

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 27 September 2023
Subject:	Statement of Accounts 2022/2023		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

To present the draft 2022/2023 Statement of Accounts, including the Annual Governance Statement, for consideration and approval. In addition, the proposed "Letter of Representation" letter from Sefton to Ernst & Young LLP (EY) is attached for approval.

Recommendation(s):

The Audit and Governance Committee is asked to:

- (1) Approve the 2022/2023 draft Statement of Accounts, subject to the final completion of the audit.
- (2) Delegate authority to the Chair to approve the final Statement of Accounts following completion of the audit, should any changes be required to the current version approved by this Committee.
- (3) Note the intention to bring an update report to this Committee in March 2024 which will detail any changes that were made.
- (4) Approve the Annual Governance Statement (Section 11 of the Statement of Accounts).
- (5) Note the comments of Ernst & Young LLP.

Reasons for the Recommendation(s):

The Council, or nominated Committee charged with responsibility for Governance, must approve the Statement of Accounts, including the Annual Governance Statement. The

Audit and Governance Committee has been delegated with this responsibility and is required to approve the audited Accounts for 2022/2023 prior to its publication.

The deadline for publication was 30 September 2023. However, the regulations allow for a delay in publication where the audit has not yet been completed.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs

None

(B) Capital Costs

None

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None	
Legal Implications: This report complies with legislation, particularly the requirements of the Accounts and Audit (England) Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.	
Equality Implications: There are no equality implications	
Impact on Children and Young People: No The report highlights the current financial position relating to services provided for Children and Young People.	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	No

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable

Facilitate confident and resilient communities: Not applicable
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Not applicable
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services is the author of this report (FD xxx/23).

The Head of Regulation and Compliance (LD xxx/23) has been consulted and has no comments on the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee.

Contact Officer:	Paul Reilly
Telephone Number:	Tel: 0151 934 4106
Email Address:	paul.reilly@sefton.gov.uk

Appendices:

The following appendix is attached to this report:

Appendix A – Statement of Accounts 2022/2023

Background Papers:

There are no background papers available for inspection.

1. Background

- 1.1 Since 2010/2011 the Audit and Governance Committee has only been required to approve the Statement of Accounts following the completion of the Audit. In 2017/2018 approval and publication of the audited Statement of Accounts was required by 31 July (previously 30 September).

- 1.2 However, since 2019/20 the deadlines for approval and publication of the audited Statement of Accounts has been changed a number of times. For 2019/20 the deadline was extended to 30 November 2020 to take into account the impact of COVID19 on the ability of finance teams and external auditors to complete the work required. For 2020/21 the deadline was extended to 30 September 2021 (from the statutory deadline of 31st July) and for 2021/22 was extended to 30 November 2022 (with a deadline of 31 July for the publication of the draft accounts). This was in response to the Redmond Review into the audit of local government which highlighted the fragility of the local audit market.
- 1.3 The Government have now implemented legislation that from 2022/2023 (to 2027/2028) the deadline for approving the audited Statement of Accounts will be 30 September rather than 31 July (with a deadline of 31 May for the publication of the draft accounts).
- 1.4 Although regulations require the publication of the Statement of Accounts by specific deadlines, the same regulations allow for this to be delayed where the audit has yet to be concluded. This delay needs to be published on our website. The publication of the final Statement of Accounts needs to take place *“as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor’s final findings from the audit which is issued before the conclusion of the audit”*.

