

Committee: **Governance & Audit Committee**

Date of Meeting: **1<sup>st</sup> December, 2023**

Report Subject: **Draft Statement of Accounts 2022/2023**

Portfolio Holder: **Councillor Steve Thomas, Leader / Cabinet Member  
Corporate Overview and Performance**

Report Submitted by: **Rhian Hayden, Chief Officer, Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	16/11/23		22/11/23					Statutory Returns; Financial Governance

## 1. Purpose of the Report

- 1.1 To present for information the 2022/2023 Draft Statement of Accounts and the Authority's financial standing as at 31 March 2023 (subject to Audit).

## 2. Scope and Background

- 2.1 The requirements for preparation, inspection, audit, approval and publication of Local Authority annual accounts are specified in the Public Audit (Wales) Act 2004 [the 2004 Act] and the Accounts and Audit (Wales) Regulations 2014 [the 2014 Regulations] as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 2.2 Section 25 of The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 specifies that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting ("the Code") represents proper practice in preparing local authority accounts in compliance with section 8(1) of the 2014 Regulations.
- 2.3 Section 10A of the amended 2014 Regulations requires the following:

Requirement	Deadline
A provisional (i.e. pre-audit) Statement of Accounts to be fully prepared and certified by the Chief Officer - Resources as presenting a true and fair view of the Authority's financial position and its income and expenditure for the year ended 31 March 2023	31 May 2023
Publication of a final audited Statement of Accounts	31 July 2023

2.4 Without amending the statutory deadlines for the preparation, publication and audit of accounts for 2022/2023, Welsh Government agreed to the following extended timetable:

Requirement	Deadline
A provisional (i.e. pre-audit) Statement of Accounts to be fully prepared and certified by the Chief Officer - Resources as presenting a true and fair view of the Authority's financial position and its income and expenditure for the year ended 31 March 2023	31 August 2023
Publication of a final audited Statement of Accounts	31 December 2023

2.5 Where deadlines specified in the amended 2014 Regulations are not met, the Authority is required to publish the required statutory notice(s).

2.6 Section 11 of the 2014 Regulations and Section 29 of the 2004 Act require that the Accounts and other documents are made available for public inspection for 20 working days. The period of public inspection has been advertised and takes place from Friday 1 December 2023 to Friday 22 December 2023 and from Tuesday 2 January 2024 to Friday 5 January 2024.

2.7 The documents available for public inspection are specified by Section 30 of the 2004 Act and the security and control of this information is managed by senior staff within Accountancy during the period.

2.8 Section 31 of the 2004 Act provides for local electors to make objections to the External Auditor regarding any item of account that is contrary to law or any matter that could result in a report in the public interest. The Auditor General has confirmed that the date on or after which these rights can be exercised is Monday 8 January 2024.

2.9 Following the detailed examination by Audit Wales the Accounts will be re-presented to the Governance & Audit Committee for approval. Following approval at that meeting, the person presiding over the meeting (normally the Chair or Vice-Chair of the Committee) is required to sign and date the Accounts on behalf of the Council.

2.10 If the final statutory report presented by Audit Wales were to contain any material qualification issues, the audited Statement of Accounts may also need to be reported to Council.

### 3. Options for Recommendation

3.1 The Governance & Audit Committee receives the Draft 2022/2023 Statement of Accounts for information, prior to consideration for approval on completion of the financial audit.

4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 The Statement of Accounts is prepared in accordance with relevant statutory and regulatory provisions, accounting codes of practice and accounting standards. It details the financial transactions of the Authority for the 2022/2023 financial year and the value of assets, liabilities and reserves at the balance sheet date (31 March 2023).

5. **Implications Against Each Option**

5.1 ***Impact on Budget (short and long term impact)***

5.1.1 Revenue Expenditure and Outturn (*note 5.1 on page 3 of the Draft Statement of Accounts*) reports Draft Net Outturn on Portfolios included in Management Accounts (excluding School Spending) as being £167.959m. This represents a provisional favourable variance of £1.228m compared to the revised budget for the year.

5.1.2 Further accounting adjustments are required to the Management Accounts position in order to comply with the Accounting Code. Detail of these adjustments can be found in the 'Expenditure and Funding Analysis' and notes on pages 35-38 of the Draft Accounts.

5.1.3 Application of these adjustments results in an accounting surplus of £1.885m which equals the net amount of transfers to and from earmarked reserves in accordance with accounting requirements and the Council's agreed protocol. The Council Fund General Reserve has been maintained at £13.067m (*note 13, page 11*).

5.1.4 Capital Expenditure on schemes for the year amounted to £47.849m (*note 6, page 5*), this being financed by Government Grants (£43.378m), Other Borrowing (£3.880m) and capital receipts/revenue contributions (£0.591m).

5.1.5 Where required by the Accounting Code and IAS 37 (*Provisions, contingent liabilities and contingent assets*), specific sums have been provided in relation to known liabilities. Total provisions held at 31 March 2023 amounted to £3.170m (*note 34.2 on page 82 of the Draft Accounts*), with the most significant provisions being in respect of Insurance (£2.505m) and Lease Dilapidation (£0.663m).

5.1.6 The level of usable reserves available to the Authority decreased by £24.347m in 2022/2023. A summary of the provisional strategic financial position of the Authority is given below:

Usable Reserves	31 March 2023	Increase/ (Decrease)	31 March 2023
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Council Fund</b>	13,067	0	13,067
<b>Earmarked Reserves</b>	32,185	1,777	33,962
<b>Usable Capital Reserves</b>	40,027	(26,124)	13,903
<b>Total Usable Reserves</b>	<b>85,279</b>	<b>24,347</b>	<b>60,932</b>

5.1.7 It is prudent to maintain a level of reserves that is appropriate and adequate to meet the estimated internal and external financial risks faced by the Authority.

