

## Slough Borough Council

<b>Report To:</b>	<b>Audit and Corporate Governance Committee</b>
<b>Date:</b>	31 <sup>st</sup> October 2024
<b>Subject:</b>	Statement of Accounts 2021/22 Update Report and Provisional Accounts
<b>Chief Officer:</b>	Annabel Scholes – Executive Director of Finance and Commercial
<b>Contact Officer:</b>	Chris Holme – Finance Director (Corporate and Strategic)
<b>Ward(s):</b>	N/A
<b>Exempt:</b>	NO
<b>Appendices:</b>	Appendix 1 – Provisional Statement of Accounts 2021/22

### 1. Summary and Recommendations

- 1.1. In July and September this year we reported to Committee on the backlog Statement of Accounts 2021/22 and 2022/23, having published the draft accounts for 2019/20 and 2020/21. We advised Committee of the specific problems being encountered in completion of the 2021/22 Statement of Accounts and set out a revised timeline for their completion. This report updates Committee on the progress since last month.
- 1.2. Appendix 1 to this report provides a provisional Statement of Accounts for 2021/22, before adjusting for required changes arising from the historic errors regarding the Collection Fund. These adjustments cannot be made until the process of sequential resubmission of amended NNDR3 returns 2018/19 to 2021/22 is completed. The changes will impact on the Collection Fund and Useable Reserves. There will be a minimal narrative statement for the year in the absence of financial and performance reporting during the period.
- 1.3. The accounts will be published for the statutory 30-day public inspection period as soon as the NNDR3 resubmission to MHCLG process is concluded.
- 1.4. Given the above there is a risk that publication of the draft 2021/22 Statement of Accounts and certainty that 2022/23 draft accounts will not meet the requirement for full 30-day statutory public inspection period prior to the audit process and publication by the 13<sup>th</sup> December statutory deadline.

### Recommendations:

Audit and Corporate Governance Committee is recommended to:

- a) Note the current position regarding finalisation of the 2021/22 Statement of Accounts, as set out in paragraph 4 of this report.

- b) Note the publication of the draft Statement of Accounts is now dependent on the sequential resubmission and inclusion of the outcome of amended NNDR3 returns to MHCLG for the years 2018/19 to 2022/23.
- c) Consider the provisional accounts, as yet to be amended to reflect changes to the Collection Fund and Useable Reserves arising from the need to resubmit NNDR 3 returns, as set out in Appendix 1. These have yet to be signed off by the S151 Officer.
- d) Note the position with regard to compliance of the 30-day public inspection period prior to conclusion of the 2021/22 and 2022/23 Statements of Accounts.

## **Commissioner Review**

*"Commissioners are content for this report to be considered, in recognition that the unaudited statement of accounts remain work in progress, with further information and updates required to enable them to provide a true and fair view of the Council's finances. A revised statement of accounts will need to be returned to the Committee for them, to discuss and approve the statements.*

*This increases the risk of the Council not publishing audited accounts for financial years up-to-and-including 2022/23 by the 13 December 2024 backstop date."*

## **2. Report**

### **Introductory Paragraph**

- 2.1. The Accounts and Audit (Amendment) Regulations 2024 set out the requirements for publication of backlog statements of accounts. Officers have continued to work to a very challenging timetable to prepare, publish for public inspection and have audited four separate Statements of Accounts (2019/20 to 2022/23), and must also complete the 2023/24 accounts within a timetable that facilitates a full audit to be undertaken by the end of February 2025.
- 2.2. In September we updated Committee and highlighted particular challenges relating to the 2021/22 process, with consequential implications for 2022/23, having published the 2019/20 and 2020/21 draft accounts over the spring/summer period. The accounting statements for 2021/22 are now completed with the exception of the issues relating to the Collection Fund, which will have a material impact on the balance sheet, and level of useable reserves, but we are dependent on the sequential historic NNDR3 resubmission process before we can publish the draft statements for public inspection.
- 2.3. Other than this issue, and the inclusion of a short narrative statement, the 2021/22 accounts are now considered by officers to be largely completed and will be published for public inspection as soon as the backdated NNDR3 (Collection Fund) issues are resolved with MHCLG.
- 2.4. In order to fully comply with the requirement for audited accounts to 2022/23 to be published by the 13<sup>th</sup> December 2024, taking account of the 30-day public inspection period, publication of draft accounts would need to be week commencing the 28<sup>th</sup> October. Neither the 2021/22 draft accounts nor the 2022/23 draft accounts will be published by this deadline. An update position will be provided at the 13<sup>th</sup> November meeting. As our external auditors will not have

