



Borough of Telford and Wrekin

Audit Committee

24 January 2023

2021/22 Statement of Accounts

Cabinet Member:	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services
Lead Director:	Ken Clarke - Director: Finance & Human Resources
Service Area:	Finance & Human Resources
Report Author:	Pauline Harris - Finance Manager: Corporate Finance
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Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	Not Applicable
Report considered by:	Audit Committee – 24 January 2023

1.0 Recommendations for Decision/Noting

It is recommended that Audit Committee

- 1.1 Approve the 2021/22 Statement of Accounts attached Appendix A
- 1.2 Grant delegated authority to the Director: Finance & Human Resources, following consultation with the Chair, to make any final changes required to the Statement of Accounts prior to publication

2.0 Purpose of Report

- 2.1 To provide Members with an update on the audit of the Council's accounts for 2021/22 and present the Statement of Accounts for approval. It should be noted that at the time of writing this report Grant Thornton are still finalising their audit work and delegated authority is therefore sought to make any final changes required prior to publication.

3.0 Background

- 3.1 The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice which continues to add a level of complexity.
- 3.2 In accordance with the Accounts and Audit (England) Regulations 2015 and associated Amendment regulations, the Chief Financial Officer certified the draft statement of accounts in May. These were presented to Audit Committee on the 26 May 2022, made available for public inspection and provided to the external auditors to undertake the audit of accounts. As required by regulation, the updated statement of accounts is now presented to members for approval, prior to publication. This Committee has delegated authority to approve the council's audited Statement of Accounts.
- 3.3 It is anticipated that Grant Thornton, the Council's external auditors will give the accounts an unqualified audit opinion and they will provide an update on their audit work to Members at this meeting of the Committee.
- 3.4 A number of changes to the accounts have been identified, which have been agreed and included in the updated Statement of Accounts appended to this report. Further details of these can be found in section 4 below. The changes do not affect the outturn position or General Fund Balance which remain as reported to Cabinet on 23 June 2022 (an underspend against budget of £0.048m, equivalent to -0.04% of the net budget).
- 3.5 Following approval, and any final changes required, the Statement of Accounts will be published on the Council's web site and a copy will be circulated to Audit Committee Members.

4.0 Summary of main proposals

- 4.1 A number of changes have been made to the accounts during the course of the audit, after discussion with Grant Thornton. None of these has impacted on the General Fund Balance position previously reported and noted above. In summary, the changes include:
- **Infrastructure Assets** – a specific, technical and sector-wide matter relating to the reporting of infrastructure assets (such as highways, footpaths and bridges) arose during the audit relating to the value of the assets shown in local authority accounts. The Department of Levelling Up, Housing and Communities (DLUHC) issued a Statutory Instrument, which came into force on 25 December 2022, which together with changes to the CIPFA Accounting Code have been put in place to address the issue. The Statutory Instrument is a temporary statutory over-ride which allows local authorities to treat the value of any replaced component of infrastructure assets as nil; and removes the requirement to make prior period adjustments. The Council will therefore adopt this approach and the disclosures in the Statement of Accounts have been updated as required. At the time of writing this report Grant Thornton

had not completed the audit work required following this unavoidable late amendment.

- **Accounting Treatment of Investment Property Revaluations [£2.002m]** – revaluations relating to two properties had been incorrectly processed through the revaluation reserve i.e. treated as Property, Plant and Equipment revaluations, rather than Investment Property Revaluations. The accounting treatment has been corrected so that the revaluations are correctly processed, ultimately flowing through the Capital Adjustment Account.
- **Pension Liability [£5.572m]** – as part of the Shropshire Pension Fund audit an understatement in the Fund's Net Assets c. £19m was identified, relating to the timing of valuations included in the Pension Fund draft accounts. Due to the amount involved, the Council requested updated Pensions Accounting (IAS 19) figures which have been included in the final Statement of Accounts. This has reduced the Net Pension Liability on the Balance Sheet and impacted on other associated Pensions entries.
- **Group Accounts Revaluations** – previously Nuplace valuation changes were incorporated into the Group Accounts as Property, Plant & Equipment (PPE). Following discussion with Grant Thornton it was agreed that this should be consolidated as Investment Property. However, in error, revaluations were consolidated as PPE, which has now been corrected for 2020/21 and 2021/22.
- Various wording/presentational changes
- The Narrative Statement, Core Financial Statements and Group Accounts have been updated to reflect all changes as appropriate.

4.2 The updated Statement of Accounts are included in Appendix A.

4.3 An unqualified audit report is anticipated.

4.4 To comply with International Auditing Standards, the external auditor will also present a separate report to those charged with governance, including recommendations, to the Audit Committee which comments on the final accounts audit.

6.0 Alternative Options

6.1 Production and publication of the statement of accounts is a statutory requirement. Changes to the Statement of Accounts have been discussed and agreed with the Council's external auditors, Grant Thornton.

7.0 Key Risks

7.1 The audited statement of accounts together with an unqualified audit opinion provide assurance to local taxpayers, Councillors and other stakeholders about the Council's financial position and governance arrangements which is important for transparency, accountability and decision making. Without these there could be reputational, legal and financial risk.

8.0 Council Priorities

8.1 The statement of accounts summarises the cost of services provided by the Council during the year which relates to the delivery of all Council priorities.

9.0 Financial Implications

9.1 The financial impacts are detailed throughout the report.

10.0 Legal and HR Implications

10.1 The Statement of Accounts has been prepared in accordance with the 2021/22 Code of Practice on Local Authority Accounting and the 2015 Accounts and Audit Regulations (and subsequent amendments).

11.0 Ward Implications

11.1 There are no impacts on specific wards

12.0 Health, Social and Economic Implications

12.1 There are no Health, Social and Economic Implications directly arising from this report.

13.0 Equality and Diversity Implications

13.1 There are no Equality & Diversity implications directly arising from this report.

14.0 Climate Change and Environmental Implications

14.1 There are no Climate Change and Environmental Implications directly arising from this report.

15.0 Background Papers

- 1 2021/22 Draft Statement of Accounts
- 2 2021/22 Financial Outturn Report
- 3 General Ledger Reports
- 4 2021/22 Code of Practice on Local Authority Accounting
- 5 Update to the Code and specifications for future Codes for Infrastructure Assets (November 2022)

2021/22 Statement of Accounts

6 Accounts and Audit (England) Regulations 2015 and associated Amendments

16.0 Appendices

Appendix A Audited 2021/22 Statement of Accounts

17.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Director	06/01/2023	07/01/2023	KC
Finance	06/01/2023	12/01/2023	PH
Legal	12/01/2023	12/01/2023	RP