

## **Report to Audit Committee**

**Subject:** Annual Governance Statement and Statement of Accounts 2023/24

**Date:** 25 February 2025

**Author:** Chief Finance and Section 151 Officer

### **1 Purpose**

To seek approval of the Council's Annual Governance Statement and the Statement of Accounts for 2023/24.

#### **Recommendations:**

THAT:

- 1) Members approve the Annual Governance Statement for 2023/24 (Appendix 1).
- 2) Subject to approval of the Annual Governance Statement at recommendation 1, Members approve The Statement of Accounts for 2023/24 (Appendix 2).
- 3) Members note the Narrative Statement on pages 3 to 18 of The Statement of Accounts for 2023/24 (Appendix 2).
- 4) Members agree The Draft Letter of Representation (Appendix 3).

### **2 Background**

#### **2.1 Overview**

- 2.1.1 The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of the system of internal control and to prepare an Annual Governance Statement (AGS). The Council's AGS for 2023/24 is attached at Appendix 1, and also accompanies the Statement of Accounts at pages 104 to 119 of Appendix 2. The Regulations require that the Annual

Governance Statement must be approved in advance of the approval of the Statement of Accounts and accordingly the AGS will be signed by the Leader of the Council and the Chief Executive following its approval at this meeting.

- 2.1.2 The Draft Annual Governance Statement was presented to members of the Audit Committee for noting at its meeting on 10 December 2024.
- 2.1.3 The Regulations also require the responsible financial officer to sign and date the Council's Statement of Accounts by 31 May 2024, and to certify that the Statement presents a true and fair view of the position of the authority and the authority's income and expenditure for the year.
- 2.1.4 The Regulations further require that by 31 July 2024 the Statement of Accounts must have been considered and approved by Members, and at Gedling this is within the remit of the Audit Committee. Following approval, the Statement of Accounts must be re-signed by the Chief Financial Officer (CFO) prior to being signed and dated by the Chair of the Audit Committee. The amended Regulations require that this consideration and CFO certification must be undertaken by 30 September 2024. However due to the fraud that was identified in July 2022 the production of the 2023/24 Statement of Accounts had been delayed, and a draft was published on 10 January 2025.
- 2.1.5 Please note that at the time of writing this report the final External Auditor's Report had not been received from Mazars, therefore the attached Statement of Accounts remains subject to audit adjustment, the final version will be issued once the audit opinion is signed after the Audit Committee has taken place.
- 2.1.6 In addition to the Annual Governance Statement and Statement of Accounts, the Council is required to prepare a Narrative Statement which includes comment on the Council's financial performance and the economy, efficiency and effectiveness of its use of resources over the financial year. This forms part of the Statement of Accounts and can be found at pages 3 to 18 of Appendix 2.
- 2.1.7 Once approved, the Council is required to publish the Annual Governance Statement, Statement of Accounts and Narrative Statement on its website.

## 2.2 The Economy

- 2.2.1 Against a backdrop of inflationary pressures, the easing of Covid restrictions, the Russian invasion of Ukraine, and a range of different UK Government policies, UK interest rates have been volatile for all of 2023/24. Market commentators' misplaced optimism around inflation has been the main cause of the turmoil in the bond markets. Central Banks are facing a challenging time as inflation is elevated but labour markets are extra-

ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten. Starting April at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August. By the end of the financial year, no further increases were anticipated

2.2.2 The Council will continue to monitor the external environment to develop and refine its strategies to counter any threats from the wider economy. Ongoing pressures on costs and income streams were experienced during 2023/24 and these are expected to continue, especially in light of the cost of living crisis.

2.2.3 The Council's continuing robust financial position means that it remains relatively well placed to deal with ongoing challenges and worldwide uncertainty, albeit that there are significant challenges ahead.

### 2.3 Accounting Practice Changes

2.3.1 There were no major changes to the CIPFA Accounting Code of Practice in 2023/24.

## 3 **Proposal**

### 3.1 Annual Governance Statement

3.1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and with proper standards; that public money is safeguarded and properly accounted for; and that it is used economically, efficiently and effectively. In accordance with the Accounts and Audit Regulations the Council conducts an annual review of the effectiveness of the system of internal controls and prepares an Annual Governance Statement (AGS).

3.1.2 The Annual Governance Statement is also attached at Appendix 1, and is requested for approval. Following such approval, the AGS will be signed by the Leader of the Council and the Chief Executive prior to its publication with the Statement of Accounts.

### 3.2 Statement of Accounts 2023/24

#### 3.2.1 Financial Performance

The General Fund outturn figures for 2023/24 were reported to Cabinet on 17 July 2024. Net expenditure totalled £13,909,525, an underspending of £107,875 or 0.77%, when compared with the current approved estimate for 2023/24 as detailed below.