been able to complete the audits for the 2021/22 and 2022/23 financial years, they will be required to issue a disclaimed opinion. The Council received a letter from MHCLG on the 28<sup>th</sup> October seeking an update position and at the time of writing this report officers were preparing a response.

## **Options Considered**

As reported previously, the backlog accounts timescales remain very challenging for the Council due to the number of outstanding accounts it has been required to produce, and the issues we have continued to encounter relating to lack of proper accounting records and updated reconciliations.

Given the statutory deadlines, it is important that we present provisional accounts to this Committee and publish the final drafts as soon as the Collection Fund issues are concluded.

## **3. Background**

- 3.1. The Accounts and Audit (Amendment) Regulations 2024 set out the requirements for publication of statement of accounts, annual governance statement and narrative statement for local authorities - financial years 2015-2027. Under the regulations, a deadline for delivery of audited (backlog) statements of accounts up to and including financial year 2022/23 of 13<sup>th</sup> December 2024 and 28<sup>th</sup> February 2025 for audited 2023/24 accounts.
- 3.2. Timely and high-quality financial reporting and audit of local authorities is vital. Not only does it support good decision making by those authorities, by enabling them to plan effectively, make informed decisions and manage their services - it ensures transparency and accountability to local taxpayers. This is particularly important for Slough as the impact of prior year liabilities could significantly impact on future financial sustainability of the Council.
- 3.3. Whilst the majority of local authorities have experienced significant backlogs in the publication of audited accounts, as reported at previous meetings, the position in Slough has been compounded by a legacy of inadequate record keeping and lack of progress in historic accounts preparation.

## **4. Backlog Accounts – Current Position**

- 4.1. The 2019/20 and 2020/21 draft Statements of Accounts were presented to this Committee at its meeting of the 25th May 2024, and both were published for a statutory 30 day public inspection period, which has since concluded for both sets of accounts. There were no requests from residents or local stakeholders to inspect any part of either of the accounts and there have been no questions to the external auditor from any local electors relating to those accounts. They are being audited by Grant Thornton, and we are hopeful that audit opinion will, albeit disclaimed opinion, be available in time for the 13th December deadline.
- 4.2. As reported in July and September we have experienced significant issues relating to completion of the 2021/22 accounts, due to poor record keeping, lack of accounting reconciliations and audit trails, and inaccurate accounting entries. These issues have varying degrees of complexity and resolution has taken time.

4.3. 2021/22 Statement of Accounts - Collection Fund.

The review of Collection Fund Accounting, going back to 2018/19 and through to 2023/24, and reconciliation of historic debtor and creditor balances has required detailed work on historic records kept by the Council. Government returns have had to be reviewed and resubmitted for 2018/19 and 2019/20. Each one of these forms then requires review by MHCLG before the new form can be shared with us, updated and compared to existing records. The NNDR3 statements are a prerequisite for the Collection Fund elements of the Statement of Accounts and the confirmation of opening and closing balances. This work continues and until work is completed there is the risk of unknown impacts on the general fund and usable reserves. Therefore, there are pending changes to the draft accounts as presented relating to the collection fund and other linked accounts. The draft accounts will be further updated and shared when this work for 2021/22 has been completed.

