

AUDIT AND GOVERNANCE COMMITTEE

26 MAY 2023

DRAFT ANNUAL STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Recommendation

- 1. The Chief Financial Officer recommends that the draft Final Accounts Pack, including the Statement of Accounts for the financial year ended 31 March 2023, be noted.**

Background

2. The County Council is required to prepare annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015, and the 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the Council, reflecting the Council's outturn position and year-end net asset position.

3. This report sets out an update of the work completed to date on the Statutory Accounts and the process for their publication. The external audit is being carried out by the Council's External Auditor, Grant Thornton UK LLP, and their audit plans for the County Council (and Pension Fund) accounts are included as a separate Agenda Item at today's meeting and should be read in conjunction with this report.

Key issues arising

4. Following a later deadline (through the Accounts and Audit (Amendment) Regulations 2021) in recent years due to the impact of the COVID-19 pandemic, for 2022/23 accounts the statutory deadline for Local Authorities to publish their draft accounts has reverted to 31 May, with the public inspection to commence on or before the first working day of June 2023

5. The Council has completed the 2022/23 draft accounts to its planned timetable and has continued to enhance its supporting evidence and working papers in response to prior year audit findings, with a focus on clarity of financial reporting, particularly in areas that involve estimation and judgement.

6. The Council's external auditors Grant Thornton have indicated that that audit fieldwork will be completed by the External Audit team with weekly on-site presence over July, August and September. Central Finance will begin the collection and preparation of evidence and working papers required for the external audit.

7. It is anticipated that Worcestershire will be able to complete all parts of the accounts process within statutory deadlines, with unaudited accounts being presented today, and audited accounts at the committee meeting scheduled for 22 September 2023.

Table 1: Accounts Process

Area	Council Plan	Statutory Deadline
Publication of Draft Accounts	30 May 2023	31 May 2023
Public Inspection Period	30 May to 11 July 2023	Commence on or before 1 June 2023
Publication of Audited Accounts	22 September 2023	30 September 2023

8. These draft accounts and the draft Annual Governance Statement are also scheduled to be reported to Cabinet at its meeting on 29 June 2023.

9. The financial position reported in the Council's Statutory Accounts for 2022/23 was an overspend of £7.3 million against the net budget of £373.2 million, with an accounting deficit taking into account pension actuarial costs, capital costs and other financial adjustments, of £43.1 million.

10. The impact of other movements, such as asset revaluations, and an actuarial review of the assets and liabilities in the Pension Fund, has been to generate an overall **surplus for WCC of £547.6m**. The equivalent figure for 2021/22 was a £73.1m surplus.

11. The County Council's General Fund reserve balance has remained at £14.3 million, and there has been a decrease of £13.6 million on available earmarked reserves taking their balance at 31 March 2023 to £144.4 million, including Schools and PFI Reserves.

Table 2: Reserves

	Balance at 31 March 2022	Movement in-year	Balance at 31 March 2023
	£m	£m	£m
Corporate Priority Reserves	56.5	0.7	57.2
Grant Reserves	44.4	(10.7)	33.7
Corporate Funding/Insurance	43.5	3.7	47.2
Schools Reserves	5.4	(0.9)	4.5
PFI Reserves	7.8	(6.3)	1.5
Total Earmarked Revenue Reserves	157.7	(13.6)	144.1
General Fund Reserve	14.3	0.0	14.3
Capital Grants Unapplied	2.7	(2.7)	0.0
Capital Receipts Reserve	63.5	13.6	77.1
Total Usable Reserves	238.2	(2.6)	235.6

12. The cumulative DSG deficit brought forward from last financial year was £11.3 million which will now be increased by £9.0 million deficit from 2022/23 and the deficit to carry forward into 2023/24 is now £20.3 million. In line with the School and Early years Finance (England) Regulations 2020, the DSG earmarked reserve was reclassified as an unusable reserve from 1 April 2020 and therefore now excluded from the above table.

13. We instructed external valuers Wilks Head & Eve to perform the Land & Building asset valuations in 2022/23 in line with our rolling programme. Valuations were completed as per the planned timetable and revaluations have been processed to update carrying values at 31 March 2023 and are reflected in the 2022/23 draft accounts.

14. The external audit fieldwork and Value for Money assessment will continue over August and September and members will be updated on audit findings at the September 2023 Committee meeting.

Contact Points

Specific Contact Points for this report

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Supporting Information

- Appendix: Draft Annual Financial Report and Statement of Accounts 2022/23

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.