

Slough Borough Council

| Information needed | Details |
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| Report To: | Audit and Corporate Governance Committee |
| Date: | 23 rd July 2023/24 |
| 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 Jonathan Ross – Chief Accountant |
| 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. They remain provisional subject to completion of an independent risk based assurance review, and any changes required as part of the Going Concern statement required at the time of formal publication of the draft accounts.

Recommendations:

Audit and Corporate Governance Committee is recommended to:

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

Commissioner Review

The Council has made significant progress in preparing 2019/20 to 2022/23 accounts, however the merging of legacy (older) and current year's financial data during ledger reconciliations and closure has identified several errors and risks and increased the complexity in closing the 2023/24 accounts. Material movements have emerged to the original 2023/24 outturn forecast, and in providing assurance to the true and fair view of the Council's finances and addressing the challenges presented, it is essential that data consistency and accuracy across periods is achieved.

The Council has undertaken risks-based balance sheet reviews to provide improved assurance over the integrity of material balance sheet items and the opening balances for 2019/20 to 2022/23. Commissioners endorse this approach being applied to the material balances in the 2023/24 financial year. Following which the draft statement of accounts can be considered complete and published for public inspection and external audit. Stronger assurance mechanisms will reduce the risk of unforeseen negative impacts on the 2024/25 accounts and the long-term financial risks to the Council.

Commissioners are content for this report to be considered.

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 the last year to prepare, publish and finalise four years' accounts (2019/20 to 2022/23). These are all published on the Council's website.
- 2.2 We had hoped to publish draft accounts for 2023/24 by the end of the last financial year, but a more detailed review of historic balance sheet items of balance sheet items has had to be conducted following identification of legacy accounting issues, during preparation of those accounts. We have now commenced preparation of the 2024/25 accounts, which we are now aiming to publish for public inspection before the end of September.

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, subject to an extension of the risk-based Balance Sheet review to incorporate 2023/24, 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 diligently 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 reconciliations, and specific problems relating with accounting and statutory returns. That process is now close to completion 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 31st October 2024.
- 3.3 Following publication of the final Statement of Accounts for 2022/23 in February 2025, a more detailed review of historic balance sheet items of balance sheet items has had to be conducted following identification of legacy accounting issues, during preparation of the 2023/24 accounts. This has led to delays in presentation of these accounts and as a consequence the Council has been unable to meet the deadline for publication of final 2023/24 accounts set out in

paragraph 3.1 above. The issues identified and implications on General Fund Reserves are set out in paragraph 4 below but require a material reduction of General Fund useable reserves.

- 3.4 It should be noted that the 2024/25 accounts will be the first since 2018/19 that will be subject to a full external audit, so it is all the more important that additional work has had to be undertaken to provide more assurance on the 2023/24 closing position (which provide the opening balances for 2024/25).
- 3.5 The 2018/19 accounts received a disclaimed audit opinion, as the auditors determined that they were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion of the prepared financial statements. Subsequent accounts to 2022/23 have also received a disclaimed audit opinion, as a consequence of the time constraints of the backstop accounts deadlines, meaning auditors have been unable to obtain sufficient appropriate audit evidence to state, in their opinion, whether the financial statements are properly put together and free from material errors. This is an important distinction from the 2018/19 opinion.
- 3.6 Work to provide assurance on all Balance Sheet items is an ongoing process, but, subject to an independent risk-based assurance review to be concluded over the next month, work has now almost concluded to finalise the 2023/24 financial statements. The assurance review of material balances will be undertaken by EY who undertook the independent risk review to 2022/23. This short assurance review is taking place during July and August. Draft Statement of Accounts will be published after this review, and identification any further amendments/ mitigations which may include talking with MHCLG about amending the council's Exceptional Financial Support request for 2023/24.
- 3.7 It is appreciated that 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 provide more assurance over material balance sheet items, as we conclude the 2024/25 accounts, and enable the Council to move forward and ensure all future accounts are prepared and published within prescribed deadlines and facilitate more effective decision making for the future.
- 3.8 MHCLG have been regularly updated on the Council's position with regard to the 2023/24 accounts. 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.

4. 2023/24 Provisional Statement of Accounts

- 4.1 As stated above, the draft accounts for 2023/24 will be published for public inspection as soon as the outstanding independent risk-based review of material

balances is concluded, and identification any further amendments/ mitigations which may include talking with MHCLG about amending the Council's Exceptional Financial Support request for 2023/24 in order to replenish General Fund Reserves.