4.4. The provisional 2021/22 Statement of Accounts, taking account of the changes that will be required following the outcome of the above process are set out as Appendix 1 attached. A brief summary of some key issues for consideration are set out in the following paragraphs. The document comprises the following key accounting statements:

- Comprehensive Income and Expenditure Statement – this shows the net cost for the year of providing services which are funded from taxation (both local and non-specific national grant).
- Movement in Reserves Statement – this shows the movement in the year on the different reserves, both usable and unusable, held by the Authority.
- Balance Sheet – this shows the value as at the 31<sup>st</sup> March 2021 of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority.
- Cash Flow Statement – this shows the changes in cash and cash equivalents of the Authority during the financial year, and whether they are due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

4.5. The statement shows that the Council spent a gross amount of £437.8m providing services to Slough residents and other stakeholders. Overall, this was just over £8.2m more than 2020/21, and as a consequence, when taking into account service specific income of £265.8m, the net cost of services at £172.0m, was £6m more than the previous year. This was during a period when the country was recovering from the impact of the pandemic, and during the year the S114 notice was issued as it became clear that the cost of providing services and financing the level of debt could not be contained within the Council's overall resources. The provisional deficit on provision of general fund services required to be funded from useable reserves was £21.6m, and that on the HRA a further £6.3m. The provisional deficit on provision of services required to be funded from useable reserves was £33.9m, made up of £15.617m general fund and £18.303m HRA.

4.6. **Usable reserves, Movement In Reserves Statement**

The movement in reserves statement (MIRS) on page 30 of the attached accounts summarises the usable and unusable reserves of the Council and how they have moved during the year. The general fund reserve stays at a similar level as previously, with a significant increase in the earmarked reserves from

£40.2m to £72.9m. This is largely due to a significant top-up of the budget smoothing reserve (£38.6m, note 17) from the revenue budget which included £35m of the capitalisation direction support for £35m supporting revenue outturn (see note 5). Capital grants unapplied increased, and unusable reserves increased by £48.8m. This upward movement is largely related to an upward movement in the pensions reserve (£83.5m, note 16), and the revaluation reserve upward movements (£53.5m, note 16). These are offset by large reductions in the capital adjustment account linked to further borrowing and the capitalisation direction.

- 4.7. Overall these accounts have reflected the challenging financial position for Slough and the ongoing need to reduce expenditure and debt levels to a more sustainable level.
- 4.8. The NNDR3 resubmission and approval process is a sequential one. We have submitted 2018/19 and 2019/20 and are awaiting confirmation from MHCLG before we can submit the amended 2020/21 NNDR3 return. This in turn will need to go through the process before we can submit amended 2021/22 returns. So we cannot complete the accounts until this process is completed. We will aim to publish immediately after confirmation of the final 2021/22 NNDR3 return by MHCLG. The deadline for publication of draft statements of accounts up to 2022/23 is week commencing 4th November. So there is a risk that we are unable to publish during this week. This also impacts upon the 2022/23 statement of accounts which we now estimate will require until the end of the third week in November for publication. We are working closely with Grant Thornton to mitigate the consequences in the context of the draft accounts being out to public consultation prior to 13th December statutory deadline.

## 5.1 ***Financial implications***

- 5.1.2 Delivery of the detailed programme of works has required the setting up of a dedicated finance project team, made up primarily of officers, for which some limited backfilling is required, with limited external support where specific technical skills are required. The costs are not fully reflected in the 2024/25 budget as approved by Full Council on the 7<sup>th</sup> March 2024, and a detailed resource plan is being amended to reflect the additional one-off recovery costs, to be funded from a call on contingencies. There have also been and will continue to be additional opportunity costs as preparing the Statements of Accounts, and investigating the evidence base underlying accounting entries requires specific tasks to be undertaken by nominated officers across the Council.
- 5.1.2 Estimated costs of external audit fees for the years 2019/20 to 2022/23 are factored into the 2024/25 budget.

