

AUDIT AND GOVERNANCE COMMITTEE

8 MARCH 2024

STATUTORY ACCOUNTS 2023/24 PROGRESS, ACCOUNTING POLICIES AND ESTIMATES

Recommendation

- 1. The Chief Finance Officer recommends that;**
 - a) The work in preparation for the 2023/24 Statutory Accounts be noted;**
 - b) The accounting policies for 2023/24 be approved, and;**
 - c) 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 2023/24 statutory accounts workplan.

Accounting Policies 2023/24

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 2023/24 Statement of Accounts will include the relevant accounting policies.
4. Following a review, there are no changes proposed to the Accounting Policies for 2023/24.
5. There are some small amendments to the wording of our accounting policies for the 2023/24 accounts, however in the main these are not changes to the policies themselves, but rather to clarify existing policies.
6. The policy regarding depreciation of newly acquired/constructed assets could be considered to be a change in policy. Our current process for asset completion is to bring assets onto the fixed-asset register at P13, and our finance system automatically begins to apply depreciation from P1 the following year. Therefore, a change in policy is necessary in order to align our policies with our systems and processes.
7. Appendix 1 to this report details the Accounting Policies and any proposed

changes for 2023/24.

Statutory Accounts Progress Update

8. 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.

9. The statutory deadlines for the 2023/24 accounts are for draft statements to be published no later than 31 May 2024, and for External Audit sign-off to be completed by 30 September 2024. The Council's detailed closedown plan is built around these deadlines.

10. The next Audit and Governance Committee meeting is currently scheduled for 6 June 2024. This means that the draft financial statements are to be published prior to Committee review.

11. Asset valuations will be performed in the main by Wilks Head & Eve (WHE), who have been our valuers since 2020/21. As in 2022/23, the number of assets valued is significantly higher this year than initially 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 2023/24 valuation exercise is completed, 100% of our assets will have a WHE assessment as the basis for their value on the balance sheet.

12. 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.

13. 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.

14. The Central Finance Team have issued detailed closedown deadlines and instructions to Service Finance and all relevant stakeholders.

15. In 2023/24, 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 2022/23:

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

Worcestershire Children First (WCF)

16. 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)

17. 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 2023/24 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 2023/24

18. 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.

19. The material accounting estimates which affect balances and transactions in the year for the year ending 31 March 2024 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.

20. 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.

21. The notes to the 2023/24 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.

22. Management's assessment of material accounting estimates in 2023/24 is included as Appendix 2 to this report.

Contact Points

Specific Contact Points for this report

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Supporting Information

- Appendix 1: 2023/24 Accounting Policies
- Appendix 2: 2023/24 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.