

## Slough Borough Council

Information needed	Details
Report To:	Audit and Corporate Governance Committee
Date:	20 <sup>th</sup> February 2025
Subject:	Provisional Statement of Accounts 2023/24
Chief Officer:	Annabel Scholes – Executive Director Corporate Resources (S151 Officer)
Contact Officer:	Chris Holme – Finance Director, Corporate and Strategy
Ward(s):	N/A
Exempt:	NO
Appendices:	Provisional Statement of Accounts 2023/24

### 1. Summary and Recommendations

- 1.1 Appendix 1 to this report provides, for consideration by this Committee, the provisional Statement of Accounts for 2023/24. The provisional Statement of Accounts set out, subject to any final adjustments, the draft financial position of the Council as at 31<sup>st</sup> March 2024.

#### Recommendations:

Audit and Corporate Governance Committee is recommended to:

- a) *Consider and note the provisional Statement of Accounts for 2023/24 as set out in Appendix 1 of this report*

#### Commissioner Review

Commissioners are content for this report to be considered, in recognition that the 2023/24 provisional statement of accounts remains work in progress, with further information and updates required to enable them to include a narrative report that reflects 2023/24 performance and primary statements and supplementary accounts that provide a true and fair view of the Council's finances. A revised statement of accounts will need to be returned to the committee to discuss and approve.

The Council has undertaken risks-based balance sheet reviews to provide more assurance over the integrity of material balance sheet items and the opening balances for financial year 2023/24. In producing the final statement of accounts that process is now considered complete for all years to 2023/24.

A 'disclaimed' audit opinion (post the backstop date) is likely to be issued which may also present a knock-on impact for future financial years. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. Careful consideration will need to be given by the finance and audit teams of the specific areas that can be focused on to

minimise the impact and limit the risk that a disclaimed opinion could have on the statement of accounts for financial years 2024/25 and beyond.

## **2. Report**

### **Introductory paragraph**

- 2.1 The Accounts and Audit Regulations 2015 (as amended) set out the requirements for publication of backlog statements of accounts. Officers have continued to work to a very challenging timetable over the period of this financial year to prepare, publish for public inspection and have audited five separate Statements of Accounts (2019/20 to 2023/24), and will commence the process for preparation of the 2024/25 accounts as soon as we have published the draft 2023/24 Statements. Final audited accounts for 2021/22 and 2022/23 are now submitted for approval as separate items on this agenda.
- 2.2 Given the issues raised with regard to the historical accounts, as reported to this Committee regularly since July 2024, it has not been possible to comply fully with the requirements of the amended regulations, and that has been the case for the 2023/24 accounts. This is because, to do so we would have had to publish for the 30-working day public inspection period the draft Statement of Accounts by early January 2025, prior to the issuance of the audit opinion.
- 2.3 However, publishing the 2023/24 draft Statement of Accounts will be a significant milestone in concluding the backlog accounts process. It means the Council will have prepared and published five sets of accounts for the authority within 12 months.

### **Options considered**

It is good practice for the Audit and Corporate Governance Committee to receive and be afforded opportunity to review the draft accounts before they are published for public inspection. We have reported previously on the accounts preparation issues we have encountered relating to lack of proper accounting records and lack of reconciliations. Appendix 1 to this report sets out the provisional accounts, which, by the time of the meeting, should almost be ready for publication for the statutory public inspection period. Whilst presentation of the provisional accounts is not obligatory, that option is not recommended.

## **3. Background**

- 3.1 Section 9A of the Accounts and Audit Regulations 2015 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 13th December 2024 and 28th February 2025 for audited 2023/24 accounts.
- 3.2 Officers have been working over the period of this financial year to prepare and publish five sets of accounts within amended regulations deadline, but as reported to previous meetings of the Committee encountered significant problems in preparing the 2021/22, and 2022/23 accounts due to a number of factors, including, poor record keeping, lack of document audit trails, lack of reconciliation, and specific problems relating to the accounting and statutory returns which required us to resubmit NNDR3 returns going back to 2018/19.

That process is now complete for all years to 2023/24. Reference to inadequate record keeping is made in the external auditor's 2021/22 to 2023/24 Interim Auditors Report which was presented to this Committee at its meeting of the 31<sup>st</sup> October.

