

Report of the Director of Finance to the meeting of Governance & Audit to be held on 21 March 2024

AJ

Subject: 2022-23 Statement of Accounts

Summary statement:

This report presents the Council's 2022-23 statement of accounts.

This report also briefly details the key financial points from the accounts.

EQUALITY & DIVERSITY:

Equality assessments and Equality objectives – There are no equality and diversity implications directly arising from this report.

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Interim Director of Finance

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Portfolio:
Corporate Services

Overview & Scrutiny Area:
Corporate Services

1. SUMMARY

This report presents the 2022-23 Statement of Accounts (Appendix A) and details the key financial points arising.

The recommendation contained in this report are to approve the 2022-23 statement of accounts, and to delegate subsequent changes that may need to be made following this meeting to the S151 Officer in consultation with the Chair for approval.

2. BACKGROUND

The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The Council published the draft statement of accounts on 14 September 2023.

The statement of accounts is prepared in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and is subject to scrutiny by the council's external auditor, which for the 2022-23 financial year is Mazars LLP.

3. OTHER CONSIDERATIONS

Following on from 14 September 2023, the 2022-23 statement of accounts were externally audited during the months of November 2023 to March 2024.

4. (A) FINANCIAL & RESOURCE APPRAISAL

The key financial implications as at 31 March 2023 from the 2022-23 statement of accounts are summarised below:

- Useable reserves (excluding Capital Receipts and Capital Grants Unapplied) totalled at £171.2m (Council £120.5m and Schools £50.7m) (**Note 5 page 50**). Compared to £277.6m at the end of 2021-22, representing a £106m decrease in total useable reserves. The main reason for the £106m reduction in Council useable reserves in 2022-23 was due to drawing down from reserves to support Council services in year. This included both planned activities such as drawdown of specific grants received previous years, and £52m to cover unplanned costs associated with the unbudgeted cost of extraordinary inflation, and Children's Social Care pressures. In addition, there was also the drawdown of £17.9m from the reserve holding Section 31 grants and Tax income guarantee income to repay 2021-22 Business Rates and Council Tax collection fund deficits as planned.
- Of the £120.5m Council reserves (General Fund £22m, revenue grant reserve £17.4m, service specific reserves £45.3m and reserves to support future budget decision £35.3m), a further £50m of reserves are budgeted to be used in 2023-24, and there will only be c£70m of reserves going into 2023-24, which will be a historic low.
- The General Fund Balance (£22m) is held in accordance with statute. The purpose is as a safety net against unexpected variations in the Council's

annual expenditure – this was £1.3 billion gross (**CI&E on page 26**) as shown in the cost of services in the Comprehensive Income and Expenditure Statement. Earmarked reserves are held to protect against specific risks and commitments.

- The Council spent £154.1m on long term assets, as part of its Capital Programme. £4.7m from revenue contributions and other revenue reserves and £1.3m from capital receipts as a result from sale of land and buildings during the 2022-23 year. £70.5m of spend was financed by grants and other third party contributions, £77.3m from borrowing and the remainder direct revenue contributions.
- The Council holds £58.7m of grants provided by external public sector bodies, which will be used in the future to finance the Capital Programme.
- The Council has £769.2m remaining of borrowing for past spend on capital investment. £138.2m of this borrowing is in the form of contractual Private Finance Initiative and lease liabilities. £3.3m mainly relates to miscellaneous historical debt. £162.6m is temporarily borrowed from the Council's own cash held in earmarked reserves, reducing interest payments. The remaining £465.1m is actual borrowing from the Public Works Loan Board, LOBO'S and short-term borrowing.
- Against the £769.2m of borrowing, the Council has £1,090.8m of land, buildings, equipment, other infrastructure and assets held for sale. The value of the Council's property is therefore significantly higher than the outstanding debt relating to it.
- The 2022-23 balance sheet value of the Council's non-current assets (including current assets held for sale and excluding pension assets, long term debtors and long-term investment) is £1,091.1m. This has increased by £30.9m from the 2021-22 value of £1,060.2m. Capital enhancements to the value of £115.2m were made to these assets during 2022-23 and Assets to the value of £54.4m were disposed of during the year. Also non-current assets were depreciated by £38.5m during 2022-23. A revaluation programme that included buildings, park land and investment properties increased values by £8.6m.
- The Council's estimated overall pension fund deficit has decreased to £27.197m, based on an estimate made in accordance with accounting rules. this has been primarily due to a remeasurement of the fair value of assets following actuarial gains caused by large improvement in financial assumptions.
- The Council maintains a separate fund for Business Rates and Council Tax, from which it distributes pre-agreed shares to itself, the Government, West Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner. Overall the fund ended 2022-23 with a surplus position for Council Tax and a small deficit position for Business Rates. The Council's own share was a £0.229m deficit on Business Rates, with the Government holding a £0.233m deficit (**Collection Fund Statement on page 103**). The Council has received

Section 31 grants from the Government in 2022-23 to compensate for the additional reliefs provided to businesses. Overall, the Council's share of the Collection Fund deficit from 2022-23 will be materially covered by grants. The compensation is not included in the Collection Fund but is reimbursed to the Council through the General Fund account.

A full analysis of these and other financial issues is included in the Narrative Report which can be found at the front of the statement of accounts.

4 (B) Audit Completion Report

- There are three misstatements in the final accounts have not been adjusted for. One relates to property, plant and equipment revaluation, the other two relate to income and VAT being accounted for in the incorrect year, a decision was taken not to adjust based on materiality and net impact.
- Other disclosure notes have been adjusted for.
- Based on the Audit Completion Report (item 1) and subject to completion of the outstanding audit queries, an unqualified audit opinion is anticipated on the financial statements.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

These are addressed in the body of the report.

6. LEGAL APPRAISAL

There are no specific legal issues arising from this report. The production of the Statement of Accounts is a statutory requirement.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

There are no specific sustainability implications arising from this report.

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

This section seeks to address how the proposal tackles the Climate Emergency and reduces carbon emissions.

7.3 COMMUNITY SAFETY IMPLICATIONS

There are no specific community safety implications arising from this report.

7.4 HUMAN RIGHTS ACT

There are no specific issues arising from this report.

7.5 TRADE UNION

The Director of Human Resources may advise on this aspect.

7.6 WARD IMPLICATIONS

There are no specific issues arising from this report.

7.7 AREA COMMITTEE LOCALITY PLAN IMPLICATIONS

None

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

There are no specific corporate parenting implications arising from this report.

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

There are no specific issues arising from this report.

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

The 2022-23 statement of accounts are approved by the Governance and Audit Committee.

Any subsequent changes that may need to be made following this meeting are delegated to the S151 Officer in consultation with the Chair for approval. Should such change occur to be significant, the committee will be reported back in a future meeting.

11. APPENDICES

Appendix A: 2022-23 Statement of Accounts

12. BACKGROUND DOCUMENTS

None