

Report to:	Audit Committee	Date: 31 July 2023
Subject:	Unaudited 2022/23 Statement of Accounts Update	
Report of	Executive Director of Finance	

Summary

- 1.1 This report presents the unaudited Statement of Accounts for the 2022/23 financial year and highlights the overall financial position for the year.
- 1.2 Whilst there is no longer a requirement to present the unaudited accounts to Members before the external audit process commences, the Council has continued this practice as it gives Members early notification of the financial outcome of the previous financial year and is considered to be good practice.
- 1.3 The unaudited 2022/23 Statement of Accounts were published on the Councils website on the 31 May 2023, in accordance with the specified timetable set out in the Accounts and Audit Regulations 2015.
- 1.4 There is a requirement to obtain certification of the draft accounts by the responsible financial officer, for the Council this is the Executive Director of Finance. Certification of the audited Statement of Accounts will be required from the Executive Director of Finance and the Chair of the Audit Committee.

Recommendation(s)

- 2.1 The Committee is asked to consider and note the 2022/23 unaudited Statement of Accounts.

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Background

- 3.1 The unaudited 2022/23 Statement of Accounts were published on the Councils website on the 31 May 2023, and were available for public scrutiny from Thursday 1 June to Wednesday 12 July 2023.
- 3.2 The 2022/23 Statement of Accounts will be subject to external audit, that is yet to commence. The Accounts and Audit (Amendment) Regulations 2022 changed the publishing date of the audited accounts to the 30 September for the financial years 2022/23 to 2027/28.

- 3.3 The style and format of the accounts is largely prescribed by the CIPFA Code of Practice (The Code). Audit Committee should assure themselves that the Narrative Report is consistent with the core financial statements.
- 3.4 The Statement of Accounts for Bury Council comprises of:
- A narrative statement by the Executive Director of Finance and S151 Officer
 - The statement of responsibilities for the accounts
 - The core financial statements, comprising:
 - The movement in reserves statement
 - The comprehensive income and expenditure statement
 - The balance sheet as at 31 March 2023
 - The cash flow statement
 - The notes to the core financial statements
 - The Housing Revenue Account
 - The Collection Fund
 - The Group Accounts
- 3.5 Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards and also the accounting and financing regulations of central government
- 3.6 This covering report explains the key features of the primary statements and notes that make up the 2022/23 Statement of Accounts. The narrative statement provides further information on the key issues for the benefit of readers of the statements.

Narrative Statement

- 4.1 The purpose of the narrative statement is to provide commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements. The information in the narrative statement is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 12 July 2023.

Core Financial Statements

- 5.1 Movement in reserves statement
Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans, and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2021/22 and 2022/23.
- 5.2 Comprehensive Income and Expenditure Statement
The comprehensive income and expenditure statement reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit. It is produced in a standard format and is made up of five broad sections:
- Cost of services: Presented in the management structure of the Council. It includes service specific income and expenditure.
 - Other Operating Income and Expenditure: Includes levies and the surplus or deficit from the sale of property, plant and equipment.

- Financing and Investment Income and Expenditure: Includes interest payable and receivable and investment property income and expenditure.
- Taxation and General Grant Income and Expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.
- Other Comprehensive Income and Expenditure: Includes items which are not allowed to be accounted for elsewhere, such as increases in the value of land and buildings and changes in the actuarial assessment of pension assets/liabilities.

5.3 Balance Sheet

The balance sheet is a 'snapshot' of the authority's financial position at a point in time, showing what it owns and owes at 31 March 2023. It is divided into two halves that, as the name suggests, balance. These are assets less liabilities (the top half) and reserves (the bottom half).

5.4 Cash Flow Statement

The cash flow statement sets out our cash receipts and payments during the year, analysing them into operating, investing and financing activities. Cash- flows are related to income and expenditure but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the comprehensive income and expenditure statement when the transactions occurred, not when the cash was paid or received.

5.5 The Notes to the accounts provide further detail for the figures within the core statements as well as other information we are required to include in the Statement of Accounts.

5.6 Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is intended to record expenditure and income on running a council's own housing stock and related services or facilities which are provided primarily for the benefit of the council's own tenants.

- It is a landlord account recording expenditure and income arising from the provision of housing accommodation.
- It is not a separate account but is a ring-fenced account of defined transactions relating to local authority housing within the General Fund.
- The main expenditure items included are management and maintenance costs, major repairs, loan charges and depreciation costs.
- The main sources of income are from tenants in the form of rents and service charges.

5.7 The Collection Fund

The Collection Fund is a separate account for the administration of Council Tax and Business Rates income from local taxpayers on behalf of the Council, and other major preceptors i.e. the police, fire and mayoral services through the Greater Manchester Combined Authority.

5.8 The Group Accounts

This brings together entities where the Council has a material financial interest and holds a significant level of control. For Bury this includes

- Six Town Housing Ltd.,
- Bury MBC Townside Field Ltd.,
- The Persona group of companies, Persona Care and Support Ltd and Persona Group Ltd.

