

DRAFT ANNUAL FINANCIAL REPORT 2021/22

1. Introduction

- 1.1 The Council's statutory Annual Financial Report, which includes 6 Statements of Account, will be presented to this Committee after completion of the external audit (taking place from November). Prior to submission for audit, by the deadline of 31 July, it will be signed by the certified Responsible Financial (S151) Officer as complete and presenting the position of the Council, as at 31 March 2022.
- 1.2 In January 2021, the Government consulted on amendments to the Accounts and Audit Regulations 2015, to extend the deadline for publishing audited local authority accounts to 30 September from 31 July. The Government response said the deadline would be extended for two years from 2020/21 and to review at that point whether there is a continued need to have an extended deadline. These Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 2021. Subsequently, the government have expressed an intention to lay secondary legislation to extend the audit deadline to 30 November for 2021/22 and have confirmed that a return to 31 July is not likely.
- 1.3 The Council's External Auditor has previously explained why their audit timings do not fit with the revised dates as per the (Amended) regulations.

2. Purpose of the Report

- 2.1 This report updates Members on progress to achieve the required timetable, to advise Members of key issues in the planned report and to seek Members' approval for any changes to Accounting Policies (if applicable).

3. Statement of Accounts Position

- 3.1 The Council is required to include the following accounting statements within the Annual Financial Report:
 - 1a) Comprehensive Income and Expenditure Statement
 - 1b) Expenditure and Funding Analysis (in NFDC management format)
 - 2) Movement in Reserves
 - 3) Balance Sheet
 - 4) Housing Revenue Account
 - 5a) Collection Fund – Council Tax
 - 5b) Collection Fund – Business Rates
 - 6) Cash Flow Statement
- 3.2 The draft Accounting Statements for 2021/22, prior to external audit, are set out in Appendices 1 – 6. The Expenditure and Funding Analysis Statement included as appendix 1b, is a supporting statement to the Comprehensive Income and Expenditure Statement.

3.3 The full Draft Unaudited Annual Financial Report will be made available on the Council's Website ([Annual budgets and financial report - New Forest District Council](#)) before the statutory deadline of 31 July 2022. Should any member of the Audit Committee wish to raise any queries on the statement before the next Committee meeting, the contact details for the Council's Chief Financial Officer are included at the foot of this report.

4. Accounting Policy Changes and Other Key Matters

4.1 There has been no requirement to change any Accounting Policies for 2021/22.

4.2 The original budget for 2021/22 included the use of £138,000 from the Budget Equalisation Reserve; a reserve there to assist in balancing the budget over the medium term. It included a £1.25 million budget to allow for the potential re-instatement of a secondary pension contribution rate, should the pension fund be in a deficit once the 2022 triennial revaluation takes effect. The £1.25 million has been transferred to the Capital Programme reserve, as has the overall General Fund underspend for the year. This reserve supports the delivery of the Council's Capital Programme over the Medium term period.

4.3 For 2021/22, the National Non Domestic Rate (NNDR or Business Rates) collection fund shows a deficit of £15.8 million. This has primarily come about as a result of the additional reliefs announced by the Government in response to the pandemic. The cost of the reliefs has been fully funded by the Government through additional Section 31 grant. In accordance with collection fund accounting, the 2021/22 collection fund doesn't recognise the additional section 31 grant, and instead this is brought into consideration in 2022/23. The Council's share of the deficit is 40%. The Council's share of the additional Section 31 grant is also 40%. The 2 items therefore largely cancel each other out. The Council's share of the additional Section 31 grant has been placed into a reserve entitled 'Business Rates Reserve' to use in covering the significant proportion of the Council's share of the collection fund deficit in 2022/23.

4.4 Previous years' reports highlighted changes to the Business Rates Retention scheme that took place in April 2013 and the need for the Council to hold a provision for anticipated successful appeals against rating assessments. As at 1 April 2021 the total provision was £7.240 million, of which the Council's share totalled £2.896 million (40%). Table 1 confirms the movements in the provision during 2021/22, and the revised balances as at 31 March 2022:

| Table 1 | Total | NFDC |
|---------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Appeal Provision 1 April 2021 | (7,240) | (2,896) |
| Additional Provisions Made 2021/22 | (4,975) | (1,990) |
| Amounts Used 2021/22 | 3,715 | 1,486 |
| Appeal Provision 31 March 2022 | (8,500) | (3,400) |

- 4.5 New Forest District Council has been significantly impacted by the Coronavirus COVID-19 pandemic albeit the impact to 2021/22 has been significantly less than experienced in 2020/21. Judgements have been made throughout with the reader of the accounts in the forefront of decisions on presentation of certain items. In producing the accounts to 31 March 2022, no adjustment is necessary in terms of the accounts being produced in a manner befitting with a 'Going Concern' status.
- 4.6 In producing the accounts for 2021/22, the Council's wholly owned group of companies (Appletree Property Group) have been consolidated as 'Group Accounts'. This means that transactions that took place within the Company accounts need bringing into NFDC accounts, with transactions that took place between NFDC and Appletree being largely cancelled out. The statements produced within this Agenda are the NFDC accounting statements, pre-consolidation. The consolidated accounting statements from part of the overall annual financial report to be signed, audited and published.

