

## Appendix 1

### Overview of the Statutory Statement of Accounts 2023/24

#### 1. Introduction

- 1.1. This overview summarises the contents of the accounts and draws Members' attention to the reasons for any significant variances in the 2023/24 position when compared to 2022/23.
- 1.2. The content and format of the Statement of Accounts have been prepared in accordance with "The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24" ("the Code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3. The style of presentation and content of the Statutory Statement of Accounts are prescribed by the Accounts and Audit Regulations 2015, together with the Code, as are the explanatory notes accompanying each of the major financial statements. There has not been any significant change to reporting requirements under the code as in previous years.
- 1.4. There have been the following restatements to the previous year's financial statements:
  - to re-present the income and expenditure figures to reflect the changes made to the portfolio structure of the Council between the two years.
  - In relation to the defined benefit pension scheme:
    - In the 2023/24 Statement of Accounts, pension scheme surpluses as at 31 March 2024 are recognised to the extent that they are considered recoverable and deficits are recognised in full. The asset ceiling is the present value of any economic benefit available to the Employer in the form of refunds or reduced future employer contributions. The Council does not have an unconditional right to a refund of surplus on the basis that such a payment would be at the discretion of the Essex Pension Fund. The present value of the funded obligation is therefore deemed to be nil. The net liability remaining at 31 March 2024 is the present value of the unfunded obligation.
    - In the 2022/23 Statement of Accounts pension scheme surpluses as at 31 March 2023 were recognised in full, as agreed with our external auditors for that year, following consideration by their technical team. The 2022/23 Statement of Accounts were signed after the draft 2023/24 Statement of Accounts were produced. Therefore, a prior year restatement has been made to the 2022/23 comparatives in the 2023/24 financial statements so that the accounting treatment is consistent across the two financial years.
    - The above restatement relates to the way the pension figures have been disclosed in the Statement of Accounts and has no impact on the actual financial position of Southend's portion of the Essex Pension Fund.

## **Format of the Accounts**

### **2. Narrative Statement (Page 2)**

- 2.1. The Narrative Statement provides context and background about Southend-on-Sea as a place and highlights some of the key challenges for the area and the ambition and priorities for the Authority. It summarises information about the Council's achievements and outlines the principal risks, financial challenges and uncertainties that the Authority faces.
- 2.2. The Narrative Statement sets out to provide a brief simple guide to the most significant matters reported in the Accounts. Any significant change impacting on the finances of the Authority or change in accounting requirements would be highlighted here. The purpose of the Narrative Statement is not to comment on the policies of the Authority, rather to provide a factual financial commentary for Southend-on-Sea for 2023/24.
- 2.3. The Narrative Statement shows a summarised revenue outturn position for the Authority, comparing the position against the approved budget set for 2023/24. This summarised information for both the General Fund and Housing Revenue Account has already been considered by Cabinet when they considered the 2023/24 Provisional Revenue and Capital Outturn report in June 2024.
- 2.4. The Narrative Statement also highlights the key indicators of the financial health of the Authority as at 31 March 2024, which include the levels of capital investment and borrowing, pensions status and the levels of financial reserves.
- 2.5. The Narrative Statement highlights how the demand for social care services for adults, children and the most vulnerable continued to rise and cost pressures increased as UK inflation remained at high levels throughout most of 2023/24, and how these factors contributed to eroding the financial resilience and sustainability of Local Government. It also sets out the resulting financial challenges facing the Council and the forecast impact of these over the medium term. Overall, the Narrative Statement has been designed to be self-contained and to provide a more 'reader friendly' high-level story to complement and supplement the more detailed financial statements.

### **3. Statement of Responsibilities (Page 40)**

- 3.1. This sets out the respective responsibilities of the Authority and the Executive Director (Finance and Resources) in relation to the production of the Statement of Accounts. The Council is responsible for making arrangements for the proper administration of its financial affairs, which it does through its Chief Finance Officer. It is also required to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets and to approve the Statement of Accounts.
- 3.2. The Executive Director (Finance and Resources) is required to produce the Statement of Accounts in accordance with proper practice, and to certify that they present a true and fair view of the financial position of the Council.

3.3. The approval of the Statement of Accounts, as witnessed by the Chair of Audit Committee is also incorporated here.

#### **4. Auditor's Report (Page 41)**

4.1. The external auditors will provide an independent opinion as to whether the statement of accounts presents a true and fair view of the financial position of Southend-on-Sea City Council at 31 March 2024 and its income and expenditure for the year then ended. The proposed report is included elsewhere on this agenda.

