



## Report

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**Date: 27<sup>th</sup> July, 2023**

**To the Chair and Members of the  
AUDIT COMMITTEE**

### **UNAUDITED STATEMENT OF ACCOUNTS 2022/23 INCORPORATING GRANT THORNTON – INFORMING THE AUDIT RISK ASSESSMENT**

#### **EXECUTIVE SUMMARY**

1. This report presents the Council's unaudited Statement of Accounts for the 2022/23 financial year. The report highlights the overall financial position for the year, a summary accounts closure timetable and information on performance including improvements achieved in accuracy and quality.
2. The Accounts and Audit (England) Regulations 2015 apply to the preparation, approval and audit of the Statements of Accounts and other financial statements. These regulations are based on International Financial Reporting Standards (IFRS) which attempt to standardise accounts in a consistent format across both the public and private sectors with the aim of achieving greater transparency.
3. Whilst there is no longer a requirement to present the unaudited accounts to Members before the external audit process commences, the Council has continued this practice as it gives Members early notification of the financial outcome of the previous financial year and is considered to be good practice.
4. There is a requirement to obtain certification of the accounts by the Responsible Financial Officer (RFO); for the Council this is the Chief Financial Officer & Assistant Director – Finance & Technology. The statutory deadline for the date of approval and publication of the final Statement of Accounts is 30<sup>th</sup> September.
5. Grant Thornton have informed the Council that they will not be able to meet the statutory deadline. The approval of the final Statement of Accounts will take place at Audit Committee on 2<sup>nd</sup> November, 2023.
6. Grant Thornton are required to consider some important areas of the auditor risk assessment where they are required to make inquiries of the Audit Committee under auditing standards. The 'Informing the audit risk assessment for City of Doncaster Council 2022/23' report has been completed by Management and should be reviewed by Audit Committee to note that those charged with governance are satisfied with the responses proposed.



## EXEMPT REPORT

7. Not applicable.

## RECOMMENDATIONS

8. Members are requested to: -
- a. note the 2022/23 Unaudited Statement of Accounts;
  - b. review and be satisfied with the responses in the 'Informing the audit risk assessment for City of Doncaster Council 2022/23' report.

## WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. An unqualified audit opinion on the Council's financial statements and a good Value for Money (VfM) conclusion resulting from the annual audit process would indicate that there is excellent internal control in place safeguarding Council resources.

## BACKGROUND

10. The Council's 2022/23 accounts have been prepared in accordance with IFRS and the appropriate accounting codes of practice and were approved by the Council's responsible financial officer on the statutory deadline of 31<sup>st</sup> May.
11. The statutory 6-week period in which the accounts are available for public scrutiny must include the first 10 working days of June. The accounts are available for public scrutiny from 1<sup>st</sup> June to 12<sup>th</sup> July. This was advertised on the Council's website on 31<sup>st</sup> May. The unaudited accounts were placed on the Council's website on 31<sup>st</sup> May in line with the Government's policy of increased transparency in the public sector with public scrutiny of the accounts being a key feature of the financial governance framework of local authorities.
12. The accounts will be subject to external audit commencing in July 2023 and it is expected that the audit opinion will be finalised (subject to the continuing work on the Whole of Government Accounts) in time for Audit Committee on 2<sup>nd</sup> November. Members of the Audit Committee will be aware that the statutory dates for the approval and publication of the Statement of Accounts have varied over the last few financial years: -

<b>Financial Year</b>	<b>Unaudited Accounts</b>	<b>Audited Accounts</b>
2018/19	31 <sup>st</sup> May	31 <sup>st</sup> July
2019/20	31 <sup>st</sup> August	30 <sup>th</sup> November
2020/21	31 <sup>st</sup> July	30 <sup>th</sup> September
2021/22	31 <sup>st</sup> July	30 <sup>th</sup> November
2022/23	31 <sup>st</sup> May	30 <sup>th</sup> September

13. Grant Thornton have informed the Council that they will not be able to meet the statutory deadline of 30<sup>th</sup> September 2023. The accounts and a report will be presented by Grant Thornton to this Committee on 2<sup>nd</sup> November, 2023 setting out the result of the external audit in the form of their 'Communication with those charged with governance' report (ISA 260 report), which formally sets out the findings of their audit of the financial statements.

