

### Brief Commentary on the 2023/24 Statement of Accounts

#### Balance Sheet

The Balance Sheet is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital accounting, financial instrument and pension fund liability reporting standards. This includes substantial 'unusable' reserves that are required to translate the council's activities from its funding basis to a standardised International Financial Reporting Standard (IFRS) basis. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

#### Non-Current Assets

The value of total non-current assets has increased from £2.249 billion at 31 March 2023 to £2.293 billion at 31 March 2024 (please see Note 10 Non-Current Assets for details). The valuation of many non-current assets is subject to a wide range of market factors and/or assumptions, particularly where no obvious comparator market or assets exist. The council has also invested in assets via the capital programme which forms part of this movement in value.

#### Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. At 31 March 2024, the council's level of borrowing was £402 million - a net decrease in the year of £1 million (please see the Balance Sheet).

#### Investments

At 31 March 2024, the council held investments of £ 29 million (31 March 2023 £87 million). This is partly borrowing ahead of planned capital investment. Investments are made by the in-house treasury team and the council's external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock (please see Balance Sheet).

#### Net Pension Asset

The estimated pension asset for future pension payments increased in 2023/24 by £74 million from a £139 million net asset at 31 March 2023 to a £213 million net asset at 31 March 2024. This change is due to changes in the actuarial assumptions. The values included in the council's accounts in relation to post-employment benefits have no effect on the council tax requirement as the asset is offset by an unusable Pensions Reserve (please see Note 25 Defined Benefit Pension Scheme). Note that

the liability of the employer (and level of employer contributions to the Pension Fund) are determined by the triennial actuarial pension fund valuation and not by this interim, annual pension fund liability calculation which is only produced for use in the annual Statement of Accounts.

## Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2024 that are reasonably certain and can be estimated with reasonable accuracy. Provisions include (please see Note 15 Provisions):

- Voluntary Severance provision – The provision is to meet the costs of expected severance packages resulting from a review of the staffing impacts of approved budget savings. The provision at 31 March 2024 is £2.34 million.
- Insurance provision - The insurance provision is used to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. The council also self-insures some insurance risks from this provision. The level of the provision is informed by independent actuarial assessment of insurance risks. The provision at 31 March 2024 is £4.02 million.
- Business Rates Appeals provision - The council has made provision for its share of the amount that it anticipates to be repayable to ratepayers in the future following successful appeals against the rating lists. The provision at 31 March 2024 is £1.59 million.

## Reserves

The council holds two categories of reserves:

**Unusable Reserves** – these reserves derive from accounting adjustments and policies and are not available to the council to use to provide services. They include reserves that hold unrealised gains and losses where amounts would only become available for use if the assets were disposed of. It also includes reserves for timing differences between what is required from a statutory accounting basis to be charged to the General Fund and HRA funds and what is required to be funded from council tax, locally retained non-domestic rates, and general grants. These reserves include the revaluation reserve, pension reserve and the capital adjustment account. The level of unusable reserves as at 31 March 2024 was £1.76 billion (please see the Balance Sheet and Note 9 Unusable Reserves for details).

**Usable Reserves** – these reserves can be used by the council for investment or to provide services and/or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory or contractual limitations on their use. These reserves include the General Fund and HRA working balance, general reserves, capital reserves relating to capital receipts and capital grants not yet applied and earmarked reserves which have been set aside by the council for specified purposes or future commitments.

The level of General Fund working balance and general reserves held at 31 March 2024 was £8.2 million. The minimum level of working balance and general reserves deemed appropriate by the council's Chief Finance Officer is £9 million, which

represents approximately 4% of net budget or 3 weeks council tax income. The level of HRA working balance stands at £4.1 million as at 31 March 2024 which is in excess of the recommended minimum level of balances of £3 million. Please see Note 8 Usable Reserves for details. Usable reserves and provisions are reviewed during the annual budget setting and again during the accounts closure processes to ensure that there is both the ongoing requirement for funds to be set aside and that the levels are adequate and appropriate. The reviews are reported to members as part of the General Fund budget proposals and, following the closure of the accounts, in the provisional outturn report.

### **Collection Fund**

The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non-domestic rates. At 31 March 2024, there was a deficit of £ 7.5 million (31 March 2023 £2.3 million) on the Collection Fund due to the challenging economic conditions and cost of living pressures (please see Collection Fund Statement and Notes).