- 4.2 Members of the public and other interested parties will 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. An extra-ordinary Audit and Corporate Governance Committee is expected to be convened after then to facilitate approval of the final accounts.
- 4.3 The provisional 2023/24 Statement of Accounts is attached as Appendix 1 to this report. It comprises the following key accounting statements, noting that the focus for the accounts is the General Fund. Separate statements for the Housing Revenue Accounts, Direct Schools Grant and Group Accounts, as well as the narrative statements will be incorporated for presentation of the draft accounts:
 - 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 31st 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).
- 4.4 Cabinet considered the 2023/24 Revenue and Capital Outturn report at its meeting on the 17th June 2024. At that time the reported General Fund overspend, after planned utilisation of earmarked reserves, was £14.182m, in addition to planned use of earmarked reserves of £12.098m, and Capitalisation Direction of £31.575m, during the year. However, it was noted at the time, that the position could only be considered provisional until conclusion of reviews of the Council's Balance Sheet, and prior years' final accounts, for all years to 2023/24 completed.
- 4.5 A more detailed review of historic balance sheet items of balance sheet items has had to be conducted following identification of a number of legacy accounting issues, during preparation of the 2023/24 accounts. Completion of the backlog accounts process (2019/20 to 2023/24) resulted in a different level of opening balances for 2023/24 than originally assumed, as issues relating to those years were, when identified, corrected, but the additional balance sheet review work identified other legacy issues as well as accounting errors processed during 2023/24 which have all contributed to the requirement to reduce GF reserves. The historic inadequacy of audit trails, documentary evidence and accounts reconciliations, as reported by officers to Audit and

Corporate Governance Committee, and by the Council's external auditors, have all contributed to the issues identified. These are summarised in the table below.

| 2023/24 Accounts Restatement Issues | £m |
|--|----------------------|
| Adjustment for S31 Covid Grants received in previous years | 10.600 |
| Treasury Management Investments repaid in prior years but still reflected on B/S | 5.000 |
| Incorrect accruals/ general accounting adjustments | 0.680 |
| Backlog Accounts Prior Year balances | 6.208 |
| <i>Subtotal</i> | <i>22.488</i> |
| <i>Offset by</i> | |
| SCF Loan impairment reversal | -2.400 |
| Prior years' (pre-2022) SUR profit share income on B/S, not recognised in CIES. | -2.370 |
| Overstated correction of prior years' incorrect capitalisations | -2.070 |
| Other detailed B/S review items | -0.898 |
| <i>Subtotal</i> | <i>-7.738</i> |
| <i>Total Impact</i> | <i>14.750</i> |

4.6 It has been necessary to make an adjustment to the accounts to reflect the need to reverse prior years' S31 Covid Grants. There had been a significant overstatement in prior years' grant income (from 2020/21) and posted as income to the accounts. In addition to this, former investments which had previously redeemed were incorrectly retained on the balance sheet and have had to be written down, as well as interest payable from 2021/22 being understated in that year's accounts. Furthermore, various accruals were omitted from the 2023/24 as well as some smaller balance sheet corrections relating to previous years.

4.7 As partial mitigation, a review of reversal of prior years' capitalisation identified a number which were overstated. Officers also identified that pre-2022 profit share income from the Council's joint venture, Slough Urban Renewal, which had been sat on the balance sheet could be recognised as income in the Comprehensive Income and Expenditure Account for 2023/24. At the end of March 2025, Slough Children's First repaid in full a loan previously provided to them by the Council and for which an impairment had been included in the accounts. Other credit balances were identified as part of the ongoing balance sheet review process undertaken during late 2024. As stated, these are all a result of the inadequacy of underlying historic records, and as a consequence additional time has had to be dedicated to investigating and correcting as part of the 2023/24 accounts preparation.

4.8 It should be noted that the position remains provisional, and in the context of the movements in the balance sheet identified through the above work, an external risk-based assurance review on all material balance sheet items is now required prior to S151 officer approval of the draft accounts, at a likely cost of some £60k. As stated above, this will be undertaken by EY.