14. Members of this Committee have a key role in scrutinising the accounts in order to maintain strong governance over financial reporting. Early production of the accounts enables the Members of this Committee sufficient time to review the statements and ask challenging and pertinent questions.

### **The 2022/23 Financial Statements and Supporting Disclosure Notes**

15. The style and format of the accounts is largely prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice (The Code) and 2022/23 is similar to that used last year, the main changes are described in the following section.

### **Narrative Report**

16. The Narrative Report is 'to' rather than 'in' the Statement of Accounts – the Narrative Report is not formally part of the Statement of Accounts. It contains key facts about Doncaster and about the Council's performance, an explanation of the Accounting Statements, a financial outlook and any significant changes in accounting policy.
17. Audit Committee should assure themselves that the Narrative Report is consistent with the core financial statements.
18. At the meeting on 21<sup>st</sup> June, Cabinet was presented with the final outturn positions for both revenue and capital for the 2022/23 financial year. The final outturn position was an overspend of £3.0m, which represents 0.5% of the gross budget.

### **The Core Financial Statements**

19. These are: -
- a. Comprehensive Income and Expenditure Statement (CIES);
  - b. Movement in Reserves Statement (MiRS);
  - c. Balance Sheet; and
  - d. Cash Flow Statement

### **Comprehensive Income and Expenditure Statement (CIES)**

20. The CIES follows accounting standards as per the CIPFA Code of Practice (the 'Code') and ensures all local authorities are reporting on a standardised and consistent basis.
21. There is no direct comparison from the CIES to budget and outturn position. The CIES is not a management account but rather a historical document recording past transactions. It includes costs that do not have to be "funded", e.g. depreciation and asset valuation movements.
22. The CIES shows the Council Structure – Directorates, Net cost of services and the surplus or deficit on provision of services.
23. The CIES is shown in Appendix A with an explanation of what it shows. Some issues to note: -
- a. The increase in Corporate Resources net expenditure is due to the cost of living / Household Support Fund payments.

- b. The increase in Economy & Environment net expenditure is due to increased depreciation charges relating to road and bridges. Infrastructure asset lives were reviewed during 2022/23 and reduced asset lives have resulted in accelerated depreciation charges. These charges are reversed out into the capital adjustment account so has no impact on council tax payers.
- c. The increase in Housing Revenue Account net expenditure is due to a one-off credit for the reversal of previous year revaluation losses in 2021/22 relating to Council dwellings.
- d. There was a decrease of £6.9m in the loss on disposal of non-current assets. This was caused by a smaller number of schools converting to academy status in 2022/23 than converted in 2021/22.
- e. There was an increase of £17.6m in non-domestic rates redistribution. This was due to a surplus in 2022/23 compared to a deficit in 2021/22 largely due to lower levels of retail relief granted and a reduction of the appeals provision following a review based on lower numbers and success rates of appeals.
- f. There was a decrease of £7.7m in non-ring fenced Government grants. This was largely due to the ceasing of COVID-19 grants issued in 2021/22 by Government to assist the Council in dealing with the COVID-19 pandemic. The details are contained in Note 33 Grant income.
- g. There was an increase of £9.1m in Capital grants and contributions. This was largely due to Department for Levelling Up, Housing & Communities – Levelling Up grant and Towns Fund and Department for Transport - Transforming Cities grant. The details are contained in Note 33 Grant income.
- h. There was a decrease of £235.7m in the actuarial gains on pension assets / liabilities caused mainly by a change in financial assumptions. The details are contained in Note 39 Defined Benefit Pension Schemes.

