

DRAFT ANNUAL FINANCIAL REPORT 2022/23

1. Recommendations

- 1.1 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.

2. Introduction

- 2.1 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, it will be signed by the certified Responsible Financial (S151) Officer as complete and presenting the position of the Council, as at 31 March 2023.
- 2.2 The extensions to the statutory timetable for publication of the draft accounts which were agreed for the 2020/21 and 2021/22 accounts have not been extended to 2022/23. This means that the timetable reverts to that set out in the Accounts and Audit Regulations 2015. This requires that the draft statement of accounts is authorised for issue by the 31 May 2023 and the 30 day period for the exercise of public rights must commence by 1 June 2023. The Annual Governance Statement (AGS) must also be approved by 31 May 2023 and published alongside the draft accounts for the period for the exercise of public rights.
- 2.3 The Accounts and Audit Regulations (Amended) 2022 established a deadline of 31 September for the publication of audited accounts for six years from 2022/23, extended from 31 July.
- 2.4 The Council's External Auditor has previously explained why their audit timings do not fit with the revised dates as per the (Amended) regulations.

3. Purpose of the Report

- 3.1 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).

4. Statement of Accounts Position 2021/22

- 4.1 Despite good progress being reported to the Audit Committee on the 24th March 2023, a material consideration was raised by the Chartered Institute for Public Finance and Accountancy (CIPFA) in their year-end 2022/23 bulletin released on the 31st March.
- 4.2 It included that:

“We would encourage pension fund accounts preparers to consider their 2022 triennial valuation carefully and consult their actuary on the extent to which the defined benefit liability may differ from the roll-forward of the 2019 valuation. Where there is a material variation, accounts preparers need to consider if an adjustment to the pensions' liability is appropriate”.

- 4.3 As a result, the Hampshire Pension Fund actuary was requested (by the pension fund administrator) to re-run the 2021/22 yearend pension calculations. The resultant updates confirmed a reduction of £6.448 million in the Council's net liability and this has been reflected in restated accounts for the year and in the opening balances for 2022/23.
- 4.4 Upon the completion of the 2022/23 draft set of accounting statements and publication thereof, the team will re-focus efforts with the external auditor on the necessary updates to the 2021/22 accounts (including finalisation of outstanding discussions related to property valuations) with a view to getting these completed soon thereafter.

5. Statement of Accounts Position 2022/23

- 5.1 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
- 5.2 The draft Accounting Statements for 2022/23, 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. The Council is awaiting a revised calculation of its Pension position as initial figures, recently provided, did not include the impact of staff transferred to Freedom Leisure during 2021/22. Changes are not expected to be material.
- 5.3 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](#)) by the statutory deadline of 31 May 2023. 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.

6. Accounting Policy Changes and Other Key Matters

- 6.1 There has been no requirement to change any Accounting Policies for 2022/23.
- 6.2 For 2022/23, the National Non-Domestic Rate (NNDR or Business Rates) collection fund shows a deficit of £4.4 million. This has primarily come about as a result of 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 2022/23 collection fund doesn't recognise the

additional section 31 grant, and instead this is brought into consideration in 2023/24. 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 2023/24.

- 6.3 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 2022 the total provision was £8.499 million, of which the Council's share totalled £3.400 million (40%). Table 1 confirms the movements in the provision during 2022/23, and the revised balances as at 31 March 2023:

Table 1	Total	NFDC
	£'000	£'000
Appeal Provision 1 April 2022	(8,499)	(3,400)
Additional Provisions Made 2022/23	(3,848)	(1,539)
Amounts Used 2022/23	2,155	862
Appeal Provision 31 March 2023	(10,192)	(4,077)

- 6.4 In producing the accounts for 2022/23, 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.

7. Summary of Financial Position

- 7.1 The Comprehensive Income and Expenditure Statement and Balance Sheet show the value of the Council's net worth to have increased by £102.450 million during 2022/23. The value of net assets held by the Council now totals £440 million. The principal reasons and the breakdown of this year-on-year increase between the various reserves are summarised as follows:

