

<b>Meeting Name:</b>	Audit, governance and standards committee
<b>Date:</b>	5 September 2024
<b>Report title:</b>	Draft 2023/24 statement of accounts for Southwark council
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Strategic Director of Finance

## RECOMMENDATION

1. That the Committee notes the draft 2023/24 statement of accounts (appendix B). These will be presented to the committee again later in November alongside the audit opinion for a formal approval, subject to the completion of the 2023-24 audit.

## BACKGROUND INFORMATION

2. The publication of the statement of accounts is an essential feature of public accountability and stewardship as it provides an annual financial report on the council's stewardship of public funds for which it is responsible. The closing of accounts is also important for financial control and management as it confirms the availability of reserves and balances for future use.
3. The draft 2023-24 statement of accounts is subject to external audit. KPMG, the auditors, are required to satisfy themselves that the council's accounts comply with statutory requirements and that they have been compiled according to proper accounting practices. In addition, they are also required to provide an opinion as to whether the council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources (value for money).
4. Under the constitution, the audit, governance and standards committee formally receives and approves the audited annual statement of accounts. The audited accounts together with the external auditors' findings report on the accounts are scheduled to be presented to the committee on 13 November 2024, subject to the progress status of audit.

## **KEY ISSUES FOR CONSIDERATION – Statement of Accounts 2023/24**

5. The current Accounts and Audit Regulations 2015 require that the Council must prepare and publish its approved draft and audited accounts by 31 May and 30 September respectively. These should then follow an approval process as detailed in **Appendix A**. However, due to the national backlog of audits, the ministry of housing, communities and local government intend to bring in legislation to amend these statutory deadlines eg the deadline for publishing the 2023-24 audited statement of accounts is expected to be 28 February 2025 and over a four year period it will be brought forward to 30 November by 2027-28. The ministry have also proposed moving the deadline for publication of the draft statement of accounts to 30 June from 2024-25 onwards.
6. It is confirmed that the Strategic Director of Finance, as the Council's Section 151 officer, certified the accounts on 3 July 2024, slightly later than the statutory deadline. This is because the council, like many other local authorities, faced the challenge of catching up with a backlog of unaudited accounts, following the disruption caused by covid-19 virus and changes in the public sector audit market generally. The council prioritised completing the audit of the 2021/22 and 2022/23 accounts, which proved successful as both audits were completed in March 2024, with Southwark now having up-to-date audited accounts, unlike many other councils in London and across England. This also avoided the risk of breaching the "backstop" deadline proposed by central government resulting in the auditors being unable to complete audits for prior year accounts.
7. The current regulations also require that a notice of delay is issued if the 31 May deadline for publication is missed. As such, a notice was published on the council's website stating that the council had to delay publication of the draft 2023/24 statement of accounts due to audit delays for prior year accounts and finalising work on the valuation of assets.
8. The draft accounts were published on the council's website on 4 July 2024, and the period of public inspection commenced on 8 July 2024.
9. The Council's external auditors, KPMG, have commenced their main audit work in July 2024, although some interim work was conducted between January and July. It is currently expected that the audit will be completed by 13 November 2024, well ahead of the new proposed statutory deadline for 2023-24 accounts of 28 February 2025.
10. The audited accounts, together with the external auditor's report, are expected to be presented to members at their November 2024 meeting for scrutiny and approval. The draft accounts are presented to members now to inform and enable early scrutiny of the key figures ahead of the completion of the audit.
11. Matters to draw to the attention of this committee are:

- 11.1. The Statement of Accounts includes the council's main accounting statements, the Housing Revenue Account (HRA), Collection Fund and Pension Fund account. It is a long complex document, with the contents largely determined by statutory requirements and mandatory professional standards as set out within the 'Code of Practice on Local Authority Accounting' and 'Standard of Professional Practice on Financial Reporting' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS).
- 11.2. For 2023/24, there are no significant format or contents changes from the 2022/23 document. This is reflected by **Note 2 Accounting Policies** section, which details out the core accounting policies to be applied in drafting the 23/24 accounts by taking account of all the updates from the CIPFA code of practice.
- 11.3. Set out below are the main elements of Statement of Accounts with a brief explanation of the information contained in each element:
- 11.4. **Narrative Report** is an overview of council's performance for the year, from the Strategic Director of Finance. It provides a link between management's budget report and outturn position.
- 11.5. **Movement in Reserves Statement** shows the council's reserve balances; *Usable* reserves increased by £58.4m to £434m and *Unusable* reserves decreased by £38.6m to £4,298m.
- 11.6. Note 12, explains the usable reserve increase (£58.4m) in more detail; £32.3m increase in earmarked reserve is for committed priorities and grant funded projects.
- 11.7. Note 23, explains the unusable reserve decrease (£38.6m), which is mainly due to changes in revaluation reserves.
- 11.8. **Comprehensive Income and Expenditure (CIES)** shows the Council's accounting cost for the year in providing services, including central investment and taxation income, revaluation reserve changes and actuarial pension liability changes. It consists of income and expenditure by department to derive at net accounting cost of services.
- 11.9. This accounting cost is very different to the budgeted cost, which the council monitors on a day-to-day basis, because it includes many non-cash transactions such as depreciation and other technical accounting adjustments.
- 11.10. There are significant variances between 22/23 and 23/24 reported income and expenditure for each of the department, but these are mainly due to technical accounting adjustments (£204.4m in 23/24 compared to £19.6m in 22/23) and explained by note 1, note 7 and

note 11.