#### Notes relating to the CIES

24. The main changes and issues to note (not covered in the previous section) are covered in the following paragraphs: -
- a. Note 1 The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used / funded from resources by local authorities in comparison with those resources consumed / earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates / services / departments. There was a deficit in 2022/23 of £27.2m (see paragraph 25a).
  - b. Note 39 Defined Benefit Pension Schemes. There are two items to note: -
    - i. Doncaster Children's Services Trust (DCST)'s staff were transferred to the Council on 1st September 2022 (see paragraph 33b on Group Accounts) and as a result, South Yorkshire Pensions Authority (SYPA) transferred the former DCST pension scheme into the City of Doncaster Council pension scheme.

- ii. Members will be aware that the net position of the pension is usually a liability. This year, due to better than expected investment returns since the last valuation and improved estimates of future investment returns, the net position is a pension asset not a pension liability. International Accounting Standard (IAS) 19 states that a net liability should be recognised in full but an asset can only be recognised if conditions are met and that when an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of: the surplus in the defined benefit plan; and the asset ceiling. The asset ceiling is calculated by the actuary. As the Council meets the conditions determined by IAS 19, the pension asset is recognised up to the asset ceiling.

### **Movement in Reserves Statement (MiRS)**

25. For Members, probably the most important issue will be whether the Council has a surplus or deficit compared to its budget for the year. The (increase)/decrease in 2022/23 on the Movement in Reserves Statement (MiRS) gives this information for both the General Fund and the Housing Revenue Account (HRA). An extract of the MiRS is shown in Appendix B with an explanation of what it shows. Some highlights to note: -

- a. The General Fund balance decreased by £26.6m (due to planned use of earmarked reserves) and HRA reserves decreased by £0.6m, resulting in the overall deficit shown on the Expenditure and Funding Analysis of £27.2m.
- b. Statutory adjustments (shown in Note 10 and mainly capital related) convert the Council's movement in reserves performance from the £27.2m decrease to a £75.6m deficit (General Fund £54.6m and the HRA £21.0m) shown in the Comprehensive Income and Expenditure Statement (CIES). This represents the position that would have been reported under 'commercial accounting' rules.

### Notes relating to the MiRS

26. The main changes and issues to note are covered in the following paragraphs: -

- a. Reserves are an indication of the temporary resources available to assist an authority to deliver services. Not all reserves can be used to deliver services and this is reflected by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves have decreased by £14.5m or 7.0% from £207.7m to £193.2m (these are shown on page 17 of the accounts), largely due to the use of earmarked reserves.

<b>Usable Reserves (see Movement in Reserves Statement)</b>	<b>31st March 2022</b>	<b>31st March 2023</b>	<b>Movement in year</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund (including Earmarked reserves)	131.7	105.1	(26.6)
Housing Revenue Account	6.7	6.1	(0.6)
Capital Receipts Reserve	18.7	26.3	7.6
Major Repairs Reserve	28.0	28.0	0.0
Capital Grants Unapplied	22.6	27.7	5.1
<b>Total Usable Reserves</b>	<b>207.7</b>	<b>193.2</b>	<b>(14.5)</b>

- b. Unusable reserves are determined by technical accounting rules and are not available for use by the Council. These have increased by £437.8m to £995.1m mainly reflecting the changes in the Revaluation Reserve, Capital Adjustment Account (due to the disposal of academies), Pension Reserve (due to changes in assumptions from the Actuary) and the Collection Fund Adjustment Account (see paragraph 33a below).

<b>Unusable Reserves (Note 24)</b>	<b>31st March 2022</b>	<b>31st March 2023</b>	<b>Movement in year</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revaluation Reserve	379.3	467.3	88.0
Capital Adjustment Account	533.0	502.9	(30.1)
Financial Instruments Adjustment Account	(0.4)	(0.3)	0.1
Pension Reserve	(331.5)	36.2	367.7
Deferred Capital Receipts Reserve	4.8	4.8	0.0
Collection Fund Adjustment	(11.1)	7.7	18.8
Accumulated Absences Account	(2.4)	(2.5)	(0.1)
Financial Instruments Revaluation Reserve	(0.8)	(1.2)	(0.4)
Dedicated Schools Grant Adjustment Account	(13.6)	(19.8)	(6.2)
<b>Total Unusable Reserves</b>	<b>557.3</b>	<b>995.1</b>	<b>437.8</b>