In 2022/23 the Council formed two joint venture arrangements, whereby the Council agreed to share joint control and has rights to the net assets of the arrangement, of:

- Bury Bruntwood (Millgate) LLP.,

- The Prestwich Regeneration LLP.

Points of Note on the 2022/23 Statement of Accounts

Useable Reserves

- 6.1 Useable revenue reserves declined by £17.4m from £167.2m at 1 April 2022 to £149.7m at 31 March 2023.
- 6.2 The General Fund reserve decreased by £1.8m that was used towards supporting the £2.3m overspend outturn position and earmarked reserves decreased by £23.0m mainly due to the ongoing use of Covid grants, application of external funding and reduction in Schools balances.
- 6.3 The Housing Revenue Account (HRA) ended the 2022/23 year with a £0.6m reduction in useable balances, from £9.8m at 1 April 2022 to £9.2m at 31 March 2023. The £9.2m provides a buffer for financial pressures in the 2023/24 financial year and beyond. £12.2m of capital expenditure to maintain the Decent Homes Standard was also funded from the Housing Revenue Account during 2022/23.
- 6.4 Capital grants unapplied increased by £4.1m from £16.1m at 1 April 2022 to £20.2m at 31 March 2023 and the capital receipts reserve increased by £3.9m from £7.0m at 1 April 2022 to £10.9 at 31 March 2023. These grants and receipts cannot be used to fund day to day costs within the revenue budget. However, they are available for investment in long-term assets within the Council's capital programme.
- 6.5 The 31 March 2023 position on useable reserves, revenue and capital, will inform the development of the Medium-Term Strategy 2024/25 to 2026/27 and budget setting for 2024/25 and beyond.

Collection Fund

- 6.6 By regulation, the Council receives the exact amount (precepts) budgeted for in relation to Council Tax and Business Rates; the receipt of these precepts funded the revenue budget and impacts on the available revenue reserves. These precepts are paid from a separate account managed by the Council, called the Collection Fund. This account also pays out precepts to the Police and the Greater Manchester Fire and Civil Defence Authority (known as preceptors). The difference between the precepts paid out and the Council Tax and Business Rates collected, results in a surplus or deficit at the end of the financial year, to be recovered in future years and factored into the budget setting.
- 6.7 Overall, for 2022/23, the Collection Fund had a deficit of £7.7m (Council Tax (£0.7m) surplus and NNDR £8.4m deficit) with Bury's share being £7.7m (Council Tax (£0.6m) surplus and NNDR £8.3m deficit). Bury's share is equal to the overall Collection Fund deficit because it includes amounts brought forward from previous years and the deficit is split differently in different years.

Capital

- 6.8 The Council also spent £48.4m on long term infrastructure, within its capital programme. This expenditure was funded £17.8m from capital grants, £13.0m directly from revenue budgets (including the £12.2m from the HRA), £0.2m from capital receipts and £17.4m of borrowing. Spend on long term infrastructure was lower than expected, due to the impact of the pandemic which slowed building projects.

Pensions

6.9 The Council's net worth increased by £343.0m, from £283.3m at 1 April 2022 to £626.3m at 31 March 2023. However, a key cause of this is the nominal valuation of the defined benefit pension fund, in accordance with technical accounting rules, the pension liability flipped to a pension asset in 2022/23, thus a reduction of £310.1m, from a pension liability of (£219.4m) at 1 April 2022 to a pension asset of £90.7m at 31 March 2023. This was due to a change in actuarial financial assumptions (the main contributing item being the corporate bond yield that the discount rate is derived increased over the period, that reduced the employer's obligations and led to a gain of c.£350m).

6.10 It is important to note though, that these actuarial projections are volatile between years and do not determine the actual rate of employer pension contributions paid out of the revenue budget. The actual pension contribution rate is determined by a separate triennial actuarial valuation using different rules.

Links with the Corporate Priorities:

The production and publication of the Statement of Accounts provides valuable information to the residents of the Council and to its suppliers.

Equality Impact and Considerations:

The statement of Accounts is a record of past financial expenditure. It does not determine future resource allocation.

Environmental Impact and Considerations:

None

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
The report is for information purposes and does not propose or require a decision.	

Legal Implications:

External auditors verify the Council's financial statements, producing the Annual Statement of Accounts. The purpose is to give public confidence to that the Council has properly accounted for monies received and spent, it also comments on the Council's financial standing. The Local Audit and Accountability Act 2014 governs the work of the Auditors. The Accounts and Audit Regulations 2015 and the Local Audit (Public Access to Documents) Act 2017 covers the duties and responsibilities and rights of Local Authorities. Non compliance may lead to the issue of an advisory notice by the External Auditor.

Financial Implications:

All financial implications are covered within the report and the attached Statement of Accounts.

Background papers:

None

Appendices:

Appendix 1: Bury Draft Unaudited Statement of Accounts 2022/23

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning