn for 2022/23. 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.

Recommendations

- 1. The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2023 be noted.**
- 2. The draft Statement of Accounts for 2022/23 be approved for publication and audit.**

Reasons

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

1. Background

- 1.1 Regulations, extending the audit publication deadline for the Statement of Accounts to 30 September for 2 years, came into force on 31 March 2021. At the close of this period a review will be undertaken to determine whether there is a continued need to have an extended deadline.
- 1.2 The regulations require the draft Statement of Accounts to be published on or before 1 June. It is intended that they will be made available for public inspection between 1 June 2023 and 14 June 2023.
- 1.3 The external audit will commence during July, primarily for the selection of samples and will be completed prior to 11 September 2023.
- 1.4 The final Statement of Accounts will be presented to the Audit and Standards Committee for approval on 11 September 2023.
- 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 2023.

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 Coronavirus pandemic continues to have an impact on the Council's financial position, primarily through lost income, although this is showing a marked improvement compared to the losses incurred during 2020/21 and 2021/22. No Government funding for 2022/23 in respect of financial pressures relating to the Coronavirus pandemic (including income compensation) is to be received.
- 2.3 The Council's revenue budget relies on service income from fees and charges of around £725k 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 £0.683m.
- 2.4 The Council approved a General Fund Revenue Budget of £15.269m on 23 February 2022. The outturn for 2022/23 shows a favourable variance of £0.008m against this budget.
- 2.5 The adverse variances that occurred during 2022/23 include:
 - a. Income shortfalls from sales, fees and charges which amount to £0.683m for the financial year,
 - b. A shortfall of £0.241m in Housing Benefits subsidy grant regarding accommodation for which full subsidy is not claimable,
 - c. A pay award of £1,925 per full time employee, which is in excess of the amount provided for in the budget (2.5%), including national insurance and pension the additional amount totalled £0.591m for the financial year,
 - d. Increased fuel (£0.139m), electricity (£0.181m) and gas (£0.222m) prices when compared to the amounts provided for in the budget.
- 2.6 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 2022/23 in order to respond to any above inflationary increases in costs. The £0.400m paid into this reserve will be fully used.
 - b. Use of £0.240m New Homes Bonus funding paid into the Budget Support Fund which was established during the budget setting for 2022/23 in order to boost the Council's financial resilience during 2022/23 as a result of the continued impact of the Coronavirus pandemic.
 - c. Application of £0.167m Administration grant paid to the Council and set aside during 2021/22 in relation to Coronavirus grants and a further £0.111m grant received in relation to the administration of Council Tax Rebate grants received during 2022/23.
 - d. A refund of £0.130m is payable to the Council in respect of Business Rates payable in relation to the Museum following a backdated revaluation in rateable value.

- e. 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) has increase significantly following recent interest rate hikes to £0.578m for the financial year. This has also eliminated the need for any in year borrowing to be undertaken saving £0.120m in interest payments.
- f. The levy payment payable to the Business Rates pool that the Council is a part of is £0.141m less than estimated for 2022/23. Additionally, the levy payable in relation to 2021/22 has been met from the Business Rates Reserve (£0.116m).

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 2022/23. The flexible use of capital receipts has been utilised in 2022/23 for expenditure to a value of £0.100m that meets the eligibility criteria, in that it relates to initiatives (Digital Delivery), that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery. This is in addition to the agree flexible use of capital receipts to part fund expenditure in relation the One Council programme (£0.242m) has been utilised during 2022/23.

Balance Sheet

2.10 The main features of the balance sheet (page 28) in the draft Statement of Accounts) are as follows:

- a. There are fixed assets of £69.321m (£65.443m at 31 March 2022) which consist of Plant, Property and Equipment, Surplus Assets, Investment Properties and Heritage Assets, the increased net book value relates primarily to investment into Kidsgrove Sports Centre and the upwards revaluation of land and buildings including both Kidsgrove Sports Centre and Jubilee 2.
- b. Assets held for sale total £1.925m (£4.725m at 31 March 2022), this relates to the sale of assets held within this category (Knype Way and Market Drayton Road).
- c. Short-term investments of £17m and cash of £4.381m (£14m and £1.704m respectively at 31 March 2022), 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 £0.760m, a reduction from £3.259m at 31 March 2022. This mainly relates to the application and repayment to Central Government of Coronavirus Additional Relief Funding in respect of Business Rates (£2.409m).
- e. Capital Grants received in advance have increased to £20.474m from £3.724m at 31 March 2022. This relates to further Town Deals Fund and Future High Streets Fund grants that have been received in advance of spend (balance held has increased by £16.750m).
- f. The amount the Council owes to its creditors is £11.681m. Creditors have decreased from £22.077m at 31 March 2022. This is primarily due to the receipt of the Council Tax

rebate at the close of 2021/22 which was awarded to residents in 2022/23 (£7.460m) and Section 31 Grant that was repaid to Central Government during 2022/23 (£5.226m).

- g. The amount that the Council is due from its debtors is £12.287m. Debtors have decreased from £14.144m at 31 March 2022. This is primarily due to a reduction in the amount repayable by preceptors of 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 decreased from £45.239m at 31 March 2022 to £3.010m at 31 March 2023. 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 liabilities. The discount rate used to assume future investment return is a key financial assumption made by the actuary, the large increase in the discount rate (4.75% as per market conditions at 31 March 2023, compared to 2.70% at 31 March 2022) has driven a large reduction in the value placed on the obligations side of the balance sheet and subsequently a large reduction in the pension liability.
- i. Other usable reserves have decreased from £8.739m at 31 March 2022 to £3.045m. This relates largely to the use of the Business Rates Reserve to repay prior years collection fund deficits which relate to reliefs issued to Business Rate payers during the COVID-19 pandemic (£5.030m) and for which the Council received Section 31 grant, which was paid into this reserve for this purpose. It also relates to the net use of amounts purposely set aside in the Budget Support Fund (£0.385m), Elections Reserve (£0.150m) and Walley's Quarry Reserve (£0.151m).