<b>General Fund Outturn Position 2023/24</b>			
	<b>Current Estimate 2023/24</b>	<b>Actual 2023/24</b>	<b>Variance to Current Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Communities and Place	354,100	324,053	(30,047)
Lifestyles Health and Wellbeing	1,990,900	298,592	(1,692,308)
Public Protection	1,500,000	1,873,042	373,042
Life Chances and Vulnerability	1,146,400	1,098,888	(47,512)
Environmental Services	4,661,200	4,701,595	40,395
Climate Change and Natural Habitat	1,974,000	1,970,098	(3,902)
Sustainable Growth and Economy	1,662,200	862,977	(799,223)
Corporate Resources and Performance	1,793,200	388,530	(1,404,670)
<b>Net Portfolio Budget</b>	<b>15,082,000</b>	<b>11,517,775</b>	<b>(3,564,225)</b>
Transfers to/(from) Earmarked Reserves	(1,064,600)	2,391,750	3,456,350
<b>Net Council Budget</b>	<b>14,017,400</b>	<b>13,909,525</b>	<b>(107,875)</b>
Less Financing:			
Business Rates (net of coll. fund deficit)	(6,327,642)	(6,381,685)	(54,043)
Council Tax	(7,150,436)	(7,150,436)	0
Business Rates Levy	(25,801)	(25,801)	0
Revenue Support Grant	(117,477)	(117,477)	0
Service Grant	(124,425)	(124,425)	0
Funding Guarantee	(349,912)	(349,912)	0
New Homes Bonus	(332,930)	(332,930)	0
HMRC VAT Claim	(3,500,000)	(3,573,195)	(73,195)
Prior Year Audit Adjustments	0	63,898	63,898
<b>Transfer (to)/from General Fund Balance</b>	<b>(3,911,223)</b>	<b>(4,082,438)</b>	<b>(171,215)</b>

The General Fund Balance as 31 March 2024 was £4,912,765.

### 3.2.3 Capital Outturn 2022/23

Capital investment during 2023/24 totalled £10,634,130m and this was financed by the use of capital receipts, grants and contributions, S106 and CIL, General Fund revenue contributions and borrowing. The Council's total

external debt at 31 March 2024 was £10.812m, all held with the Public Works Loan Board.

#### 3.2.4 Collection Fund

Council Tax - The Council collects its own council tax and, as billing authority, for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and twelve parish councils. This has a significant impact on cashflow with nearly £88.1m collected but only around £7.1m retained for spending on services.

Business Rates - Under the Business Rates Retention Scheme the proportion of a local authority's income that arises from business rates will change according to movements in its local business rates income, providing an incentive for supporting local business growth. The Council collected £22.9m and Gedling's share of its business rates income in 2023/24 was £6.4m.

#### 3.2.5 Balance Sheet

The Council's net worth decreased during the year from a net asset of £26.360m on 1 April 2023 to a net asset of £23.335m at 31 March 2024.

- Pensions

The pension deficit decreased by £5.6m to £4.5m during 2023/24, mainly due to changes in the discount rate and technical calculations based on actuarial assumptions. This was mainly due to decrease in the present value of the defined benefit obligation and an increase of the fair value of fund assets based on technical calculations and actuarial assumptions. Whilst this has a significant impact on the Council's net worth, the increase in pension liability will be made good by the increases in future contributions and bears no relation to the cash position on the Pension Fund.

- Short-term Creditors

The value of short-term creditors decreased by £3.6m.

- Short-term Debtors

The value of short-term debtors increased by £1.3m.

#### 3.2.6 Earmarked Reserves

The balance on earmarked reserves at 31 March 2024 was £8.604m, an increase of £2.404m.

### 3.3 Significant Issues arising in 2023/24

3.3.1 There were no significant technical accounting issues arising in 2023/24 that required inclusion in the draft Statement of Accounts signed by the Chief Financial Officer.

### 3.4 Audit of Accounts Process

The Accounts are scrutinised by the Council's external auditors, Mazars, however due to the backstop arrangements the 2023/24 accounts have not been audited in full.

Mazars requires each authority to provide a letter of representation, providing certain assurances about the completeness and accuracy of its Statement of Accounts. A copy of the draft letter of representation for 2023/24 is attached at Appendix 3.

The procedures that Mazars expects authorities to follow in providing a letter of representation are that it should be dated on or near the date that the auditors sign the audit opinion, and that it is signed by the person with responsibility for the financial statements after consultation with the Monitoring Officer on legal matters, and other matters as appropriate. It must be agreed by an appropriate committee of the Council, and in Gedling's case this is the Audit Committee.

As noted at 2.1.3 above, once the Audit Committee has considered and approved the Statement of Accounts, the Chief Financial Officer re-signs it prior to its signature by the Chair of the Audit Committee. The final External Auditors' Report, and the Auditors' Opinion, cannot be issued until this has been done.

In addition to the Opinion, an Audit Certificate is issued by the external auditor to confirm the conclusion of the Audit.

## **4 Financial Implications**

There are no financial implications directly arising from this report.

## **5 Legal Implications**

The approval of the Annual Governance Statement and the Statement of Accounts is a process that is set out in statute namely the Accounts and

Audit Regulations 2015, as detailed in the report. The Council is required to comply with this statutory process which ensures openness and transparency in financial management.

## **6 Equalities Implications**

There are no equalities implications directly arising from this report.

## **7 Carbon Reduction/Environmental Sustainability Implications**

There are no carbon reduction/environmental sustainability implications arising from this report.

## **8 Appendices**

1. Annual Governance Statement 2023/24.
2. Statement of Accounts 2023/24.
3. Draft Letter of Representation.

### **Statutory officer Approval:**

**Drafted by:** Chief Finance Officer

**Date:** 14 February 2025

**Approved by:** Monitoring Officer

**Date:** 14 February 2025