

Statement of Accounts 2021/22 – Explanatory Notes

1 Introduction

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit Committee for approval. It provides explanations and commentary on the main issues within the accounts.
- 1.2 The purpose of the Statement of Accounts is to give stakeholders clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
 - Where the money came from to pay for these services
 - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2021/22" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2 Narrative Statement

- 2.1 The Narrative Statement seeks to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
 - A summary of the Council's revenue income and expenditure for the year and variances against the previous year's figures.
 - A summary of capital expenditure and how this was financed.
 - Changes to accounting policies and practice.
 - Any other significant matters.

3 Statement of Responsibilities for the Statement of Accounts

- 3.1 This statement sets out the various responsibilities for the accounts:
- The Council's responsibilities under local government legislation.
 - The Chief Finance Officer's legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Chief Finance Officer.

4 Movement in Reserves Statement

- 4.1 This statement shows the movement in the year on the different reserves held by the Council analysed into "usable reserves" (those that can be applied to fund

expenditure or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

| Description | 2020/21 £'000 | 2021/22 £'000 | Variance £'000 | Comment |
|---|--------------------------|--------------------------|---------------------------|--|
| (Surplus) / Deficit on Provision of Services | (10,727) | (4,246) | 6,481 | See paragraph 5.2. |
| Other Comprehensive Income & Expenditure | (1,092) | (10,179) | (9,087) | The majority of the movement relates to the revaluation of fixed assets and remeasurement of pension liabilities. These revaluations and remeasurements do not create real cash gains, however under accounting guidance they need to be credited to the Income and Expenditure Account. |
| Total Comprehensive Income & Expenditure | (11,819) | (14,425) | (2,606) | |
| Balance on Total Authority Reserves at 31 March | (202,828) | (217,253) | (14,425) | This represents the increase in the net wealth or value of the Council over the year. See paragraph 6.2. |

5 Comprehensive Income and Expenditure Statement

5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show the accounting cost in the year of providing services, rather than the amount to be funded from taxation (council tax) or dwelling rents.

- Expenditure and income directly related to the services provided by the Council (Net total cost of £19,457).
- Expenditure and income not directly attributable to services but to the Council as a whole.
- Income received in respect of general government grants and local taxation (bringing the overall net total on provision of Services to a surplus of (£4,246k))

- Net surplus on revaluation of Non-Current Assets and Pension Liabilities of (£10,179k) (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £14,425k).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year.

- 5.2 The Comprehensive Income and Expenditure of the Council has moved from a surplus of £11,819k at the end of 2020/21 to a surplus of £14,425k at the end of 2021/22, a net increase in surplus of £2,606k. There had been a decrease in the provision of services by £6,481k offset by an increase in other Comprehensive Income & Expenditure (£9,087k). The decrease in Provision of Services is the main driver of this movement, with payments of £4.2m of Covid Restart Grants impacting traditional sources of council revenue and expenditure. 2021/22 also saw an increased spend in Economic Development, Regeneration & Place £1.3m in particular due to increase activity around P4G schemes. The increase to 'Other Comprehensive Income & Expenditure' between years has been driven by a increase on the surplus on Selby DC asset values in the year (£3.5m higher than 20/21). The majority of the 'Other Comprehensive Income & Expenditure' surplus for the year has been driven by pension liability remeasurements, a surplus in year of £6.5m.
- 5.3 The movement in the balance on Total Authority Reserves takes in account the year end surpluses and deficits reported against the General Fund and HRA Management Accounts. The General Fund outturn position reported a surplus of £1,588k, and the HRA generated a surplus of £4,235k, both of which were in excess of the budgeted position for the year (£1,588k and £645k respectively).

6 Balance Sheet

- 6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.
- 6.2 Explanations for key variances between 2020/21 and 2021/22 are set out in the table following.

| Description | 2020/21 £'000 | 2021/22 £'000 | Variance £'000 | Comment |
|----------------------------------|------------------|------------------|-------------------|--|
| Property Plant & Equipment | 195,900 | 202,812 | 6,912 | Increase of £10.1m arising from new asset additions £7.0m relates the Council Dwelling Portfolio and £2.8m relates to the TCF scheme. Increase |

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| | | | | offset by yearly revaluations, depreciation charge and in year disposals. |
| Long Term Investments | 4,649 | 5,458 | 809 | Fair value of Property Funds held. |
| Short Term Debtors | 7,606 | 4,093 | (3,513) | Bulk of variance driven by a decrease of £2.3m in monies owed from central government regarding contributions from the NNDR pool. A combined £1.1m decrease in monies owed from NYCC and NYFRA regarding the NNDR collection fund. |
| Cash & Cash Equivalents | 67,213 | 79,628 | 12,414 | The value of cash and cash equivalents has increased over the year, which is mainly due to Renewable Business Rates receipts and delays in the Capital and P4G programmes. |
| Short Term Creditors | (12,568) | (14,718) | (2,150) | Movement in Creditors, particularly in relation to the Collection Fund. |
| Provisions | (2,409) | (2,690) | (281) | Increase in provisions relating the Business Rates Retention scheme. |
| Grants Receipts in Advance | (1,479) | (5,318) | (3,839) | Increase solely down to the Covid-19 Business grants where the conditions for recognition had not been met as at 31 st March. |
| Defined Benefit Pension Scheme | (10,988) | (6,927) | (4,061) | Note 43 The year-end actuarial valuation of the Council's pension liabilities. Whilst the Council paid off its historic pension deficit in 2016/17, based on |

