

Report of the Director of Finance & IT to the meeting of Governance & Audit Committee to be held on 24 November 2022

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Subject: Update on the 2021-22 Draft Statement of Accounts

Summary statement:

This report presents an update on progress on the Council's 2021-22 draft statement of accounts.

This report also briefly details the salient financial implications from the accounts. A further report on the accounts will be presented at the meeting of Governance & Audit in January 2023. It is also anticipated that the final 2021-22 accounts will be presented on this date.

EQUALITY & DIVERSITY:

There are no direct implications for equality and diversity arising from this report. It concerns the process by which the Council complies with Statutory requirements in producing its Statement of Accounts.

Chris Chapman Director of Finance & IT

Portfolio:

Leader of Council and Corporate

Report Contact: Rachel Gledhill-Moseley
Head of Financial Accounting & Projects
(Interim)
Phone: 07966 307065
E-mail: rachel.gledhill-moseley@bradford.gov.uk

Overview & Scrutiny Area:

Corporate

1. SUMMARY

This report presents an update on progress on the Council's 2021-22 draft statement of accounts.

Due to a national issue concerning the valuation of Infrastructure Assets on Local Authorities balance sheets a statutory override is being put in place from 25th December 2022. In practical terms this means that the earliest date the 2020-21 accounts can be signed off is January 2023.

This is effecting all Local Authorities who have major infrastructure assets, such as highways and bridges.

2. BACKGROUND

The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The regulations require that the unaudited statement of accounts is certified by the section 151 officer as providing a true and fair view of the financial position of the Council as at 31st March 2022 and its income and expenditure for the year ended 31st March 2022.

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 2021-22 financial year is Mazars LLP

The draft accounts have been approved by the Section 151 Officer and are now available for public scrutiny on the Council's website. They are in the process of being externally audited, by the externally appointed auditors, Mazars.

3. OTHER CONSIDERATIONS

Following public scrutiny and the external audit, it is anticipated that the audited statement of accounts will be presented to the Governance and Audit Committee in January 2023 for approval.

Key issues from the 2020-21 accounts including Depreciated Replacement Costs (DRC) asset valuations and late pension fund valuations were resolved and form part of additional consideration in 2021-22.

4. FINANCIAL & RESOURCE APPRAISAL

The key financial transactional areas as at 31 March 2022 from the draft 2021-22 statement of accounts are summarised below:

- Covid – The accounts for the financial year 2021-22 reflect the nature of the

activity that has been undertaken to respond to the pandemic and also the continued provision of essential services. The financial pressures of the increased and new activity were supported by substantial additional Government grant and other funding, meaning that the additional Covid related costs and losses were mitigated in the financial year 2021-22.

- Useable reserves (excluding Capital Receipts and Capital Grants Unapplied) stood at £274.8m (Council £228.2m, and Schools £46.6m) (Page 13, & Note 5 page 38), compared to £299.4m at the end of 2020-21, representing a £24.6m decrease in total useable reserves. The main reason for the £24.6m reduction in Council useable reserves in 2021-22 was COVID-19 related, with the Council drawing down Covid related grants received in 2020-21 to support Council services in 2021-22. This included both funding to support Council service delivery (£27.2m), and also the drawdown of £15.8m from the reserve holding Section 31 grants and Tax income guarantee income to repay 2020-21 Business Rates and Council Tax collection fund deficits as planned. The Council also received some additional Covid related funding in 2021-22, and £11.2m of this has been carried forward to complete Covid related commitments in 2022-23. Unallocated reserves were £10.7m, and General Fund reserves stood at £19.5m. The General Fund Balance 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 (page 20) 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 £104.7m on long term assets, as part of its Capital Programme. £4.2m from the sale of property was both received and used to fund capital spend during the 2021-22 year. £62.8m of spend was financed by grants and other third party contributions, £34.6m from borrowing and the remainder direct revenue contributions.
- The Council holds £60.3m of grants provided by external public sector bodies, which will be used in the future to finance the Capital Programme.
- The Council has £709.2m remaining of borrowing for past spend on capital investment. £146.1m of this borrowing is in the form of contractual Private Finance Initiative liabilities. £3.5m mainly relates to miscellaneous historical debt. £186.9m is temporarily borrowed from the Council's own cash held in earmarked reserves, reducing interest payments. The remaining £372.7m is actual borrowing from the Public Works Loan Board, LOBO'S and short term borrowing.
- Against the £709.2m of borrowing, the Council has £1,016.1m 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 2021-22 balance sheet value of the Council's non-current assets (including current assets held for sale and excluding long term debtors) is £1,016.1m. This has decreased by £5.8m from the 2020-21 value of

£1,021.9m. Capital enhancements to the value of £72.7m were made to these assets during 2021-22 and Assets to the value of £18.6m were disposed of during the year. Also Non-current assets were depreciated by £34.799m during 2021-22.

- The Council's estimated pension fund deficit has decreased to £896.649m, based on an estimate made in accordance with accounting rules. The overall defined benefit obligation has increased and this has been primarily due to a remeasurement of the fair value of assets following actuarial losses caused by changes 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 2021-22 with a deficit position for both Business Rates and Council Tax. The Council's own share was a £18.0m deficit on Business Rates, with the Government holding a £18.3m deficit (page 84). The significant Collection Fund deficit for 2020-21 has arisen largely in relation to reductions being applied to business rates. These reductions reflected central government's support for businesses, in response to the COVID-19 pandemic, by awarding expanded retail discounts and nursery reliefs, meaning that less rates were billed and therefore collectable in 2021-22. The business rates reductions are funded by central government through Section 31 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 accounts.

Updated Points to Note

- The audit process is progressing well.
- The accounts have been amended for a material change in Pension, following an updated pension report.
- A number of minor amendments have been made to narrative in the report.
- Governance and Audit have been notified of an immaterial, client identified error.
- The audit process is ongoing and is anticipate that the bulk of the audit will be completed by the end of November 2022.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There are no specific risk management issues.

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 EQUALITY & DIVERSITY

There are no specific equality and diversity issues arising from this report.

7.2 SUSTAINABILITY IMPLICATIONS

There are no specific sustainability implications arising from this report.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

There are no specific greenhouse gas emissions impacts arising from this report.

7.4 COMMUNITY SAFETY IMPLICATIONS

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

7.5 HUMAN RIGHTS ACT

There are no specific issues arising from this report.

7.6 TRADE UNION

➤ The Director of Human Resources may advise on this aspect.

7.7 WARD IMPLICATIONS

There are no specific issues arising from this report.

7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

Nil

7.9 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

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

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

There are no specific issues arising from this report.

8. NOT FOR PUBLICATION DOCUMENTS

Nil

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

That the financial position of the Council's draft Statement of Accounts 2020/21 be noted.

11. APPENDICES

None

12. BACKGROUND DOCUMENTS

None