#### **5. The Accounting Statements**

5.1. The main statements are:

- Comprehensive Income and Expenditure Statement – a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the ultimate amount falling to be met by taxation.
- Movement in Reserves Statement – showing how the authority's usable and unusable reserves have moved during the year, including adjustments made as a result of statutory regulation and mitigations.
- The Balance Sheet; and
- The Cash Flow Statement.

5.2. Each of these core financial statements is discussed in turn below in sections 6 to 9.

#### **6. Comprehensive Income and Expenditure Statement (Page 47)**

6.1. This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the Council's activities, including the HRA. It also includes grant income due in support of capital.

6.2. The statement is split into three distinct sections:

- Net Cost of Services which summarises the cost of each of the different services, net of any associated specific grants and income. The service costs have been adjusted so that they reflect the true economic pension cost of current and past service. The cost of services also includes charges for the use of assets through depreciation and impairment. Where capital expenditure takes place that does not deliver a fixed asset, so called 'revenue expenditure funded from capital under statute', then this too, alongside any associated grant income, gets charged here. Services are presented in portfolio groupings, making the statement more recognisable for Members and the public. The portfolios are those relating to 2023/24.

- The second section contains items of income and expenditure that relate to the authority as a whole rather than to an individual service. Amongst other things, this section contains further accounting adjustments for pensions, this time to reflect the performance of the fund, precepts paid to Leigh Town Council, and the payment of levies to any relevant levying bodies. It also includes the interest payable and receivable by the Council and the principal sources of financing, that is government grants (including capital grants) and precepts. When added to the net cost of services, this section results in the surplus or deficit on provision of services.
  - The final section shows other income and expenditure arising from essentially balance sheet activities, thereby resulting in the Total Comprehensive Income and Expenditure for the year.
- 6.3. For this authority the 2023/24 Comprehensive Income and Expenditure Statement results in a deficit of £42.415M. A surplus or deficit is disclosed before any appropriations to and from reserves, including statutory mitigations. This compares with a surplus of £90.708M in 2022/23.
- 6.4. The net deficit on the provision of services decreased by £11.1M, this includes many movements from 2022/23 to 2023/24 within the individual lines above that total. Regarding the movements in grant income, there was an increase of £9.1M from the increases in the Business Rates Top Up and Section 31 Grants and the Adult Social Care Grant compared to 2022/23.
- 6.5. The Other Comprehensive Income and Expenditure figure decreased by £144.2M. Principal reasons for this year on year movement relate to changes in asset values and actuarial assumptions on the value of the pension fund. These movements are set out in note 9 to the accounts, and include:
- an increase of £1M in the movement in asset values as a result of the rolling revaluation programme. The gains/losses in asset values can vary widely depending on the prevailing market conditions and the assets being valued each year as part of the rolling programme.
  - an decrease of £31M in the indexation adjustments which result from the market review undertaken by the external valuers at each year-end to ensure the carrying amount of relevant assets is not materially different from their current value.
  - a decrease of £114M in the impact of notional pension adjustments in relation to changing actuarial views around demographic change and financial assumptions.
- 6.6. It is relevant for Councillors to remember that all of the notional movements are reversed out within the Movement in Reserves Statement, and that the actual position the Council ended the year with was a balanced outturn with no draw on general reserves.

## **7. The Movement in Reserves Statement (Page 48)**

- 7.1. This statement shows in summarised form how the Council's usable and unusable reserves have moved during the year, through any surplus or deficit

on the provision of services and other income and expenditure, and by other adjustments driven by regulations, such as the reversal of depreciation.

- 7.2. The statement therefore shows the “bottom line” increases or decreases in the Council’s usable reserves, as summarised below.

	<b>Increase / (Decrease)</b>	<b>Closing Balance</b>
	<b>£000</b>	<b>£000</b>
General Fund	(1,000)	10,000
Housing Revenue Account	-	3,502
Earmarked Reserves, <i>of which</i>	(3,797)	110,809
<i>General Fund</i>	(2,543)	62,813
<i>HRA</i>	(283)	34,233
<i>Schools</i>	(971)	13,763
Capital Receipts	1,324	19,329
Major Repairs (HRA)	620	10,536
Capital Grants Unapplied	(1,876)	38,394
<b>Total Usable Reserves</b>	<b>(4,729)</b>	<b>192,570</b>

- 7.3. The Movement in Reserves statement is supported by notes 19 and 20 to the accounts.