Description	Class	£'000		
Net Increase in PPE Assets	Asset	42,663	}	37,004 Council Dwellings
Assets Under Construction	Asset	2,044		5,143 Other Land and Buildings
Increase in Investment Property	Asset	12,222		778 Vehicles, Plant and Equipment
Decrease in Long-Term Investments	Asset	(2,215)		(262) Infrastructure
Decrease in Short-Term Investments	Asset	(43,524)		42,663
Increase in Long Term Debtors	Asset	1,166		
Increase in Short-Term Debtors	Asset	1,039		
Decrease in Cash and Cash Equivalents	Asset	(8,945)		
Decrease in Short-Term Creditors	Liability	31,454		
Decrease in Long-Term Borrowing	Liability	4,301		
Increase in Provisions	Liability	(507)		
Decrease in Pensions Liability	Liability	63,572		
Increase in Capital Grants - Receipts in Advance	Liability	(943)		
Net Other	Asset	123		
		102,450		
	Usable Reserves			Unusable Reserves
Business Rates Reserve	(4,577)		34,139	Revaluation Reserve
Capital Programme Reserve	(2,196)		11,090	Capital Adjustment Account
HRA Dev & Qcq. Reserve	(3,451)		(1,665)	Financial Instruments Revaluation Reserve
Other Earmarked Reserves	271		27	Deferred Capital Receipts Reserve
Capital Receipts Reserve	290		63,572	Pensions Reserve
Community Infrastructure Levy Unapplied	1,009		4,431	Collection Fund Adjustment Account
Developers' Contributions Unapplied	(547)		57	Accumulating Absences Adjustment Account
	(9,201)			111,651

- 7.2 Usable reserves have decreased by £9.201 million, with the majority being down to adjustments in the Business Rates Reserve, totalling a net £4.577 million. This net downward adjustment recognises additional reliefs awarded in 2021/22 totalling £6.327 million now being released FROM the reserve, offset by contributions TO the reserve of £1.750 million representing the value of reliefs awarded in 2022/23. In addition, there has been reductions of £2.196 million in the General Fund Capital Programme Reserve, largely to fund the capital programme and £3.451 million in the Housing Acquisitions and Development Reserve to fund its capital programme and in year revenue deficit.
- 7.3 The 2022/23 original net budget requirement for the General Fund was £20.674 million, an increase of £1.383 million from 2021/22. The Council's budget anticipated being funded £13.585 million from the Council Tax precept (including a £5 increase), £6.381 million from retained business rates, and £708,000 of other funding. The original budget for 2022/23 included a £1.75 million contribution to Capital Programme Financing and required no contribution from the Budget Equalisation Reserve.
- 7.4 Income and expenditure variations in services during the year were £56,000. Budget rephasings to future years totalled £964,000 and net transfers from specific earmarked reserves totalled £615,000. Additional interest earnings totalled £893,000 above the original budget reflecting both incomes received from Treasury Management investments and the Appletree Housing Group. The overall transfer from the General Fund to support Capital Programme was £1.675 million (original budget £1.75 million). The balance on the General Fund reserve was maintained at £3 million. A balanced budget has been set for 2023/24.

- 7.5 Housing Revenue Account variations in income and expenditure for 2022/23 totalled £1.199 million. Income was £157,000 less than originally budgeted, and expenditure was £1.016 million higher than originally budgeted. The balance on the account as at 31 March 2021 was retained at £1 million. The original budget for 2023/24 anticipates a break-even position for the year.
- 7.6 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 £42.074 million. Actual expenditure was £43.718 million.
- 7.7 The Council retained its investments in a variety of pooled funds in 2022/23. Total treasury management interest earnings were £1.34 million in 2022/23 (£0.63 million in 21/22). The market value of the £13.60 million invested by the Council in Pooled funds was £13.20 million as at 31/3/23, a reduction in £1.665 million from 2021/22. These funds are held as a medium-long term investment, and fluctuations over the last few year-end accounting periods have not been uncommon.
- 7.8 The Council's Balance Sheet shows a net pension liability of £21.000 million; a decrease of £63.572 million from 31 March 2022. The discount factor used by the actuary has increased from 2.7% to 4.7%, this, alongside a reduction in CPI assumption from 3.0% to 2.7% has reduced liabilities significantly. 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 contributions over the working lives of employees. The Pension Fund actuary completed their 3 yearly actuarial review during 2022, which resulted in a new individual primary rate contribution percentage for each scheme member (at organisation level) and confirmed the overall net fund position. This triennial review has set contribution rates for 2023/24 – 2025/26.

For Further Information Please Contact:

Alan Bethune

Strategic Director Corporate Resource & Transformation

Chief Financial Officer - Section 151 Officer

Telephone: 023 8028 5001

E-mail: Alan.Bethune@nfdc.gov.uk