5. Summary of Financial Position

- 5.1 The Comprehensive Income and Expenditure Statement and Balance Sheet show the value of the Council's net worth to have increased by £63.974 million during 2021/22. The value of net assets held by the Council now totals £331 million. The principal reasons and the breakdown of this year-on-year decrease between the various reserves are summarised as follows:

| | | £'000 | | |
|---|----------------|---------------|---|---------|
| Net Increase in PPE Assets | 30,568 | { | Council Dwellings | 34,021 |
| Increase in Investment Property | 6,079 | | Other Land and Buildings | (5,931) |
| Increase in short-term Investments | 21,477 | | Vehicles & Plant | 2,071 |
| Decrease in short-term Debtors | (6,326) | | Infrastructure | (293) |
| Increase in Cash and Cash equivalents | 15,694 | | Assets Under Construction | 700 |
| Increase in short-term Creditors | (32,589) | | | 30,568 |
| Decrease in long-term Borrowing | 4,300 | | | |
| Decrease in Pension Liability | 25,684 | | | |
| Net Other | (913) | | | |
| | 63,974 | | | |
| | | | ↓ ↓ | |
| Usable Reserves | | | Unusable Reserves | |
| Earmarked Reserves | (6,622) | 34,729 | Revaluation Reserve | |
| Capital Programme Reserve | (139) | (65) | Capital Adjustment Account | |
| Capital Receipts Reserve | 2,324 | 1,378 | Financial Instruments Revaluation Reserve | |
| Community Infrastructure Levy Unapplied | 1,025 | 32 | Deferred Capital Receipts Reserve | |
| Developers' Contributions Unapplied | 182 | 25,684 | Pensions Reserve | |
| | | 5,377 | Collection Fund Adjustment Account | |
| | | 69 | Accumulating Absences Adjustment Account | |
| | (3,230) | 67,204 | | |

- 5.2 Usable reserves have decreased by £3.230 million, with the majority being down to adjustments in the Business Rates Reserve, totalling a net £5.030 million. This net downward adjustment recognises additional reliefs awarded in 2020/21 totalling £11.357 million now being released FROM the reserve, supplemented by contributions TO the reserve of £6.327 million representing the value of additional reliefs awarded in 2021/22.

- 5.3 The 2021/22 original net budget requirement for the General Fund was £19.291 million, an increase of £97,000 from 2020/21. The Council's budget anticipated being funded £13.117 million from Council Tax (including a £5 increase) and £5.707 million from retained business rates. A significant swing in the Business Rate Collection fund, going from a surplus of £892,000 in 20/21 to an expected deficit of £424,000 in 2021/22 made the budget setting particularly difficult in 2021/22, and ultimately necessitated a contribution from the budget equalisation reserve of £138,000, in order to produce a balanced budget.
- 5.4 Income and expenditure variations in services during the year were £1.123 million. Additional government grants were also received. Transfers to committed schemes/earmarked reserves totalled £622,000 for the year, and a contribution to Capital Programme Reserves totalled £851,000.
- 5.5 Housing Revenue Account variations in income and expenditure for 2021/22 totalled £528,000. Income was £295,000 less than originally budgeted, and Repairs and Maintenance spend £662,000 higher than originally budgeted. There was a reduced level of Supervision and Management expenditure in comparison to the original budget, saving £373,000. The balance on the account as at 31 March 2021 was retained at £1 million. The original budget for 2022/23 anticipates a break-even position for the year.
- 5.6 The level of approved Capital expenditure is reviewed regularly throughout the year, to ensure that it is achievable within the estimated resources available. The original Capital Programme for 2021/22 (including the gross value of the Coastal Regional Monitoring Programme) was £36.197 million. This was initially supplemented by rephasings and additional projects. The February financial monitoring report adjusted the budget to £31.828 million. Actual expenditure of £25.646 million (including overall financing to Appletree Property Group) was £6.182 million less than the February updated budget.
- 5.7 The Council retained its investments in a variety of pooled funds in 2021/22. Total treasury management interest earnings were £0.63 million in 2021/22. The market value of the £13.060 million invested by the Council in Pooled funds was £14.9 million as at 31/3/22.
- 5.8 The Council's Balance Sheet shows a net pension liability of £91.020 million; a decrease of £25.684 million from 31 March 2021. Whilst this has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the liabilities under the scheme will be made good by increased contributions over the working lives of employees. The Pension Fund actuary will complete their 3 yearly actuarial review during 2022, which will result in a new individual primary rate contribution percentage for each scheme member (at organisation level) and will confirm the overall net fund position. This triennial review will set contribution rates for 2023/24 – 2025/26.

6. Recommendations

- 6.1 That Members note the draft Accounting Statements set out in Appendices 1-6 which are a summary of the Annual Financial Report that will be certified by the Responsible Financial (S151) Officer for the submission to the external auditor by the deadline of 31 May.

For Further Information Please Contact:

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