

Report of the Director of Finance to the meeting of Governance & Audit to be held on 23 March 2023

AE

Subject: 2021-22 audited Statement of Accounts

Summary statement:

This report presents the Council's 2021-22 audited statement of accounts.

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

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Director of Finance

Portfolio:

Corporate Services

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Overview & Scrutiny Area:

Corporate Services

1. SUMMARY

- This report presents the 2021-22 audited Statement of Accounts (Appendix A) and summarises the key financial points arising.
- The recommendation contained in this report is to approve the audited 2021-22 statement of accounts.

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 prepared the draft statement of accounts for 25th July 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.

3. OTHER CONSIDERATIONS

- Following on from 25th July 2022, the 2021-22 statement of accounts were externally audited during the months of September 2022 to March 2023.

4. (A) FINANCIAL & RESOURCE APPRAISAL

- The key financial implications as at 31 March 2022 from the 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 £60.4m 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 £1,060.4m 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 £1,060.4m. This has increased by £38.5m 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. A revaluation programme that included schools, sports centres and investment properties increased values by £19.2m.
- The Council's estimated pension fund deficit has decreased to £870.558m, 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.

4 (B) Audit Completion Report

- There are five misstatements in the final accounts have not been adjusted for. Three relate to property valuations, one relates to income and spend being accounted for in the incorrect year and an over provision related to the impairment of general bad debt, a decision was taken not to adjust based on materiality.
- With regard to the Infrastructure issue that has caused a National delay in the 2021-22 accounts, detailed analysis has been undertaken. The resultant impact on the disclosure figures for Bradford Council is immaterial therefore figures have not been amended from the draft Statements. Disclosure note format has been amended to comply with statutory override which came into force on the 25th December 2022.
- Property valuations have been revised, resulting in an increase in Property, Plant and Equipment valuations of £44.35m.
- Other minor misstatements have been adjusted for.

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 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 CORPORATE PARENTING

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

None

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

That the 2021-22 statement of accounts are approved by the Governance and Audit Committee.

11. APPENDICES

Appendix A: 2021-22 Statement of Accounts

12. BACKGROUND DOCUMENTS

None