- 3.3 Officers have also undertaken an ongoing balance sheet review exercise to provide more assurance over the integrity of material balance sheet items.
- 3.4 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 has significantly impacted on the financial sustainability of the Council. Conclusion of the backlog accounts process by publication of audited financial statements for 2023/24 will mean Slough will be up-to-date, with more assurance over material balance sheet items, and in a position to move forward and ensure all future accounts are prepared and published within prescribed deadlines, and facilitate more effective decision making.
- 3.5 As a consequence of the factors set out in paras 3.2 to 3.4 above, we have not been able to publish the accounts in time for the public inspection period to be concluded, and audit opinion provided by the 28th February deadline for the 2023/24 Statement of Accounts. MHCLG have been regularly updated on the position. The committee should note that in circumstances where a relevant local authority has delayed the publication date of their statement of accounts and the backstop date will not be met, the external auditor will consider the facts and circumstances and the implications for their auditor's report. Furthermore, the government is expected to publish a list of bodies and auditors that do not meet the proposed backstop dates, which will make clear where 'draft' (unaudited) accounts have also not been published. It is therefore important that we are able to publish draft accounts before the 28<sup>th</sup> February deadline.

#### **4. 2023/24 Provisional Statement of Accounts**

- 4.1 The draft accounts for 2023/24 will be published as soon as outstanding matters are concluded, and the narrative statement drafted. Members of the public and other interested parties have 30 working days to request access to documents relating to the financial statements, subject to restrictions around commercial sensitivity and protection of personal information. During the same period a local elector may also raise questions relating to the accounts with the External Auditor. The 30-day public inspection period should conclude no later than 11<sup>th</sup> April 2025. An extra-ordinary Audit and Corporate Governance Committee is expected to be convened as soon as possible after then to facilitate approval of the final audited accounts.
- 4.2 The provisional draft 2023/24 Statement of Accounts is attached as Appendix 1 to this report. It 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 2024 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, investing, or financing activities (such as repayment of borrowing and other long-term liabilities).

- 4.3 It should be noted, there are still a number of material items still outstanding, including finalisation of all capital entries, group reporting, and a number of notes including DSG and HRA, some of which may impact on the core statements (hence these are provisional accounts). These are being finalised along with the opening narrative statement to the accounts. The Council agreed an Annual Governance Statement for 2023/24, and this will also be included in the published draft Statement of Accounts.
- 4.4 The financial statements need to be considered in the context of Slough Borough Council's subsequent request for exceptional financial support, the S114 notice issued in July 2021, and Capitalisation Direction, without which the estimated deficit would have been an estimated £348m over an 8-year period. Using part of the Government's in principle Capitalisation Direction retrospectively has enabled the Council to reinstate General Fund balances. Further capitalisation directions will be required for future years to enable a balanced budget to be achieved.
- 4.5 The statement indicates that the Council spent a gross amount of £472.48m providing services to Slough residents and other stakeholders. Overall, this was some £13.29m (3%) more than 2022/23. Gross income was £319.24m, £19.62m (5.8%) less than 2022/23, and as a consequence, the net cost of services at £153.24m, was £32.92m (27%) higher than the previous year.
- 4.6 The figures would indicate differences from the 2023/24 outturn report presented to Cabinet in June 2024, where the HRA surplus for the year was reported as £3.9m, compared to the £6.3m reported in these provisional accounts, and for the General Fund, the outturn report showed a net cost of services of £178.5m, compared to the £159.5m reflected here. Overall, the outturn report indicated an overall deficit on provision of services of £54.5m, compared to the £56.8m in these statements. A reconciliation of key changes will be highlighted in the narrative statements for the draft financial statements which are currently being prepared.
- 4.7 In 2023/24 outturn report highlighted the significant GF net overspend for the year, requiring a draw on useable earmarked reserves to balance. That position is reflected in these statements, with a reduction of earmarked reserves, as set out in the Movement of Reserves Statement of £18.6m, hence reducing the balance of general and earmarked reserves from £79.8m at the start of the financial year to £60.7m at 31<sup>st</sup> March 2024. It should be noted that the requirement to draw down on this level of reserves was in addition to the £31.6m assumed Exceptional Financial Support, by way of the Capitalisation Direction.
- 4.8 Total income and expenditure for the year, as reflected in the CIES statement shows an overall deficit for the year of £43.95m. The difference between this

and the deficit on provision of services is primary due to assessed valuation of pensions liabilities. It should be noted that this impacts on the unusable reserves position of the Council, not the usable reserves.