- 11.11. Note 1 shows that the budgeted outturn (as reported for resource management) is consistent between the two years.
- 11.12. **Balance Sheet** shows the Council's position, net worth **£4,733m**, as at 31 March 2024. It consists of assets, liabilities and reserves, and notes for each line provides further details behind these balances. Overall council's balances increased by £19.8m, and as explained under MIRS, it is mainly due to addition to earmarked reserves for committed priorities and changes in revaluation reserves. This figure is also the net total on the Comprehensive Income and Expenditure Statement for 2023-24.
- 11.13. **Cash Flow Statement** shows the Council's movements in cash balances by operating, investing and financing activities. Overall, the cash balance decreased by £49.6m, mainly because the Council had a significant planned capital expenditure in 23/24 and planned reduction in the level of cash balances.
- 11.14. **Housing Revenue Account (HRA)** is a separate ring-fenced account showing the expenditure and income relating to the management and maintenance of the Council's social housing stock (36,765 dwellings). This is a supplementary account, which is included in the main account (**CIES**) under the **Housing Revenue Account (HRA)** line. Overall, HRA usable reserve decreased by £2.53m to £16.92m because of continued budget pressures.
- 11.15. **Collection Fund Account** is a separate account detailing the collection and distribution of council tax and business rates income for the year. As a billing authority part of the income is retained by the council with the remainder being paid to Greater London Authority (GLA) and the Government, at an agreed amount and share set at the beginning of the year. The statement shows full council tax and business rates due for the year from taxpayers reported as income, and payments to preceptors for their agreed share as expenditure. Any residual balance is taken into the following year to be charged or redistributed.
- 11.16. **Pension Fund Account** is separate from the rest of the Councils accounts and shows the income (pension contributions and investment returns) and expenditure (pension payments) for the year together with the assets and liabilities of the Pension Fund as at 31 March 2024. Interaction between the Council and the Pension Fund is treated like any third party, i.e. debtors, creditors, etc.
- 11.17. The Fund is audited at the same time as the Council's main accounts but are subject to a separate audit opinion. The Pensions Fund Annual Reports will be considered by the Pensions Committee later in the year.

- 11.18. **Inspection of the accounts by the public**, a six-week inspection period commenced on 8 July and will continue until 16 August, during which the public is able to ask questions on the accounts and request information. Local electors also have the right to raise objections to the Statement of Accounts with the external auditors.

## **Community, equalities (including socio-economic) and health impacts**

### **Community impact statement**

12. This report and the accompanying accounts are not considered to have a direct impact on local people and communities. However, good financial management and reporting arrangements are important to the delivery of local services and to the achievement of outcomes.

### **Equalities (including socio-economic) impact statement**

13. This report is not considered to contain any proposals that would have a significant equalities impact.

### **Health impact statement**

14. This report is not considered to contain any proposals that would have a significant health impact.

## **Climate change implications**

15. This report is not considered to contain any proposals that would have a significant impact on climate change.

## **Resource implications**

16. There are no direct resource implications in this report.

## **Consultation**

17. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts is available for public inspection from 8 July 2024 until 16 August 2024.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

18. None required.

## **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Department of Finance files	Finance Department, Second Floor, Tooley Street	Amarjit Uppal 0207 525 4578

## APPENDICES

No.	Title
Appendix A	Approval process
Appendix B	Draft 2023-24 statement of accounts for Southwark council

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director of Finance	
<b>Report Author</b>	Amarjit Uppal, Chief Accountant	
<b>Version</b>	Final	
<b>Dated</b>	12 August 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Assistant Chief Executive – Governance and Assurance	No	N/A
Strategic Director of Finance	N/A	N/A
<b>Cabinet Member</b>	N/A	N/A
<b>Date final report sent to Constitutional Team</b>	12 August 2024	

### Approval process

The Statement of Accounts include the Council's main accounting statements, the Housing Revenue Account (HRA), Collection Fund; and any other statements relating to each and every other fund in relation to which the Council is required by any statutory provision to keep a separate account for (such as the Pension Fund).

The Accounts and Audit Regulations 2015 require the council to follow a standard accounts approval process, as detailed below:

- i) no later than the 31 May, the responsible financial officer (Section 151 officer) certifies that the statement of accounts presents a true and fair view of the financial position of the Council and of its income and expenditure for 2023/24. A notice of delay was published on 31 May stating that the council had to delay publication of the draft 2023/24 statement of accounts due to audit delays for prior year accounts and finalising work on the valuation of assets.
- ii) no later than the 30 September; the:
  - responsible financial officer re-certifies the presentation of the annual accounts before member approval is given,
  - annual accounts are considered and approved by resolution of members and ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval was given.
  - publish (which must include publication on the body's website) the statement of accounts together with any certificate, opinion, or report issued, given or made by the audit.