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 the Government's COVID-19 pandemic related business rates reliefs, the government announced that Section 31 grant would be awarded to cover 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 2023 are:

Tax	Total (Surplus)/Deficit	Council's Share
Council Tax	(£0.273m)	(£0.029m)
Business Rates	(£1.709m)	(£0.684m)
Total re. Tax Receipts	(£1.982m)	(£0.713m)
Section 31 Grant Shortfall	£0.260m	£0.104m
Total	(£1.722m)	(£0.609m)

2.14 The surplus shown is repayable to the Council in future years and will subsequently be transferred to the Business Rates reserve, which is used to provide for any collection fund or Section 31 grant shortfalls.

Reserves

2.15 The Council has usable revenue reserves totalling £5.205m. The main items, with their balances at 31 March 2023, and a comparison to the balances forecast for the close of 2022/23 as per the 2023/24 budget setting, are:

Reserve/Fund	Balance 31.03.23 (£'000's)	Balance Forecast Budget Setting (£'000's)	Variance (£'000's)	Comments
General Fund	2,160	2,160	-	Unforeseen adverse events. Approved balance of £2.160m
Income Contingency	100	100	-	To manage year to year income variations. Approved balance of £0.100m
Walley's Quarry Reserve	672	600	72	To assist with the Council's actions regarding air quality issues at Walley's Quarry
Equipment Replacement	37	42	(5)	Replacement of Environmental Heath equipment
Budget Support – General	528	-	528	Additional funding committed to during 2022/23 to be utilised in 2023/24
Budget Support – Planning Policy	195	200	(5)	To provide funding for the Borough Local Plan
Budget Support – Housing	312	200	112	Homelessness funding to be utilised in future periods
Borough Growth	59	-	59	To fund investment in corporate priorities
Conservation & Heritage	32	30	2	To provide repair grants to owners of historic buildings
Mayor's Charity	10	-	10	To hold funds on behalf of the Mayor's charity
Museum Purchases	38	61	(23)	Balance held to be utilised on Museum projects
Business Rates	1,043	1,043	-	£0.201m held as business rates contingency. Remainder held as contingency re. fair funding review
Elections	-	-	-	To provide budget on a 4 year cycle for Borough Elections
Clayton Community Centre	19	19	-	Sinking fund held on behalf of Committee (contributions made by Committee)
Totals	5,205	4,455	750	

2.16 The General Fund Balance is £2.160m as at 31 March 2023. 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 2024/25. Some may require contributing to, either from the revenue budget or a transfer from another reserve.

Capital Expenditure

2.18 A Capital Programme totalling £32.309m was approved for 2022/23. Of this total £30.309m relates to the total cost of new schemes for 2022/23 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and £1.000m contingency. In addition £5.548m was brought forward from the 2021/22 Capital Programme (including £4.017m from the Town Deals Fund and the Future High Streets Fund), resulting in a total Capital Programme of £37.857m for 2022/23.

2.19 A mid-year review of the capital programme for 2022/23 has subsequently been undertaken as part of the Efficiency Board and budget setting process in order to identify any projects that may need to be re-profiled from 2022/23 into future years. The revised capital programme for 2022/23 totalling £32.977m was approved by Cabinet on 6 December 2022.

2.20 In addition to the revised 2022/23 Capital Programme additional capital expenditure of £0.342m regarding the Flexible Use of Capital Receipts and One Council expenditure were incurred as well as expenditure that was fully funded by grant (£0.606m).

2.20 Planned expenditure financed via capital for 2022/23 therefore totalled £33.925m. Actual expenditure has totalled £7.545m, £26.380m below that planned. This relates to expenditure that has been rolled forward into 2023/24 (£24.013m) including projects planned under the Town Deals and Future High Streets funds that will be progressed during 2023/24, disabled facilities grant that will be utilised in future periods (£0.547m) and unused contingency funding (£0.691m) plus a number of projects for whereby costs have been value engineered or whereby a decision has been made not to progress with the project until a future period (£1.129m).

2.22 The expenditure of £7.545m was financed as shown below:

Financed by:	£ (000)
Capital Receipts	3.208
Government Grants and Other Contributions	4.337
Total	7.545

3. Proposal

3.1 The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2023 be noted.

3.2 The draft Statement of Accounts for 2022/23 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 if 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 2022/23 shows a favourable variance against the budget of £0.008m. This amount has been paid into the Budget Support Fund.

8.2 £24.013m of the 2022/23 capital programme will be carried forward to the financial year 2023/24. Projects planned under the Town Deals and Future High Streets funds that will continue to be progressed during 2023/24.

8.3 The General Fund Reserve of £2.160m is in accordance with the risk assessed minimum value as approved as part of the 2022/23 budget setting process.

8.4 The Council's share of the Collection Fund surplus amounts to £0.714m which is repayable to the Council in future years, this will be contributed to 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 2023/24.

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 2022/23.

14. **Background Papers**

14.1 Quarterly Finance and Performance Review Reports to Cabinet.