

GOSPORT BOROUGH COUNCIL

BOARD:	POLICY & ORGANISATION
DATE OF MEETING:	15th MARCH 2023
TITLE:	FINAL ACCOUNTS 2021/22
AUTHOR:	BOROUGH TREASURER
STATUS:	FOR APPROVAL

Purpose

This report summarises the outturn position for the 2021/22 financial year and recommends the approval of the Statement of Accounts for 2021/22.

Recommendation

It is recommended that:

- i) The Board note the outturn position summarised in the report and the Narrative Report contained in the Statement of Accounts (Appendix A)
- ii) The Board approves the Statement of Accounts for 2021/22 at Appendix A
- iii) The Board approve the Letter of Representation at Appendix B.
- iv) The Board delegate to the Borough Treasurer in consultation with the Chairman of the Policy & Organisation Board the decision to agree any final changes to the financial statement arising from the completion of the audit.

1.0 Background

1.1 The Accounts and Audit Regulations 2015 as amended by The Accounts and Audit (Amendment) Regulations 2022 require the 2021/22 annual Statement of Accounts to be formally approved by members after the external audit has taken place with the subsequent publication of the Statement taking place by the 30th November 2022.

The external audit of the draft statement of accounts for the year ended 31 March 2022 is nearing completion by our external auditors, EY LLP, the delay is due to the ongoing impact of various difficulties in Local Public Audit, and the impact it has had on both preparers and auditors

of accounts to complete their work as quickly as would normally be expected. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

See <http://www.legislation.gov.uk/ukxi/2015/234/regulation/10/made>

Consequently the Council was unable to publish the audited 2021/22 final statement of accounts in line with the deadline of 30th November 2022.

Members therefore receive and consider a final Statement that has been amended for any items arising out of the audit.

2.0 Report

2.1 The audit of the accounts was undertaken by Ernst and Young and commenced November 2022 and has continued through March 2023 formally concluding when the audit opinion is issued prior to publication of the statement. Ernst and Young's opinion is set out in the "Audit Results" report to members and is a separate item on this agenda. It describes, in their opinion, whether the Accounts provide a true and fair view of the financial position of the Council and whether they have been prepared in accordance with proper practice. Their report also sets out their Value for Money Conclusion which considers whether the Council has put in place the proper arrangements to secure economy, efficiency and effectiveness on its use of resources.

2.2 The accounts have been available for public inspection and the Council's auditor has been available to receive questions from any Gosport local elector.

2.3 The Statement of Accounts for 2021/22 which includes any amendments arising from the external audit to date is included at Appendix A. The key points within the statement are summarised below.

3.0 OUTTURN 2021/22

3.1 A summary of the key outturn figures is set out below. More detail can be found in the narrative report included within the statement of accounts.

- General Fund Budget

At the year end £836,000 was transferred to the Revenue Financing Reserve compared to a revised budgeted contribution from the reserve of £20,510, this translates into a net underspending compared to the budget of £856,510. The underspending can be split between operational activities £690,330 and revenue financing of the Capital programme £166,180.

The main variations giving rise to the revenue underspend of £690,330 as compared to the revised budget are summarised below.

Reduced expenditure / additional income

- Slippage in budgeted spending for 2021/22 which has been approved to be carried forward and spent in 2022/23 (£403,000).
- Open Spaces expenditure (£92,000)
- Additional Government Grants (£97,000)
- Saving in Staffing Costs primarily vacancies (£110,000)

Additional Expenditure / reduced income

- Reduction in Development Control income (£53,000)
- Additional Net Interest Costs (£49,000)

At the 31st March 2022 the balance on the Stability and Resilience Reserve was £3,047,000 a decrease of £1,327,000 during the year. During 2021/22 £2,444,000 was transferred from the reserve to fund the Council's share of the 2021/22 business rates collection fund deficit that arose in 2020/21 and similarly £1,117,000 was transferred to the reserve in 2021/22 to fund in 2022/23 the Council's share of the business rates collection fund deficit that arose in 2021/22.

The deficits referred to above mainly arose due to government support to business following Covid 19 by introducing new business rate relief's primarily within the retail and hospitality sectors. These reliefs have been funded by S31 grant received by the Council as compensation for the lost business rate income.

Capital Programme

The revised 2021/22 capital programme was budgeted at £8,851,000. The actual spend amounted to £5,399,000 with scheme slippage of £3,337,000 being carried forward into 2022/23. The outturn position has no significant impact on the overall resources available for the future capital programme.

- Housing Revenue Account

At the year end £256,000 was transferred from the new build & loan repayment reserve compared to a revised budgeted contribution to the reserve of £184,000, this translates into a net HRA revenue overspending £440,000 for 2021/22 compared to the revised budget.

The net overspending can be split between operational activities (over spend £811,000) and revenue funding of the HRA capital programme (under spending of £371,000).

The main reason for the operational overspending compared to the revised budget are summarised below.

- Increased cost of repairs and maintenance of the Housing Stock (£905,000)
- Increased cost of Supervision and management (£47,000)

Offset by

- Additional income from rents and service charges (£134,000)
- Reduction in net interest costs on HRA debt (£49,000)

There was a transfer of £166,000 to the Major Repairs Reserve (MRR) at the year end being the excess of the depreciation charged to the Housing Revenue Account (HRA) compared with the capital expenditure subsequently financed from the MRR reserve. The balance in the MRR at 31st March 2022 is £978,000 and represents capital resources available to fund future HRA capital expenditure.

4.0 LETTER OF REPRESENTATION

4.1 The Letter of Representation (Appendix B) is the formal letter from the Council to the Council’s external auditors that provides assurances on key matters that are contained in the audited Statement of Accounts for 2021/22.

4.2 It is a requirement of the external audit to provide an opinion on whether the financial statements give a true and fair view of the financial position of the Council at 31 March 2022 and once approved it is signed by the Borough Treasurer and the Chairman of Policy and Organisation Board.

5.0 Risk Assessment

5.1 Council budgets operate in what can be a changing and demand led environment and some service areas may be deemed to have a higher risk of significant budgetary variation against actuals than others.

5.2 While informed and realistic budgets are set and monitored, in practice there will always be variations between budgets and outturn figures as managers seek to deliver services with limited resources.

6.0 Conclusion

6.1 This report summarises the outturn position for 2021/22 and requests members to approve the formal Statement of Accounts for 2021/22.

Financial Services comments	As set out in the report
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Legal Services comments	The Council is required to approve and publish the Statement of Accounts for 2021/22 by 30 th September 2022, the reasons for not meeting this date are set out in the report
Equality and Diversity	N/A
Climate Change	No direct impact
Crime and Disorder	N/A
Service Improvement Plan	N/A
Corporate Plan:	N/A
Risk Assessment:	Section 3 of the report
Background papers:	Final accounts working papers
Appendix	A Statement of Accounts 2021/22 B Letter of Representation
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