## Balance Sheet

27. The Balance Sheet shows the value of assets and liabilities at the reporting date, 31<sup>st</sup> March 2023. The net assets are matched by reserves held by the Council. The largest asset is Property, Plant and Equipment which includes all the Council's property asset portfolio.
28. Long term assets / liabilities are those expected to provide benefits to / be settled by the Council beyond 12 months. Current assets / liabilities are those that are anticipated to be consumed / settled by the Council within the next 12 months.
29. The key questions to ask are: -
- How the balances have changed over the year?
  - Are the balances still adequate?
  - What the balances mean in terms of future budgets and services?
30. The Balance Sheet is shown in Appendix C with an explanation of what it shows. Some issues to note: -
- a. The Council's net worth has increased by £423.3m to £1.188bn since the previous financial statements (see 'Balance Sheet' on page 18 of the accounts). This is mainly due to a number of factors: -
- i. A decrease in the liability related to the defined benefit pension scheme resulting in a pension asset (the pension asset / liability is volatile from year to year as it is based on the Actuary's assumptions and performance of the fund);

- ii. An increase in Property, Plant & Equipment largely due to a valuation increase in the housing stock;
- iii. A decrease in Short Term Borrowing and a decrease in Long Term Borrowing. This is because the council continues to be underborrowed, i.e. the council's borrowing is less than the council's unfinanced expenditure. This means that the council can use its own cash balances rather than borrow.

### **Cash Flow Statement**

- 31. The Cash Flow Statement details the in and out movements of cash during the year and links to the opening and closing balances presented in the Balance Sheet. It is very important for private sector companies but less so for local government bodies.
- 32. Cash shown in the Balance Sheet tends to move around from year to year due to timing. The optimum position is circa. £20m. When salaries fall due on a date before the 15<sup>th</sup> of the month, i.e. when the 15<sup>th</sup> falls on a weekend, the Council has to pay out of cash on Friday before the main grant funding is received on the Monday. Salaries cost circa. £18m per month.

### **Other Notes to the Statement of Accounts**

- 33. The style and format of the accounts used for 2022/23 is similar to that used last year, the main changes and issues to note are covered in the following paragraphs: -
  - a. Collection Fund
    - i. The National Non-Domestic Rates (NNDR), more commonly known as Business Rates, element of the Collection Fund generated a surplus of £40.9m in 2022/2023 compared to a surplus of £20.7m in 2021/22. This is partially due to a recovery from the COVID-19 pandemic in 2022/23 but mainly due to the granting of less Retail Relief in 2022/23 compared to 2021/22 due to a reduced scheme (less relief granted means more business rates payable). The Council's share of NNDR is 49% therefore the Council's share of the surplus was £20.1m.
    - ii. The accumulated surplus attributable to the Council is £9.1m (there was an opening deficit balance of £22.3m relating to previous years). Most of this has to be redistributed to the Council during 2023/24 and was addressed in the budget.
  - b. Group Accounts
    - i. A reminder that since 2019/20 the Doncaster Children's Services Trust (DCST) were included in Group Accounts following their conversion to an Arms Length Management Organisation (ALMO) fully controlled by the Council. The DCST accounts were deemed to be material.

- ii. In March 2022, the Council took the decision to give notice to DCST to end the contract for the delivery of specified children’s social care services. The contract ended on 31<sup>st</sup> August 2022 and at that point DCST ceased trading. DCST’s staff were transferred to the Council on 1<sup>st</sup> September 2022 and since that date all children’s social care has been provided by the Council or by 3rd parties commissioned by the Council. From 1<sup>st</sup> September contracts with providers and other suppliers were novated to the Council. Therefore, DCST is no longer included in the Group Accounts.

**Informing the audit risk assessment**

- 34. Grant Thornton are required to consider some important areas of the audit risk assessment where they are required to make inquiries of the Audit Committee under auditing standards. The ‘Informing the audit risk assessment for City of Doncaster Council 2022/23’ report provides an understanding of management processes and the council’s oversight of the following areas: -
  - a. General Enquiries of Management;
  - b. Fraud;
  - c. Laws and Regulations;
  - d. Related Parties;
  - e. Going Concern; and
  - f. Accounting Estimates.
- 35. The report has been completed by Management and is attached as Appendix D. Audit Committee should review to note that those charged with governance are satisfied with the responses proposed.