4.9 The restated provisional accounts now reflect a net adverse position on the Comprehensive Income and Expenditure Accounts, relating to General Fund transactions, and consequential reduction of non-specific useable General Fund reserves to the value of £14.750m when compared to the reported outturn. This is a very significant reduction, which taken in conjunction with the 2024/25 General Fund revenue outturn, as reported into Cabinet on the 21st July, severely impacts upon the financial position of the Council. The revised position on General Fund earmarked and general reserves is set in the table below:

| <i>Restated Reserves Position as at 31/03/24</i> | <i>Outturn Ledger Position 23/24</i> | <i>Draft Statement of Accounts Position 23/24</i> |
|---|---|--|
| | <i>£m</i> | <i>£m</i> |
| Earmarked Reserves | 20.057 | 16.724 |
| General Reserve | 21.000 | 9.583 |
| <i>Non-Ringfenced Reserves</i> | <i>41.057</i> | <i>26.307</i> |
| <i>Difference</i> | | <i>-14.750</i> |

The table excludes certain GF earmarked reserves such as Public Health and Better Care Fund for which the use is restricted.

4.10 It should be noted that these accounts remain provisional subject to completion of an independent assurance review, any changes that may be required as part of discussions with MHCLG on the potential for any additional Exceptional Financial Support through Capitalisation Direction to replenish reserves, and the going concern statement required at the time of formal publication, which requires 12 month review as at the date of signing the accounts.

4.11 The provisional statements indicate that the Council spent a gross amount of £495.0m providing services to Slough residents and other stakeholders. Overall, this was some £35.9m (7%) more than 2022/23. Gross income was £323.9m, £15.0m (5%) less than 2022/23, and as a consequence, the net cost of services at £171.2m, was £50.9m (30%) higher than the previous year. However, the “minded to” Capital Direction for the year was £31.6, compared to £56.6m in 2022/23, meaning more of the deficit has been required to be funded from useable reserves.

4.12 In 2023/24 outturn report highlighted the significant GF net overspend for the year, requiring a draw on useable earmarked reserves to balance. As a consequence of the issues identified above, the position reflected in these statements has increased, with a net reduction of earmarked and general reserves of £29.0m as set out in the Movement of Reserves Statement, and

hence reducing the balance of those earmarked and general reserves from £79.8m at the start of the financial year to £50.7m at 31st March 2024. It should be noted that those earmarked reserves include £14.6m DSG Reserve in addition to the Public Health, Better Care Fund and other grant specific reserves (£9.8m), meaning the provisional position on non-specific earmarked/ general reserves is now reduced to a total of £26.3m as set out in the table above. This represents a significant reduction in resources available to the Council to mitigate ongoing and emerging financial risks. The Council will continue to work through potential mitigations, and explore options for managing the 2023/24 financial position, which may include talking with MHCLG about amending the Council's Exceptional Financial Support request for that year.

- 4.13 The total useable reserves position, as set out in the MIRS statement reduced from £239.6m to £227m. There was a slight increase in both the HRA general and Major Repairs reserves. The capital receipts reserve increased by 13.5m. Those receipts are applied to prior years' Capitalisation Directions, and the Capital Grants Unapplied reserve relates to grants received in advance of scheme delivery but restricted to financing the capital expenditure. The use of each of these reserves is therefore restricted. The overall reduction in useable reserves was partly mitigated by the £31.6m capitalisation of spend under the Capitalisation Direction.
- 4.14 Total income and expenditure for the year, as reflected in the CIES statement shows an overall deficit for the year of £80.753m, which does include a significant reduction in the value of asset sales from the previous year and a net change in revaluation of pensions liabilities and assets of some £8m. It should be noted that these impact on the unusable reserves position of the Council, not the useable reserves.
- 4.15 During 2023/24 the Council's total of cash balances and short-term investments reduced from £148m to £29m to reduce short-term borrowing. External borrowing reduced from £590m to £459m.

5.1 *Financial implications*

- 5.1.1 The financial implications of the 2023/24 accounts are set out in the body of the report.
- 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 back-filling is required, with limited external support where specific technical skills are required. That external support will be provided through EY as a risk-based assurance review at an estimated cost of some £60k, which will need to be financed from drawing down on the balance available for 2025/26 on the budget smoothing reserve. The other additional costs are reflected in the 2025/26 budget as approved by Full Council on the 6th March 2025.
- 5.1.2 Costs of external audit fees for the years 2019/20 to 2023/24 were 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 2015/16 to 2022/23, the deadline to publish the final accounts and statements is 13th December 2024. Deadlines for publication are also provided for the financial years 2023/24 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