



Borough of Telford and Wrekin

Audit Committee

30 April 2024

2022/23 Audited Statement of Accounts

Cabinet Member:	Cllr Nathan England - Cabinet Member: Finance, Customer Services & Governance
Lead Director:	Michelle Brockway - Interim 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 – 30 April 2024

1.0 Recommendations for Decision/Noting

It is recommended that Audit Committee

- 1.1 Approve the 2022/23 Statement of Accounts attached Appendix A
- 1.2 Grant authority for the Chair to sign the Letter of Representation
- 1.3 Grant delegated authority to the Interim 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 2022/23 and present the Statement of Accounts for approval. At the time of writing this report Grant Thornton had substantially completed the audit 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 2023. These were presented to Audit Committee on the 31 May 2023, made available for public inspection and provided to the external auditors to undertake the audit of accounts.
- 3.3 As previously reported to Members, the 2021/22 audit was delayed. This was due to a number of factors, including a sector wide technical matter relating to the reporting of infrastructure assets (highways, Footpaths, Bridges etc.) and the requirement to consider post-balance sheet events, such as the impact of the Pension Fund triennial evaluation and Reinforced Autoclaved Aerated Concrete (RAAC). The 2021/22 delay inevitably impacted on the 2022/23 audit and in accordance with the Accounts and Audit Regulation a Notice of the delay was published on the Council's web-site in September 2023.
- 3.4 A significant number of local audits in England are outstanding. The government, working with the Financial Reporting Council (FRC) and other system partners, is taking steps to clear the backlog and put the system on a sustainable footing moving forward. This includes proposed changes to the Accounts and Audit Regulations 2015, related changes to the Code of Audit Practice and temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25.
- 3.5 The proposed changes to the Accounts and Audit Regulations will require Category 1 authorities, like Telford & Wrekin Council, to publish audited accounts for financial years 2015/16 to 2022/23 by 30 September 2024.
- 3.6 We are pleased to report that while unfortunately delayed, Grant Thornton have now substantially completed the audit for the 2022/23 Statement of Accounts and we anticipate receiving an unqualified audit opinion well ahead of the proposed back-stop deadline.
- 3.7 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.
- 3.8 As mentioned above, 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, findings and recommendations to Members at this meeting of the Committee.
- 3.9 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 15 June 2023 (an underspend against budget of £0.012m, equivalent to -0.01% of the net budget).

3.10 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, following discussion with Grant Thornton. None of these has impacted on the General Fund Balance position previously reported and noted above. In summary, the main changes are:

- **Investment Properties** (including Nuplace) – reclassified as Property, Plant & Equipment (changed during the 21/22 audit and replicated in 2022/23). All associated accounting entries updated. Note 15, Property, Plant & Equipment, now includes the Property Investment Portfolio, which is still shown in a separate column for information.
- **Accounting Treatment of Assets**– the accounting treatment of 2 assets was incorrectly classified as Vehicles, Plant & Equipment was changed as they were found to be intangible assets. This resulted in a movement of £4.124m between Vehicles, Plant & Equipment and Intangible Assets.
- **Capital Grants & Contributions** – in prior years capital grants were shown above the line against specific services; these have been moved to Taxation and Non-specific Grant Income (see Note 9).
- **Pension Liability**– The publication of the 31 March 2022 LGPS triennial valuation was an event after the 2021/22 reporting period and as such the Council obtained a revised actuarial report. The 2021/22 and 2022/23 financial statements have both been adjusted to reflect the updated position. The revised actuarial report showed the pension liability as £86.494m, an increase of £6.874m compared the figure in the draft Statement of Accounts.
- The **Single Status Provision** has been deleted and replaced with an earmarked reserve of the same amount (included in Note 29) together with a Contingent Liability being added in the form of a note highlighting the potential future liability (Note 49).
- **Debtors / Creditors** – balances adjusted to reflect incorrect allocation of debtors and creditors. Nil overall impact.
- **Reinforced Autoclaved Aerated Concrete (RAAC)** - On 30 August 2023, the Department of Education issued a list of schools affected by RAAC and also published new guidance. All records held for local authority schools in the Borough have been checked and we understand that 1 school has been affected by RAAC. Remedial works have been completed to ensure that the school could open fully for the start of the autumn term 2023 and additional works are due to be completed once more information on funding from the Department of Education is forthcoming. The Council undertakes routine inspections and surveys on all operational properties and the implications of RAAC are restricted to one operational education setting. Detailed works are ongoing, so we are currently uncertain of either the effect on the value of the assets or the potential obligations that could arise from works required. The

financial statements have been updated to include a contingent liability in respect of that educational setting.

- **Prior Period Adjustments** – (i) re-stating of income and gross expenditure by equal amounts in the CIES relating to some internal recharges being incorrectly treated; nil impact on Net Expenditure. (ii) Group Expenditure and Funding Analysis 2021/22 balances re-stated to reflect the revaluation of Group Assets which had been incorrectly presented; no impact on the Council's General Fund balance.
- Various wording and 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.

5.0 Alternative Options

5.1 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.

6.0 Key Risks

6.1 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.

7.0 Council Priorities

7.1 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.

8.0 Financial Implications

8.1 The financial impacts are detailed throughout the report.

9.0 Legal and HR Implications

9.1 The Statement of Accounts has been prepared in accordance with the 2022/23 Code of Practice on Local Authority Accounting and the 2015 Accounts and Audit Regulations (and subsequent amendments).

2022/23 Statement of Accounts

9.2 A Notice of Audit Delay was published on the Council's web-site in accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations on 30 September 2023.

9.3 As mentioned in the report, the Government are working on measures to resolve the audit back-log which includes proposed changes to the 2015 Accounts & Audit Regulations, the Audit Code of Practice and the Code of Practice on Local Authority Accounting.

10.0 Ward Implications

10.1 There are no impacts on specific wards

11.0 Health, Social and Economic Implications

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

12.0 Equality and Diversity Implications

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

13.0 Climate Change and Environmental Implications

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

14.0 Background Papers

- 1 2022/23 Draft Statement of Accounts
- 2 2022/23 Financial Outturn Report
- 3 General Ledger Reports
- 4 2022/23 Code of Practice on Local Authority Accounting
- 5 Code for Infrastructure Assets (November 2022)
- 6 Accounts and Audit (England) Regulations 2015 and associated Amendments

15.0 Appendices

Appendix A Audited 2022/23 Statement of Accounts

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Director	24/04/2024	24/04/2024	MLB
Finance	24/04/2024	25/04/2024	PH
Legal	24/04/2024	25/04/2024	RP