

Report of the Director of Finance to the meeting of Governance & Audit to be held on 21 September 2023

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Subject: 2022-23 Draft Statement of Accounts

Summary statement:

This report presents the Council's 2022-23 draft 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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Director of Finance

Portfolio:
Corporate Services

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Overview & Scrutiny Area:
Corporate Services

1. SUMMARY

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

The recommendation contained in this report is to note its contents. The contents of this report are for the purpose of providing an update to the members of Governance and Audit Committee.

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 2023 and its income and expenditure for the year ended 31st March 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, 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.

The 2021-22 Accounts are not yet formally closed due to national technical audit issue relating to a late pension revaluation and also a proposed adjustment to reverse an element of previous years Minimum Revenue Provision (MRP). The proposed MRP adjustment, which is subject to audit, could potentially have a material impact on the opening reserves balance in the 2022-23 accounts.

3. OTHER CONSIDERATIONS

Following on publication of the draft 2022-23 statement of accounts for public inspection, external audit is planned to take place during the months of September to November 2023.

The Committee will be further updated on the external audit progress in its November meeting. It is anticipated at this stage that the audited statement of accounts will be presented to the Governance and Audit Committee for approval in January 2024.

The 2021-22 Accounts is near to be concluded, this should have no impact on the planned audit process for 2022-23. Remaining issues from the 2021-22 accounts including the late national pension fund valuations and flexible use of capital receipts adjustment are near resolved. Implementation of the amended MRP policy adjustment is in process of discussion with the auditor, it will only form part of the opening balance adjustment in 2022-23 where applicable.

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 £171.4m (Council £120.7m and Schools £50.7m) (**Note 5 page 51**). 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 £120.7m Council reserves (General Fund £22.3m, revenue grant reserve £17.4m, service specific reserves £45.7m 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 reserve was £22.3m as reported in the draft accounts, however, it could potentially be increased by further £23m presuming the MRP adjustment in 2021-22 can be made. 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 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 the sale of property was received and partially used to fund capital spend 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 £769.5m remaining of borrowing for past spend on capital investment. £138.2m of this borrowing is in the form of contractual Private Finance Initiative liabilities. £3.5m mainly relates to miscellaneous historical debt. £162.7m 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 £769.5m of borrowing, the Council has £1,091.1m 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 2022-23 balance sheet value of the Council's non-current assets (including current assets held for sale and excluding long term debtors and long term investment) is £1,091.1m. This has increased by £97.2m from the 2021-22 value of £1,060.4m. Capital enhancements to the value of £114.8m were made to these assets during 2022-23 and Assets to the value of £62.7m were disposed of during the year. Also Non-current assets were depreciated by £38.4m during 2022-23. A revaluation programme that included buildings, park land and investment properties increased values by £7.4m.
- The 2022-23 balance sheet value of the non-current asset includes a net pension asset of £62.9m, the primary reason for this was a reduction in the current value of the pension liabilities because of large improvement to the actuarial assumptions, and in para significant increase in the discount rate which is used for determining the current value of the future pension liabilities.
- 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 104**). 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 draft accounts.

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 draft statement of accounts are considered by the Governance and Audit Committee.

11. APPENDICES

Appendix A: 2022-23 Draft (Unaudited) Statement of Accounts – will follow shortly as it is being reviewed.

12. BACKGROUND DOCUMENTS

None