2.1 Current Position on the Completion of the Statement of Accounts 2022/2023 and the commencement of the audit.

- 2.1 Although the deadline for the audit of Statement of Accounts has now been set at 30 September for 2022/23 up until 2027/28 (from its previous date of 31 July) the deadline for publishing the draft Statement of Accounts has reverted to its previous deadline of 31 May. The Government consulted on this change in February 2023 and despite representations from the Local Government Association, amongst others, that this was unrealistic the change has been implemented. A significant number of local authorities didn’t achieve the deadlines, including five of the six Liverpool City Region councils, including Sefton.
- 2.2 Due to the audit of the 2020/21 and 2021/22 accounts not being concluded until now the Council has not previously been able to publish its draft Statement of Accounts for 2022/23. Officers have had to prioritise supporting EY in concluding their audits. In addition, any changes agreed to the 2020/21 and 2021/22 accounts have required subsequent amendments to the 2022/23 accounts.
- 2.3 Due to the issues above the draft Statement of Accounts are now presented for review and approval however further work is required to complete them. This outstanding work required includes:
- Valuations of the Council’s assets aren’t yet finalised, as officers have had to respond to audit queries. This will impact on the value of fixed assets currently included in the accounts. It should be noted that this won’t have an impact on the Council’s General Fund position, just the values shown in the Balance Sheet.

- Until all other work is finalised the Council is unable to complete the Cash Flow Statement and associated notes.
- The following notes are also still to be finalised:
 - Note 22 – Capital Expenditure and Financing
 - Note 47 – Operating Leases
 - Note 48 – Finance Leases
 - Note 49 – PFI Agreement / Service Concessions

2.4 It is expected that all outstanding valuations will be completed by the end of September 2023 which will allow an updated version of these draft accounts to be produced in the first week of October.

2.5 It should also be noted that as the final accounts of the Council's three wholly owned companies don't need to be finalised until 31st December 2023, the Group Accounts currently can't be completed. The Group Accounts will be updated once the companies' accounts are finalised and published.

2.6 Due to the same issues that have impacted on the audit of the 2021/22 accounts, the audit of the 2022/23 isn't expected to commence until later in the year. Officers are working with EY to understand and agree timescales for the audit with the expectation that this will be concluded much earlier in 2024.

2.7 Once the Statement of Accounts for 2022/23 is finalised officers will start to produce the information required to submit Sefton's Whole of Government Accounts return – the deadline for submission is 24th November 2023.

3 The Content of the Statement of Accounts

3.1 The 2022/2023 Statement of Accounts is an important document, which aims to provide clear information about the Authority's finances for the year and is intended to answer:

- What the Authority's services cost for the year?
- Where the money comes from to pay for these services?
- What were the Authority's assets and liabilities at the year-end?

3.2 On 3 March 2022, the Council approved a revenue budget for 2022/2023 of £212.007m, which included £1.382m relating to the expenditure of Parish Councils.

3.3 At that time, it was anticipated that balances for non-school budgets would total £12.778m at 31 March 2023. As a result of an underspend of £2.023m in 2021/2022 the anticipated year-end balances position was revised to £14.799m. The 2022/2023 Budget assumed an increase in general balances of £2.892m as part of a strategy to increase balances and ensure financial resilience.

3.4 Overall, actual expenditure for 2022/2023 on General Fund services (excluding Schools' delegated expenditure) was £5.700m higher than the Base Estimates which has reduced General Fund Balances. This was planned during the year as part of a remedial plan to offset significant in-year financial pressures, particularly around Children's Social Care, Energy costs and pay inflation.

3.5 The Statement of Accounts (attached as **Appendix A**) are also important in:-

- Demonstrating proper stewardship of public monies;
- Providing evidence of the quality and robustness of the Authority's financial systems and processes;
- Indicating that current financial performance, monitoring and the Medium-Term Financial Plan are integrated processes which will assist the Council in improving its financial standing;
- Providing the key financial information, which will enable future plans and decisions to be made on the basis of known facts and available financial resources; and
- Providing a key line of communication to stakeholders on the Council's current financial performance. The draft Statement of Accounts was available online on Sefton's website from the beginning of August 2021.

3.6 The Statement of Accounts includes a Narrative Report, which focuses on the most significant matters reported in the document. A brief explanation of each Section is also provided (highlighting what it is intended to show) to aid the understanding of the Accounts.

3.7 For 2022/2023 there have been no significant changes to how the Statement of Accounts are produced or presented.