

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 23 September 2024

Report of: Assistant Director (Finance and ICT)

Subject: STATEMENT OF ACCOUNTS 2023/24

SUMMARY

Local Authorities have a duty to prepare and publish an annual Statement of Accounts in accordance with regulations issued by the Secretary of State. Due to the national backlog in external audit coverage, the external audit of the 2023/24 accounts is taking place from September to early November. For the Council to meet the statutory publication date, the unaudited Statement of Accounts will need to be approved and published by 30 September without the external auditor's opinion. Members are requested to formally approve the unaudited Statement of Accounts for 2023/24 that is attached to this report.

Following the audit, the audited Statement of Accounts will be presented to the Audit and Governance Committee along with the Audit Results Report on 25 November 2024.

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee approves the unaudited Statement of Accounts for 2023/24, attached as Appendix A, for publication by 30 September 2024.

INTRODUCTION

1. The Accounts and Audit Regulations 2015 require every local authority to produce and publish an annual Statement of Accounts in accordance with “proper practice” and prescribes the procedures to be followed preceding the publication of the accounts and sets out the dates by which the accounts must be approved and published.
2. The Local Government Act 2003 (Section 21) defines proper accounting practices for this purpose to be the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) for the relevant year. The unaudited Statement of Accounts 2023/24 set out in Appendix A has been prepared in accordance with the Code.
3. The Accounts and Audit Regulations 2015 as amended by The Accounts and Audit (Amendment) Regulations 2022 has extended the statutory publication date for the 2023/24 audited accounts from 31 July to 30 September 2024.

THE PURPOSE OF THE STATEMENT OF ACCOUNTS

4. The Code is based on approved accounting standards so that an authority’s accounts present a “true and fair view” of the financial position and transactions of the authority. It has been prepared on the basis that the purpose of a local authority’s published Statement of Accounts is to give electors, Members and other interested parties clear information about the authority’s finances.

AUDIT OF THE 2022/23 STATEMENT OF ACCOUNTS

5. An external audit update report was presented to the 11 March 2024 Audit and Governance Committee summarising the proposals for the delivery the audits of the 2022/23 and 2023/24 accounts.
6. The proposal limited the scope for the 2022/23 audit to the Value for Money work already completed which would result in a disclaimer being given for the 2022/23 accounts.
7. On 30 July 2024, the Minister of State for Housing, Communities and Local Government outlined the actions needed to tackle the local government audit backlog. The intention is to lay secondary legislation to provide for an initial backstop date of 13 December 2024 for the 2022/23 accounts.

THE AUDIT PROCESS

8. The Council’s external auditors, Ernst & Young, are responsible for forming an opinion on the Statement of Accounts and certifying that it is a “true and fair” view of the financial position of Fareham Borough Council as at 31 March 2024.
9. The auditors usually carry out a detailed audit during the summer but due to resource issues, this is taking place from September to early November.
10. In order for the Council to meet the statutory publication date the unaudited Statement of Accounts will be approved and published by 30 September without

the external auditor's opinion.

11. Following the audit, the audited Statement of Accounts will be presented to the Audit and Governance Committee along with the Audit Results Report on 25 November 2024.

KEY ISSUES AND MATTERS OF INTEREST

12. The Statement of Accounts includes a Narrative Report which highlights the Council's performance and achievements during 2023/24. Key issues and matters of interest are:

- **Overall Revenue Position** – The outturn position for 2023/24 showed that the Council needed to use £116,502 from General Fund reserves to balance the budget. This was against a revised projected contribution to reserves of £58,800 for the year. This is a slightly different picture to the outturn report which stated a £35,841 contribution to reserves as this was based on draft management accounts. The difference is due to utilising £152,343 of reserves that were earmarked within the overall General Fund balance.
- **Reserves** – Council reserves total £263.4 million, £46.4 million of which are in 'usable' reserves which can be used to fund Council services; subject to certain limitations and the need to maintain prudent reserves for financial stability.
- **Solent Airport at Daedalus** – Developments at the airport continued in 2023/24 with further investment in assets and infrastructure across the site of £2.8 million.
- **Community Infrastructure Levy (CIL)** – The Council raised £2.3 million from CIL during the year (£6.5 million in 2022/23). This has been transferred to the Council's capital reserves. £8.5 million of CIL reserves were used to fund Fareham Live and £0.66 million on Osborn Road Car Park.
- **Housing Stock** – During the year, 4 homes were sold under the right to buy scheme (8 in 2022/23) and 11 shared-ownership properties were partially acquired by their owner (2 were fully acquired in 2022/23). In addition, 4 homes were bought back using the Local Authority Housing Fund. £0.9 million has been spent on new housing developments with the help from funding from Homes England.
- **Capital Receipts** – The Council generated capital receipts of £1.9 million (£11.8 million in 2022/23) mainly from the sale of Council dwellings.
- **Borrowing and Investments** – The Council's investments decreased from £25 million to £13.7 million at the year end and borrowing increased from £61.4 million to £65.5 million.
- **Housing Revenue Account** – The Housing Revenue Account increased in year by £75,000 (increase of £127,000 in 2022/23) and overall Housing Reserves decreased by £65,000 to £8.9 million.