## 8. Balance Sheet (Page 52)

- 8.1. The Balance Sheet sets out the financial position of the Authority as at 31 March 2024. The statement shows the balances and reserves at the Authority’s disposal, its long-term indebtedness, and the long-term and net current assets employed. The significant movements on the balance sheet are described below.

- 8.2. **Property, Plant & Equipment (excluding infrastructure assets).** The value at which Property, Plant & Equipment (excluding infrastructure) assets are carried in the balance sheet has decreased by a net £28.8M. The movement has been made up as follows:

	<b>£000</b>
Balance as at 1 April 2023	772,384
Capital Investment in year	26,463
Increases in Valuation*	9,690
Decreases in Valuation*	(35,988)
Depreciation in year	(14,143)
Disposals*	(13,395)
Transfers to/from other asset categories	(1,459)
<b>Balance as at 31 March 2024</b>	<b>743,552</b>

\* See the Unusable Reserves paragraph

The increases in valuation were as a result of adjustments applied to other land and buildings to reflect the increase in value between the valuation date and the balance sheet date and upwards revaluations identified as a result of the regular review of the fixed asset register. The decreases in valuation were as a result of adjustments applied to council dwellings and other land and buildings to reflect the decrease in value between the valuation date and the balance sheet date, downwards revaluations identified as part of a review carried out at the balance sheet date and as a result of the regular review of the fixed asset register. The downwards movements mainly related to Council Dwellings and Other Land and Buildings.

- 8.3. **Infrastructure assets.** The value at which Infrastructure assets are carried in the balance sheet has increased by a net £1.6M. The movement has been made up as follows:

	<b>£000</b>
Balance as at 1 April 2023	137,486
Capital Investment in year	7,973
Depreciation in year	(6,298)
Impairments*	(111)
<b>Balance as at 31 March 2023</b>	<b>139,050</b>

\* See the Unusable Reserves paragraph

- 8.4. **Short Term Investments.** Short term investments have increased year on year by £6.0M. This was mainly due increases in the amounts invested in fixed term deposits and notice accounts during the year.
- 8.5. **Cash and cash equivalents.** There has been an overall decrease of £11.5M in cash and cash equivalents. This was partly due to the movement out of the Money Market Funds and into short term investments during the year, with the rest being normal fluctuations in the overall cash position at year end.
- 8.6. **Short Term Debtors.** Short term debtors have decreased year on year by £8.8M. This is partly due to decreases in the part of the Business Rates deficit that is allocated to Central Government in line with statutory regulations and partly due to decreases in the amounts due from other entities and individuals resulting from the timing of receipts.
- 8.7. **Short Term Borrowing.** Short term borrowing has increased year on year by £8.0M due to the PWLB loan that is due to mature in March 2025 being reclassified from long-term to short-term borrowing.
- 8.8. **Long Term Borrowing.** Long term borrowing has decreased year on year by £8.2M mainly due to the PWLB loan that is due to mature in March 2025 being reclassified from long-term to short-term borrowing.
- 8.9. **Usable Reserves.** The movement in usable reserves is set out under paragraph 7.2 above.
- 8.10. **Unusable Reserves.** These comprise the following reserves:

	Increase / (Decrease) £000	Closing Balance £000
Revaluation Reserve	(20,142)	310,800
Financial Instrument Revaluation Reserve	(1,651)	(5,376)
Pensions Reserve	290	(3,422)
Capital Adjustment Account	(12,658)	192,204
Deferred Capital Receipts	(3,094)	2,490
Collection Fund Adjustment Account	(440)	4,490
Short-term Accumulating Compensated Absences Reserve	9	(3,568)
<b>Total Unusable Reserves</b>	<b>(37,686)</b>	<b>497,618</b>

8.11. The Revaluation Reserve increased by a net amount of £20M as a result of the amounts identified for revaluation by the rolling programme or other sources and by an exercise to apply an indexation uplift to the council dwellings and other land and buildings, which were permitted by the accounting code to be applied to the reserve. This was offset by amounts written out of the reserve relating to disposals of non-current assets.

8.12. The Deferred Capital Receipts Reserve decreased by £3M. This was mainly due to the repayment of the loan from Porters Place Southend-on-Sea LLP of £3.8M.