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| | | | | the actuarial assessment at that time. A net liability is presented in the accounts and the reduction is from Actuarial Gains in assumptions used. |
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| Description | 2020/21 £'000 | 2021/22 £'000 | Variance £'000 | Comment |
|-------------------|------------------|------------------|-------------------|--|
| Usable Reserves | (66,338) | (65,742) | 596 | Net decrease in usable reserves during 2021/22. is mainly attributable to a reduction in the Major Repairs Reserve from increased HRA capital spend offset by increased capital receipts from Right to Buy Sales. |
| Unusable Reserves | (136,490) | (151,510) | (15,020) | Significant movements in Unusable Reserves include: adjustments to the Revaluation Reserve (£3.2m), Capital Adjustment Account for the charges for depreciation and amounts written out on disposal (£5.7m). Movements in the pensions reserve (£4.0m) following the annual year-end actuarial valuation of the Council's Pension Fund assets and liabilities, and movements in the Collection Fund adjustment Account (£1.23m) arising from differences in recognising Council Tax and NNDR income due from payers, compared with the Council's statutory duties in paying across amounts to the General Fund from the Collection Fund. |

7 Cash Flow Statement

7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.

7.2 Councillors may wish to note the following explanations for key variances when compared with 2020/21:

| Description | 2020/21 £'000 | 2021/22 £'000 | Variance £'000 | Comment |
|---|--------------------------|--------------------------|---------------------------|--|
| Net (Surplus)/ Deficit on the provision of services | (10,727) | (4,246) | 6,481 | See paragraph 5.2. |
| Adjustments to net (surplus)/deficit on the provision of services for non- cash movements | (2,687) | (19,200) | (16,513) | Comprises a number of non-cash movements including depreciation, revaluations for Council Dwellings. The adjustment also includes various movements in balance sheet headings such as creditors, debtors and pension fund liability changes. Variance primarily driven by the movement in Debtors and Creditors in the year. |
| Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities | 1,607 | 2,818 | 1,211 | Includes the movement in capital grants, capital receipts and contributions used to fund capital expenditure. |
| Investing Activities | 6,792 | 8,537 | 1,745 | Relates to activities such as the purchase of fixed assets, proceeds from sale of assets and other investment activity proceeds, such as investment interest. |
| Financing Activities | 4,913 | (323) | (5,236) | Reflects the repayment of £6.5m in borrowing in 20/21, there was no borrowing to repay in 2021/22. |

8 Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement and Note to the Movement on the Housing Revenue Account Statement

- 8.1 The Housing Revenue Account (HRA) is a statutory ring-fenced account, to be accounted for completely separately to the General Fund. The purpose of the HRA Income and Expenditure Account, Movement on the HRA Statement and Note to the Movement on the HRA Statement is the same as for the General Fund.
- 8.2 The information from the HRA statements are combined (known as consolidated) with the General Fund to give the overall position of the Council's financial health.
- 8.3 The consolidated financial statements include year-end surpluses and deficits generated by the HRA. At the end of 2021/22, the HRA reported a surplus of £4,235k, which was transferred to the Major Repairs Reserve at year end. The net decrease to the MRR, after in year capital expenditure, stood at £2,383k.

9 Collection Fund

- 9.1 The Collection Fund reflects the statutory responsibilities for billing authorities to maintain a separate account for the transactions relating to the collection of Council Tax and National Non-domestic Rates and the distribution of these monies to precepting authorities and central Government. The costs of administering collection are accounted for in the General Fund.

10 Glossary

- 10.1 This explains the technical terminology used throughout the Statement of Accounts.

11 Annual Governance Statement

- 11.1 The Annual Governance Statement reviews the effectiveness of the Council's internal control systems for the year of account and, in accordance with the Accounts and Audit Regulations 2015 forms part of the Council's statutory Statement of Accounts. The statement is covered by a separate report on the Committee's agenda.

12 Conclusions

- 12.1 The Council budgeted for a break even position in 2020/21. The actual position for the year resulted in a surplus position of £1,588k after planned contributions to and from reserves. Further details regarding revenue spending are covered in page 8 of the Narrative Statement.

- 12.2 The budget for the Housing Revenue Account (HRA) was set to contribute £3.589m to the Major Repairs Reserve (MRR). The actual out-turn was a surplus of £4.235m. The surplus was wholly allocated to the MRR. The reasons for the variations are set out in the Narrative Statement (page 10).
- 12.3 Capital expenditure for the General Fund and HRA totalled £8.01m, which includes £6.643m on improvement to Council Housing Stock. Further details regarding expenditure and Funding can be found on page 10 and 11 of the Narrative Statement.