- **Pension Fund** – The Council’s pension fund liability decreased by £1.6 million to £8.9 million (£37.7 million decrease in 2022/23). The main reasons for the change are due to decreases in demographic assumptions and increases in the return on assets.
13. The Statement includes sections on the financial outlook for the future and position of the Council as a Going Concern as at the end of March 2024 and projecting forward to 2025 taking into consideration the impacts of the cost of living crisis. Details are provided of the actions that have been taken and which are in progress to protect the Council’s financial standing.

THE CONTENT OF THE STATEMENT OF ACCOUNTS

14. The following paragraphs give a brief outline of the various sections included within the Statement of Accounts.

Narrative Report

15. The Narrative Report provides information about the Council’s main objectives and strategies and the principal challenges that it faces. It also provides a commentary on how the Council has used its resources to achieve its desired outcomes.
16. The Narrative Report is not formally part of the Statement of Accounts and is not covered directly by the statutory requirements for an audit opinion.

Statement of Responsibilities for the Statement of Accounts

17. The statement sets out the responsibilities of the Council, the Audit and Governance Committee and the S151 Officer for the production and approval of the accounts and is signed by the Chief Executive Officer (S151 Officer for the 2023/24 accounts). It also carries the signature of the Chairman of the Audit and Governance Committee to confirm the approval of the Statement of Accounts by the Audit and Governance Committee.

Core Statements

18. The following core accounting statements are included:

Comprehensive Income and Expenditure Statement - This statement brings together all of the Council’s day to day (revenue) income and expenditure, including the Housing Revenue Account (HRA), as well as transactions relating to the value of long-term assets and pension costs.

Balance Sheet - The Balance Sheet shows the assets that the Council owns, how much the Council owes or is owed, and the Council’s net assets (sometimes referred to as net worth).

Movement in Reserves Statement - This statement shows the movement between the Council’s reserves (which are split between usable and unusable) and the total adjustments needed (in respect of revaluations, capital items and notional pension costs) to the reported surplus and deficit on the Comprehensive Income and Expenditure Account, to arrive at the actual movement in the General Fund Balance.

Cash Flow Statement - This statement shows the amount of cash received and paid out during the year and the net inflow and outflow of cash and cash equivalents.

Notes to the Core Financial Statements - This section includes the accounting policies and explanatory information relating to the core statements.

19. The following supplementary statements are also included:
- HRA Income and Expenditure Account
 - Statement of Movement on the HRA Balance
 - Collection Fund (Council Tax and Business Rates)

Glossary

20. This section of the Statement of Accounts sets out a detailed explanation of the various accounting terms that are used in the document.

Independent Auditor's Report

21. The external auditor's opinion on the accounts and their view as to whether the accounts are a true and fair view of the Council's financial position and performance for the year. This will be included within the final published document.

RISK ASSESSMENT

22. There are no significant risk considerations in relation to this report.

CONCLUSION

23. Members are asked to approve the unaudited Statement of Accounts for 2023/24, attached as Appendix A. The Statement will be audited by Ernst and Young from September to early November and the audited Statement of Accounts will be presented to the Audit and Governance Committee along with the Audit Results Report on 25 November 2024.

Background Papers: None

Reference Papers: The Accounts and Audit (Amendment) Regulations 2022
Code of Practice on Local Authority Accounting 2023/24
[Action to Tackle the Local Audit Backlog in England](#), Jim
McMahon, Minister of State for Housing, Communities and Local
Government, 30 July 2024

Appendices: Appendix A – Unaudited Statement of Accounts 2023/24

Enquiries: For further information on this report please contact Caroline Hancock.
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