8.13. The Capital Adjustment Account has decreased by a net of £13M due to a combination of the following: charges for depreciation and revaluation gains and losses and impairment losses on non-current assets; disposals of non-current assets and the capital financing applied in the year.

## 9. Cash Flow Statement (Page 53)

9.1. This Statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes. The statement shows that there has been a net cash outflow of £11M.

## 10. Notes to the Accounts (Page 54)

10.1. The notes provide additional information and explanation behind the main statements, to aid understanding of presented figures.

10.2. The notes start by setting out the Accounting Policies. The Council's accounting policies set out the technical methodologies for accounting for a wide variety of issues within its accounts. The notes are then grouped together as they support their respective primary statement.

10.3. There is a series of notes (notes 6 - 8) in support of the Comprehensive Income and Expenditure Statement that explains the transition from the "normal" view of the Council's accounts as set out in our budgeting format, to the statutory format required in our year end accounts. Essentially it shows how statutory adjustments relating mainly to pensions, assets and capital are overlaid to

produce the statutory accounts. This set of notes also provides a complete subjective breakdown of the income and expenditure account, and a detailed breakdown of the level of fees, charges and other income generated by each Portfolio, that is not reported elsewhere in the accounts.

## 11. Housing Revenue Account and Notes (Page 139)

11.1. The Housing Revenue Account is a record of revenue expenditure and income relating to the Council's own housing stock (the Landlord Function). Although strictly part of the overall General Fund, the HRA has a tight ring-fence around it that allows no general discretion to transfer sums into or out of the HRA. Expenditure and income relating to other housing functions, such as support to registered social landlords, rent rebates and homelessness, are chargeable to the General Fund.

11.2. Like the General Fund, the format of the HRA creates an Income and Expenditure Account, and a reconciling Statement of Movement on the HRA Balance. The movement on the Housing Revenue Account Balance for 2023/24 was as follows:

	<b>£000</b>
Balance as at 1 April 2023	3,502
Surplus / (Deficit) for year	nil
<b>Balance as at 31 March 2024</b>	<b>3,502</b>

11.3. Despite the nil change in the HRA revenue balance, the HRA actually generated a surplus after statutory adjustments of £0.3M, which has been set aside into HRA earmarked reserves, principally to fund future capital investment.

## 12. Collection Fund (Page 146)

12.1. This account reflects the statutory requirement for billing authorities such as Southend-on-Sea City Council to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to business rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund.

12.2. A deficit of £1.0M was generated on the Fund during the year, after the distribution of prior year surpluses of £2.4M. This means there is now an accumulated surplus at the year-end of £3.5M, which comprises an accumulated surplus for Council Tax of £7.8M and an accumulated deficit for Business Rates of £4.3M. Southend's proportion of the net accumulated surplus is £4.5M.

12.3. The Council Tax surplus will be distributed in future years between the three principal precepting authorities, including Southend-on-Sea City Council. The Business Rates deficit is allocated across the Council, the Fire Authority and also Central Government.



### **13. Group Accounts (Page 153)**

- 13.1. The group accounts that merge the accounts of Southend City Council, its wholly owned companies South Essex Homes Ltd and Southend Care Ltd and its eight Trust Funds, follow the same format as the council's own statements.
- 13.2. South Essex Homes made a trading surplus of £0.673M on a turnover of £17.5M, increasing to a surplus of £1.445M once statutory pension adjustments are taken into account. Southend Care made a trading surplus of £0.860M on a turnover of £11.2M, increasing to a surplus of £1.092M once statutory pension adjustments are taken into account. Both companies have financial guarantees from the Council to underwrite these losses to enable them to continue to be regarded as going concerns.
- 13.3. The other companies and trusts that the Council has control over are immaterial to the overall group and have therefore not been consolidated.
- 13.4. A full list of owned companies, joint ventures and trusts are shown in Annex 1 to this Appendix.

### **14. Members Allowances (Page 174)**

- 14.1. A schedule of allowances paid to Members and Co-opted Members is included in compliance with the requirement to publish these annually.

### **15. Annual Governance Statement (Page 184)**

- 15.1. The Annual Governance Statement is a corporate document, signed by the Chief Executive and the Leader of the Council. It was separately considered by this Committee in July 2024 and is incorporated into the Statement of Accounts prior to publication.