**OPTIONS CONSIDERED**

- 36. Not applicable.

**REASONS FOR RECOMMENDED OPTION**




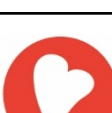



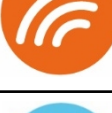
- 37. The main content and format of the Statement of Accounts is set out in the Code of Practice on Local Authority Accounting for 2022/23. The Council has a statutory obligation to submit its unaudited 2022/23 Statement of Accounts to the External Auditor by 31<sup>st</sup> May. Failure to do so could result in an audit qualification and consequential reputational damage.

**IMPACT ON THE COUNCIL’S KEY OUTCOMES**

- 38.

<b>Great 8 Priority</b>	<b>Positive Overall</b>	<b>Mix of Positive &amp; Negative</b>	<b>Trade-offs to consider – Negative overall</b>	<b>Neutral or No implications</b>
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 <b>Tackling Climate Change</b>				
 <b>Developing the skills to thrive in life and in work</b>				
 <b>Making Doncaster the best place to do business and create good jobs</b>				
 <b>Building opportunities for healthier, happier and longer lives for all</b>				
 <b>Creating safer, stronger, greener and cleaner communities where everyone belongs</b>				
 <b>Nurturing a child and family-friendly borough</b>				
 <b>Building Transport and digital connections fit for the future</b>				
 <b>Promoting the borough and its cultural, sporting, and heritage opportunities</b>				
<b>Fair &amp; Inclusive</b>				
<p>Comments:</p> <p>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p> <p>An unqualified audit opinion from Grant Thornton on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.</p>				

### 39. Legal Implications [Officer Initials: SRF | Date: 05/07/23]

The Statement of Accounts is prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and the Council is subject to statutory external audit and performance evaluation by Grant Thornton.

**40. Financial Implications [Officer Initials: RLI | Date: 04/07/23]**

The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.

**41. Human Resources Implications [Officer Initials: DK | Date: 06/07/23]**

There are no specific HR implications relating to the content of this report.

**42. Technology Implications [Officer Initials: ET | Date: 05/07/23]**

There are no technology implications in relation to this report.

**RISKS AND ASSUMPTIONS**

43. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them: -

<b>Risks / Assumptions</b>	<b>Probability</b>	<b>Impact</b>	<b>Proposed Action</b>
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included senior officer quality assurance review and control; and internal verification and checks by finance and technical officers.
The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with Grant Thornton throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings.

**CONSULTATION**

44. Not applicable.

**BACKGROUND PAPERS**

45. Following background papers: -

- Unaudited Statement of Accounts 2022/23 published on the Council website: - <https://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
- Accounts and Audit Regulations 2015

- Accounts and Audit (Amendment) Regulations 2022
- The Code of Practice on Local Authority Accounting 2022/23 ('The Code') - based on IFRS

## **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

ALMO	Arm's Length Management Organisation
CFAA	Collection Fund Adjustment Account
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance & Accountancy
DCST	Doncaster Children's Services Trust
DSG	Dedicated Schools Grant
EFA	Expenditure and Funding Analysis
EMR	Earmarked Reserves
HRA	Housing Revenue Account
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISA260	International Standard on Auditing 260 'Communication with those charged with governance' report
MIRS	Movement in Reserves Statement
NNDR	National Non-Domestic Rates, more commonly known as Business Rates
RFO	Responsible Finance Officer
The Code	CIPFA Code of Practice on Local Authority Accounting 2020/21
VfM	Value for Money

## **REPORT AUTHOR & CONTRIBUTORS**

**Robert Isaac, Financial Planning & Control Manager**

☎ 01302 737983

✉ robert.isaac@doncaster.gov.uk

**Faye Tyas**  
**Chief Financial Officer**  
**& Assistant Director of Finance & Technology**