

AUDIT COMMITTEE – 31 MAY 2024

DRAFT ANNUAL FINANCIAL REPORT 2023/24

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 (currently scheduled to take place from September). 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 2024.
- 2.2 Current regulations require that the draft statement of accounts is authorised for issue by the 31 May 2024 and the 30 day period for the exercise of public rights must commence by 1 June 2024. The Annual Governance Statement (AGS) must also be approved by 31 May 2024 and published alongside the draft accounts for the period for the exercise of public rights.
- 2.3 Audit completion backstop dates have currently been proposed by DLUHC as follows:

2022/23 – 30 September 2024
2023/24 – 31 May 2025
2024/25 – 31 March 2026
2025/26 – 31 January 2027
2026/27 – 30 November 2027
2027/28 – 30 November 2028
- 2.4 The Council's External Auditor has set out an audit plan for 2023/24 which aligns to the required date as above.

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 - Prior Years

- 4.1 The Council received the Audit Completion Certificate pertaining to the 2021/22 financial year from the external auditor on 8th May 2024.
- 4.2 An Audit Committee has been diarised for 27th September 2024, for members to receive the audit results report for the 2022/23 audit.

5. Statement of Accounts Position 2023/24

- 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 2023/24, 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.
- 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 2024. 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 is a requirement to implement a new Accounting Policy in relation to IFRS16 – Leases with the first year of application being 2024/25. The Council is yet to consider its position on this and will do so in time for application.
- 6.2 A new Corporate Priorities Reserve has been established, utilising the favourable position from the 2023/24 outturn, as outlined in further detail later in this report. A transfer of £1.5 million has been placed into the reserve. Further reporting will follow to the Cabinet on proposals as to how funds will be released and utilised to support the delivery of the Corporate Plan Priorities, including the provision of funding towards the Council's Transformation Programme. In addition, £262,000 has been transferred to the Treasury Management Reserve, resulting in a reserve balance of £300,000 to cover the potential for settlement losses on the Pooled Funds.
- 6.3 For 2023/24, the National Non-Domestic Rate (NNDR or Business Rates) collection fund shows a deficit of £2.5 million. This represents a downward movement of £1.9 million during the year from the brought forward balance. Reserves are in place to address the Council's share of the Collection Fund deficit.
- 6.4 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 2023 the total provision was £10.193 million, of which the Council's share totalled £4.077 million (40%). Table 1 confirms the movements in the provision during 2023/24 (including use of the provision totalling £6.390 million due to successful appeals following the introduction of the new ratings list), and the revised balances as at 31 March 2024:

Table 1	Total	NFDC
	£'000	£'000
Appeal Provision 1 April 2023	(10,193)	(4,077)
Additional Provisions Made 2023/24	(1,560)	(624)
Amounts Used 2023/24	6,390	2,556
Appeal Provision 31 March 2024	(5,363)	(2,145)

6.5 In producing the accounts for 2023/24, 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 decreased by £31.085 million during 2023/24. The value of net assets held by the Council now totals £419 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 Decrease in PPE Assets	Asset	(30,582)	(29,394)	Council Dwellings
Assets Under Construction	Asset	2,329	(1,095)	Other Land and Buildings
Decrease in Investment Property	Asset	(360)	167	Vehicles, Plant and Equipment
Decrease in Long-Term Investments	Asset	(5,040)	(257)	Infrastructure
Increase in Short-Term Investments	Asset	6,989	(3)	Community Assets
Decrease in Long Term Debtors	Asset	(222)	(30,582)	
Increase in Short-Term Debtors	Asset	280		
Decrease in Cash and Cash Equivalents	Asset	(2,925)		
Decrease in Short-Term Creditors	Liability	825		
Increase in Long-Term Borrowing	Liability	(5,901)		
Decrease in Provisions	Liability	1,933		
Decrease in Pensions Liability	Liability	1,536		
Developers' Contributions - Receipts in Advance	Asset	5		
Inventories	Asset	41		
Increase in Bad Debt Provision	Asset	(183)		
Short-Term Borrowing	Liability	190		
		(31,085)		
	Usable Reserves		Unusable Reserves	
Business Rates Reserve	(759)		(32,703)	Revaluation Reserve
Capital Programme Reserve	765		199	Capital Adjustment Account
HRA Dev & Acq. Reserve	(2,961)		(230)	Financial Instruments Revaluation Reserve
Other Earmarked Reserves	3,315		(28)	Deferred Capital Receipts Reserve
Capital Receipts Reserve	(139)		1,536	Pensions Reserve
Capital Grants Unapplied	(446)		623	Collection Fund Adjustment Account
Community Infrastructure Levy Unapplied	495		(6)	Accumulating Absences Adjustment Account
Developers' Contributions Unapplied	(746)			
	(476)		(30,609)	

- 7.2 Usable reserves have decreased by £476,000. Adjustments in the Business Rates Reserve totalled a net reduction of £759,000. The net increase in the Committed Schemes Reserve was £917,000. In addition, there has been contributions of £765,000 to the General Fund Capital Programme Reserve and £1.500 million to a Corporate Priorities Reserve. There was a £2.961 million reduction in the Housing Acquisitions and Development Reserve to fund its capital programme and in year revenue deficit.
- 7.3 The 2023/24 original net budget requirement for the General Fund was £22.468 million, an increase of £1.794 million from 2022/23. The Council's budget anticipated being funded £14.020 million from the Council Tax precept (including a £5.63 increase), £7.332 million from retained business rates, and £1.116 million of other funding. The original budget for 2023/24 included a £700,000 contribution to Capital Programme Financing and assumed no contribution from the Budget Equalisation Reserve.
- 7.4 The 2023/24 General Fund requirement was £20.119 million; an overall reduction of £2.349 million from the original budget. Budget rephasings to future years totalled £1.611 million. Additional interest earnings totalled £2.132 million 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 £1.107 million higher than the original budget (of £700,000). The balance on the General Fund reserve was maintained at £3 million. A balanced budget has been set for 2024/25.
- 7.5 Housing Revenue Account variations in income and expenditure for 2023/24 totalled £377,000. However, excluding higher depreciation of £492,000 there was a net underspend of £115,000. Income was £358,000 more than originally budgeted, and expenditure was £243,000 higher than originally budgeted. The balance on the account as at 31 March 2024 was retained at £1 million. The original budget for 2024/25 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 2023/24 (including the gross value of the Coastal Regional Monitoring Programme) was £42.641 million. Actual expenditure was £34,562 million.
- 7.7 The Council retained some of its investments in a variety of long and short/medium term pooled funds in 2023/24. Total treasury management interest earnings were £2.606 million in 2023/24 (£1.34 million in 2022/23). The market value of the £9.050 million invested by the Council in long-term Pooled funds was £8.200 million at 31 March 2024, a reduction of £303,000 from 2022/23. These funds are held as a medium-long term investment, and fluctuations over the last few year-end accounting periods have not been uncommon. The market value of the £2 million short to medium term fund invested at 31 March 2024 is £2.004 million, an increase of £46,000 in the year.

7.8 The Council's Balance Sheet shows a net pension liability of £19.626 million; a decrease of £1.536 million from 31 March 2023. The discount factor used by the actuary has increased from 4.7% to 4.8%, this, alongside an increase in CPI assumption from 2.7% to 2.8% has reduced liabilities. 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. The triennial review 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