## 6.1 ***Legal implications***

- 6.1.1 The Accounts and Audit Regulations 2015 set out the requirements for Category 1 authorities. In summary these require a statement of accounts to be prepared in accordance with the Regulations and proper practices in relation to accounts. These are set to be amended by the Accounts and Audit (Amendment) Regulations 2024, coming into force on 30<sup>th</sup> September 2024. The statement must include such of the following as are relevant:

(a) housing revenue account (relevant to this Council)

(b) collection fund (relevant to this Council)

(c) firefighters' pension fund (not relevant to this Council)

(d) any other statements relating to each and every other fund in relation to which the authority is required by any statutory provision to keep a separate account.

6.1.2 The statements must include a note setting out matters in relation to employee remuneration and a statement in relation to the Dedicated Schools Grant. As the Council maintains a housing revenue account (HRA) the statement must refer to the reserve for major repairs.

6.1.3 The Council must prepare a narrative statement for each financial year, including comment on the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

6.1.4 Sets of accounts up to and including 2022/23 must be completed by 13<sup>th</sup> December 2024, with the deadlines dates for later years shown in the table below:

<b>Financial year</b>	<b>Final date</b>
2023/24	28 <sup>th</sup> February 2025
2024/25	27 <sup>th</sup> February 2026
2025/26	31 <sup>st</sup> January 2027
2026/27	30 <sup>th</sup> November 2027
2027/28	30 <sup>th</sup> November 2028

6.1.5 The Council's chief finance officer (s.151 officer) must sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of:

(i) the financial position of the Council at the end of the financial year to which it relates; and

6.1.6 In addition to the capacity requirements to close off multiple years of accounts, it should be recognised that the officers undertaking this work, including the new s.151 officer, were not employed during the relevant period. This, together with issues in relation to historic record keeping, makes preparing the accounts challenging, however experienced officers have been brought in to focus on this work and Ernst Young has been commissioned to support with a balance sheet review. In addition, officers have worked closely with the DLUHC Finance Commissioner, who has supported the process.

## 6.2 *Risk management implications*

6.2.1 Compliance with the requirement to prepare, publicise and audit four years accounts within a limited period is fraught with risks and will require the appropriate level of both technical and programme management skills to manage. Failure to achieve the deadlines for completion of audited 2019/20 to 2022/23 accounts by the 13<sup>th</sup> December, and subsequent 2023/24 accounts by February 2025 risk a failure to comply the assumed statutory deadline and could result in penalties or additional interventions.

6.2.2 We are reporting the significant risk of compliance with regard to 2021/22 and 2022/23 due to the issues we have been reporting regularly to Committee. The 2021/22 draft accounts publication are dependent on the turnaround with MHCLG for resubmission on a sequential basis. This also impacts upon 2022/23 which will now not be ready in time to facilitate the full 30-day inspection period. We are working closely with our external auditors to mitigate any consequences of this.

### 6.3 *Environmental implications*

6.3.1 There are no specific environmental implications of the recommendations.

### 6.4 *Equality implications*

6.4.1 There are no specific equalities and inclusion implications of the recommendations.

### 6.5 *Procurement implications*

6.5.1 There are no specific procurement implications arising from the recommendations, however the external support required for completion of the backlog accounts and ongoing balance sheet review processes have been commissioned in accordance with both the Public Contracts Regulations and the Council's procurement rules.

### 6.6 *Workforce implications*

6.6.1 The work which is progressing and planned represents a very intensive programme of works, both to achieve the December requirements and the February 2025 deadline for completion of audited 2023/24 accounts. The backlog audit work programme must be undertaken in conjunction with the normal business activities of the Council. A dedicated project team within Finance and Commercial Services has been set up which requires limited temporary backfilling and utilisation of external partners and additional interim support, but has also required support from other key areas across the Council with a risk of additional pressures. Where any additional external resources are engaged it is vital that the appropriate level of internal capacity building is included within the contractual arrangement. From a duty of care perspective, it is essential that adequate resources are identified to fulfil essential requirements.

## 7. **Background Papers**

None