

AUDIT AND GOVERNANCE COMMITTEE

10 MARCH 2023

STATUTORY ACCOUNTS 2022/23 PROGRESS, ACCOUNTING POLICIES AND ESTIMATES

Recommendation

- 1. The Chief Financial Officer recommends that:**
 - a) The work in preparation for the 2022/23 Statutory Accounts be noted;**
 - b) Consideration be given to the implications of the revised statutory deadline for the draft Statutory Accounts of 31 May 2023;**
 - c) The accounting policies for 2022/23 be approved; and**
 - d) Management arrangements to identify and evaluate accounting estimates be noted.**

Background

2. This report provides a review of the County Council's accounting policies and estimates and an update on progress against the 2022/23 statutory accounts workplan.

Accounting Policies 2022/23

3. The accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the financial effects of transactions and other events are reflected in the financial statements. As in previous years, the notes to the 2022/23 Statement of Accounts will include the relevant accounting policies.

4. Following a review, there is one change to the Council's accounting policies for 2022/23, which is the introduction of a de minimis level of £5,000 for capitalisation. There is no de minimis level introduced for capital expenditure by schools.

5. There are other amendments to the wording of our accounting policies for the 2022/23 accounts, however these are not changes to the policies themselves, but rather expansion of detail in our accounts to clarify existing policies.

6. Appendix 1 to this report details the Accounting Policies and any proposed changes for 2022/23.

Statutory Accounts Progress Update

7. The Central Finance Team are on target with both the preparation work required for the Statutory Accounts production, and with responses to support external audit

planning and initial risk assessment activity.

8. The statutory deadlines for the 2022/23 accounts are for draft statements to be published no later than 31 May 2023, and for external Audit sign-off to be completed by 30 September 2023. The Council's detailed closedown plan is built around these deadlines.

9. The next Audit and Governance Committee meeting is currently scheduled for 21 July 2023. Therefore Committee will need to consider the appropriate course of action to enable approval of the draft accounts. The preferred option would be to schedule an additional Committee meeting at the end of May. Alternatively, delegated authority could be granted for approval to the Chief Financial Officer, in consultation with the Committee Chairman and Vice-Chairman.

10. Asset valuations will be performed in the main by Wilks Head & Eve (WHE), who have been our valuers since 2020/21. The number of assets valued is significantly higher this year than previously planned on the rolling 5-year programme. This is to reduce the number of assets that hold a value based on a valuation by the previous valuer, Place Partnership Ltd. (PPL). We have calculated that once the 2022/23 valuation exercise is completed, around 99.8% of our assets by net book value will have a WHE assessment as the basis for their value on the balance sheet.

11. The Energy from Waste (EfW) asset is to be revalued by Hilco Valuation Services, as was the case in previous years, due to the specialist nature of this asset.

12. Work instructions have been issued and valuation works will include a period to allow discussion and challenge prior to the presentation of the formal reports.

13. The Central Finance Team have delivered training to Service Finance staff on closedown procedures, with a particular focus on some issues identified during the 2021/22 external audit. Detailed closedown deadlines and instructions have also been issued to all relevant stakeholders.

14. In 2022/23, Worcestershire County Council (WCC) will prepare group accounts to include the relevant transactions and balances from our material interests in other entities which we have determined to meet the definition of a subsidiary, associate or joint venture. Our assessment of the group boundary remains as per 2021/22:

- Worcestershire Children First (WCF) is a 100% wholly-owned subsidiary of WCC
- West Mercia Energy (WME) is a joint venture

Worcestershire Children First (WCF)

15. The Council controls the entity, established as company limited by guarantee, by virtue of its 100% shareholding. WCF will be accounted for as a subsidiary with line-by-line consolidation into the group accounts, in accordance with IFRS 10: Consolidated Financial Statements.

West Mercia Energy Joint Committee (WME)

16. WME is constituted as a Joint Committee; WCC is one of four constituent authorities alongside Shropshire Council, Herefordshire Council, and Telford &

Wrekin Council. In accordance with IFRS 11: Joint Arrangements, WME will be accounted for as a joint venture in the 2021/22 Group Accounts on the basis that a collaborative arrangement exists. WCC had joint control, there is a separate vehicle in place, and WCC has rights to 25% of the net assets of the arrangement.

Accounting Estimates 2022/23

17. The preparation of financial statements requires management to make judgements, estimates and assumptions which affect the value of assets and liabilities reported at the balance sheet date and amounts recognised as income and expenditure in the year.

18. The material accounting estimates which affect balances and transactions in the year for the year ending 31 March 2023 have been identified by management as; valuation of land and buildings, depreciation and impairment, measurement of financial instruments, and the valuation of defined benefit net pension fund liabilities.

19. Our assessment of material accounting estimates in year includes consideration of the requirement for specialised skills and knowledge from management experts e.g. asset valuations and investments, a review of the methods, models and assumptions used to inform the accounting estimates and consideration of the degree of estimation uncertainty relevant to each accounting estimate.

20. The notes to the 2022/23 financial statements will disclose the material accounting estimates included in our balances and transactions, and the models and assumptions on which they are based. Where a risk of material uncertainty has been identified, the notes will include additional information to disclose the sensitivity of values to the assumptions and uncertainties and the range of reasonably expected outcomes relevant to the balance or transaction.

21. Management's assessment of material accounting estimates in 2022/23 is included as an Appendix to this report.

Contact Points

Specific Contact Points for this report

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Supporting Information

- Appendix 1: 2022/23 Accounting Policies
- Appendix 2: 2022/23 Accounting Estimates

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.