

Audit Committee

30 May 2023



Report of: *Director of Finance*

Title: Draft Statement of Accounts 2022/23

Ward: *City Wide*

Officer Presenting Report: *Denise Murray*

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Recommendation

The Audit Committee note, and comment on as appropriate, the draft, unaudited, Statement of Accounts for 2022/23.

Summary

The Statement of Accounts sets out the Council's financial position as at the 31 March 2023 along with a summary of its income and expenditure for the year to 31 March 2023. The financial statements are the main method of demonstrating financial accountability and stewardship.

The deadline for the publication of the draft accounts on the Council's website has returned to 31 May 2023, following an extension to 31 July for the last two years.

Paragraph 6 of this report includes a summary of significant events, changes and transactions impacting on the accounts in 2022/23.



Policy

None affected by this report. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements, namely the Local Audit and Accountability Act 2014.

Consultation

- 1. Internal**
Director of Finance
- 2. External**
None
- 3. Background and Context**

1. Although the historic decision to bring forward the timetable for publishing Local Authorities financial statements was a major challenge the Council successfully met the 2017/18 and 2018/19 timeframes in closing its accounts. However, members will be aware that due to the unprecedented circumstances due to COVID 19 the closure of accounts deadlines were extended in 2019/20, 2020/21 and 2021/22
2. The Accounts and Audit (amendment) Regulations 2022 came into force on 22 July 2022 and extended the deadline for the publication of final audited accounts to 30th November for 2021/22 accounts and then 30th September for 2022/23 accounts and the following 5 years. Therefore, the deadline for publishing unaudited accounts has reverted back to the 31st May for the 2022/23 accounts.
3. The public inspection of the accounts now reverts back to the first working day in June. Members of the public and other interested parties then have 30 working days to request access to documents relating to the financial statements for 2022/23 and related notes. Requests for information are subject to restrictions around commercial confidentiality and the protection of personal information.
4. During the same period a local elector may also raise questions relating to the accounts with the External Auditor.
5. A notice setting out the rights to public inspection of the accounts along with relevant contact details will be published at the end of July on the Council's website. The audit of the accounts will commence soon after the publication. Full details of the audit plan and timetable are yet to be issued by Grant Thornton, which sets out the timing of the audit and expected date of accounts sign off.

6. Significant events, changes, and transactions in 2022/23 include:

- I. Useable reserves have reduced overall by £66m. A significant factor contributing to this reduction is the use of £43.5m COVID related funding received in 22/22 but required for use in 22/23. £35m of this related to business rates relief for retail hospitality and leisure was directly required to offset losses in the collection fund carried forward into 22/23. The accounting arrangements for business rates and council tax mean that the deficits on the Collection Fund in 2021/22 are charged to the General Fund in future years. A further £18.3m of reserves were applied during the course of the year to help mitigate service budget variations. Other significant reserve drawdowns include £5.4m S256 grant - Healthier Together Funding for Integrated Care and the use of the General Reserve to fund the £2.7m overspend in 2022/23.
- II. In year overspends on schools' revenue reserves of £6.3m resulted in a deficit of £1.2m being carried forward in reserves. HRA reserves were reduced by a net £5.7m. This included a drawdown of £2.8m for one off fire safety (Walking Watch) and IT transformation expenditure and £2.9m from the Major Repairs reserve to fund the capital programme.
- III. New reserves created at the end of the year include:
 - Clean Air Zone reserve for grant funding of £5.1 million.
 - Clean Air Zone reserve for operational surpluses of £7.4 million.
 - Family Hubs & Start for Life Programme reserve to deliver on the aims and objectives of this grant-funded programme of £0.9 million.
- IV. At the end of 2022/23 the deficit on the Dedicated Schools Grant (DSG) adjustment account has increased by £15m, to £39.6m. The main area for concern continues to be the High Needs block where the cumulative overspend is now £42.5m. This is partially offset by underspends in the Schools Block, Early Years Block and the high needs transformation programme.
- V. The Council has several commercial investments and loans which are expected to generate both a commercial and social return. Details of such transactions with the Council's subsidiary companies are outlined in the Narrative Report to the Accounts. The main changes to the company structure in 2022/23 was the sale of Bristol Heat Networks Ltd (BHNL) to Vattenfall Heat UK Limited on 4 January 2023. At the point of sale all loan facilities have been repaid in full. The financial results

of BHNL to the point of sale have been consolidated into the Council's group accounts.

- VI. In December 2022 Cabinet approved the granting of a 20-year concession to Ameresco UK Limited, the formation of the City Leap Energy Partnership Joint Venture company. As there are no material transactions during the year with the joint venture company, and the Council has no overall control, as both the Council and Ameresco UK Limited each have two Directors each on the Board, the City Leap Energy Partnership has been disclosed as a related party in the Council's accounts.
- VII. A national issue has arisen around the 2022 triennial valuation, which may impact on the accounts for 2021/22. Certain assumptions were made by the Actuary, including the derivation of the defined benefit liability from a roll forward of the 2019 valuation. Actuaries have been asked to consider whether this will result in material changes to the 2021/22 results and therefore the brought forward figures in the actuarial reports, and therefore the Council's accounts as at 31 March 2022.
- VIII. The actuarial report made available to BCC to make the relevant adjustments to the 2022/23 accounts includes actual figures as at 31 March 2023, but unadjusted figures for the 2021/22 brought forward values. These may therefore need to be adjusted in due course when a revised actuarial report is issued.
- IX. The deficit on the Pension Fund has reduced by £670m from £1.026bn to £356m (based on existing brought forward figures.) This was due to significant changes in some of the assumptions used by the actuary. Notably, a significant increase in the rate used to discount post-employment benefit obligations (from 2.8% to 4.8%), along with improved inflation forecasts has significantly reduced liabilities. The current funding level at 31 March 2023 is an estimated 95% based on the 2022 funding plans.
- X. The number of non-school employees earning more than £50k has increased by 95, from 268 in 21/22 to 363 in 22/23. Of this increase, 74 are in the first three bands over £50k. The majority of these were service managers graded BG15 and TP1 and relates to an increase in the cost of living pay award applied during the year. This increase also includes the progression of some staff from an "appointment rate" to a "competency rate". This is achieved by evidencing certain performance criteria.

7. The Annual Governance Statement is not included within these papers as it is covered under a separate report. However, it will be incorporated into the full Statement of Accounts when published on the Council's website at the end of May.

Other Options Considered

Not applicable

Risk Assessment

None necessary for this report

Public Sector Equality Duties

None necessary for this report

Legal and Resource Implications

Legal

None arising from this report

Financial

None arising from this report.

Land

Not applicable

Personnel

Not Applicable

Appendices:

Appendix 1: Draft Statement of Accounts 2021/22

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None