- 4.9 Total useable reserves increased from £229.12m to £251.63m (£22,51m). This was primarily facilitated by the capitalisation of expenditure during the year of £31.6m under the Capitalisation Direction, and capital receipts generated through asset disposals. It should be noted that some useable reserves (e.g., those held in the Housing Revenue Account and the Capital Receipts Reserve) can only be used to support specific expenditure.
- 4.10 During 2023/24 the Council's total of cash balances and short-term investments reduced from £147.7m to £24.7m to reduce short-term borrowing. Borrowing reduced from £589.9m to £459.4m.

## 5.1 *Financial implications*

- 5.1.1 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 back-filling is required, with limited external support where specific technical skills are required. The costs are reflected in the 2024/25 budget as approved by Full Council on the 7<sup>th</sup> March 2024, and amended by Cabinet at its meeting on the 18<sup>th</sup> November. There will continue to be additional opportunity costs as preparing the statements of accounts requires specific tasks to be undertaken by nominated officers across the Council, as we finalise 2023/24 accounts.
- 5.1.2 Costs of external audit fees for the years 2019/20 to 2023/24 are factored into the 2024/25 budget.

## 5.2 *Legal implications*

- 5.2.1 Regulation 9A was inserted into the 2015 Regulations to provide that, for the financial years 2023/24 the deadline for publication of audited accounts was 28 February 2025. Deadlines for publication are also provided for the financial years 2024/25 to 2027/28. The published statement of accounts must have been approved by the Category 1 authority in accordance with regulation 9(2) of the 2015 Regulations and include the opinion and any certificate from the local auditor in accordance with section 20(2) of the Act.
- 5.2.2 Where a Category 1 authority is unable to comply with the publication deadlines, for instance where the public inspection period has not been completed, meaning the accounts cannot be audited, regulation 9(5) and (6) apply. These state that if the auditor is considering an objection, declaring an item of account unlawful, considering whether to make an application to court or an application has been made and has not been determined (including at appeal) or the auditor is not satisfied that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the authority must publish a notice stating that it has not been able to publish its accountability statements and its reasons for this and publish its accountability statements as soon as reasonably practicable. If these matters do not apply, the authority must publish a notice stating it has failed to publish its accountability statements, its reasons for this and that it acknowledges that it must publish its accountability statements as soon as

reasonably practicable. It must also send a copy of this notice to the Secretary of State and publish its accountability statements as soon as reasonably practicable.

### 5.3 *Risk management implications*

5.3.1 Failure to publish the Statement of Accounts on time has significant reputational risks for the Council. A dedicated project team was put in place for completion of the 2019/20 to 2023/24, and some of that team will be retained to provide continuity for completion of the 2024/25 accounts commencing in the new financial year.

5.3.2 There are inherent financial risks for financial sustainability arising from potential liabilities not recognised without adequate prior year's audited accounts.

### 5.4 *Environmental implications*

5.4.1 There are no specific environmental implications of the recommendations.

### 5.5 *Equality implications*

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

### 5.6 *Procurement implications*

5.6.1 There are no specific procurement implications arising from the recommendation, however any additional external support required for completion of the backlog accounts process will continue to be commissioned in accordance with both the Public Contracts Regulations 2015, or Procurement Act 2023, and the Council's Contract Procedure rules, as amended by Council in September 2024. Any exception to the latter should only be for emergency requirements, following review by officers through the Expenditure Control Board, and will be reported to the following Audit and Governance Committee.

### 5.7 *Workforce implications*

5.7.1 What is being managed is a very intensive programme of deliverables, both to achieve the end of September amended statutory requirements and the subsequent February 2025 statutory 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 will require some limited temporary backfilling but will also require 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.

## 6. **Background Papers**

None