5.1.8 The provisional Council Fund balance of £13.067m at 31 March 2023 equates to 8.24% of net revenue expenditure, this provides a buffer to deal with unexpected future issues and restrictions or reductions in central government funding.

5.1.9 Significant elements of earmarked reserves held at 31 March 2023 relate to grant funding in respect of specific projects or services that will be utilised in delivering the relevant service outcomes during 2023/2024.

## 5.2 ***Risk including Mitigating Actions***

5.2.1 Achievement of the statutory requirements in relation to the annual accounts is important in terms of demonstrating that the Authority has the appropriate governance arrangements in place to manage the reporting of its strategic financial affairs. Failure may result in reputational damage for the Council. A planned approach is utilised to ensure that, as far as possible, statutory requirements are met.

## 5.3 ***Legal***

5.3.1 The requirements for preparation, inspection, audit, approval and publication of Local Authority annual accounts are specified in the Public Audit (Wales) Act 2004 [the 2004 Act] and the Accounts and Audit (Wales) Regulations 2014 [the 2014 Regulations] as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.

#### 5.4 **Human Resources**

5.4.1 There are no direct personnel/staffing implications arising out of this report.

#### 5.5 **Health and Safety**

5.5.1 Not applicable.

### 6. **Supporting Evidence**

#### 6.1 **Performance Information and Data**

6.1.1 The Draft Statement of Accounts for 2022/2023 has been prepared in accordance with the relevant statutes, regulations, accounting codes and standards.

6.1.2 As the statutory deadline of 31 May 2023 was not met, the required notice was published on the Council's website outlining the reasons for the lack of certification at that time and the intended course of action to be taken to resolve this situation.

6.1.3 Another notice was published on 31 July 2023, as the Accounts were not completed and audited by that date.

6.1.4 The Draft Statement of Accounts for 2022/2023 was completed on 13 November 2023, after the extended Welsh Government deadline of 31 August, and were published on the Council's website.

6.1.5 Whilst the Council had initially intended to prepare its Draft Accounts in accordance with the statutory requirements (i.e. by 30 May 2023), this has been significantly delayed due to the following:

##### ***Completion of the 2021/2022 Accounts***

6.1.5.1 The Council's Accounts for 2021/2022 were qualified due to the potential misstatement of depreciation charges and the net book value of assets, resulting from the absence of a systematic and regular review of the estimated useful life of assets. Resolution of this issue resulted in a significant delay in finalising the 2021/2022 accounts, with these being completed in October 2023. This had a consequential impact on the preparation of the 2022/2023 Accounts.

##### ***Asset Life and Valuation Information***

6.1.5.2 In order to correct the potential misstatement of depreciation charges and the net book value of assets which had delayed the completion of the 2021/2022 Accounts, the Council has engaged the services of an external valuer to provide the asset life and valuation information for the 2022/2023

Accounts. The valuers were appointed in May 2023 and provided draft information in September, which delayed the preparation of the Draft Accounts for 2022/2023.

- 6.1.6 The delay in completing the Draft Accounts has impacted on the commencement of the statutory audit by Audit Wales. As a consequence, the extended deadline for completion of the 2022/2023 Accounts and audit (31 December 2023) will not be achieved.
- 6.1.7 The External Auditor has indicated that the audit will be substantially complete by March 2024.
- 6.1.8 The period of public inspection will take place from Friday 1 December 2023 to Friday 22 December 2023 and from Tuesday 2 January 2024 to Friday 5 January 2024. The date on or after which electors may exercise their rights to objections is Monday 8 January 2024.
- 6.1.9 If there are any matters to be reported to Members arising out of the above, then these will be reported separately. Any issues arising from the external audit of the Statement of Accounts or objections raised during the inspection period will be presented to the Governance & Audit Committee as part of the Auditor's formal Audit of Financial Statements.
- 6.1.10 Section 22 of the 2004 Act requires the External Auditor to consider whether a report should be made in the public interest for any matter arising during the course of the audit, including from objections made following public inspection.

## 6.2 ***Expected outcome for the public***

- 6.2.1 Preparation, publication and approval of statutory accounts helps demonstrate stewardship of the Authority's resources and its ability to provide services to the local community in the short and long term.

## 6.3 ***Involvement (consultation, engagement, participation)***

- 6.3.1 Not applicable.

## 6.4 ***Thinking for the Long term (forward planning)***

- 6.4.1 Preparation of statutory accounts helps demonstrate stewardship of the Authority's resources and its ability to provide services to the local community in the short and long term.

6.5 ***Preventative focus***

6.5.1 Not applicable.

6.6 ***Collaboration / partnership working***

6.6.1 Not applicable.

6.7 ***Integration (across service areas)***

6.7.1 Not applicable.

6.8 ***Decarbonisation and Reducing Carbon Emissions***

6.8.1 The Statement of Accounts is currently not required to include information relevant to decarbonisation and reduction of carbon emissions.

6.9 ***Integrated Impact Assessment (All decisions, policy reviews or policy implementation will now require a completed Integrated Impact Assessment).***

6.9.1 An Integrated Impact Assessment has not been completed for the Statement of Accounts, which provides an objective and audited report of the Authority's transactions for the financial year and balance sheet position at the year-end. This information can be utilised in making decisions that might help to reduce the inequalities of outcome associated with socio-economic disadvantage.

7. **Monitoring Arrangements**

*State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements*

7.1 The Council takes into consideration the provisional financial standing of the Authority as reported within the attached Draft Statement of Accounts for 2022/2023 when monitoring budgets for 2023/2024, setting a Revenue Budget for 2024/2025 and in developing future medium term spending plans.

**Background Documents / Electronic Links**

-