

Director of Corporate Finance (Section 151 Officer) Explanatory Statement

Financial Accounts 2019/2020, 2020/2021 and 2021/2022

1.0 Introduction

Woking Borough Council's draft accounts for the financial years 2019/20, 2020/21 and 2021/22 were prepared and presented to Councillors at a specially convened meeting of the Audit and Governance Committee on Monday 29 July 2024.

This explanatory statement should be read in conjunction with those accounts and is to provide background information. This explanation here is warranted given the delays in the publication of the accounts, and the serving of a Section 114 report (under the Local Government Act 1988) on 7 June 2023.

2.0 Delays to the accounts

Essentially four factors have been instrumental in causing delays.

First, there have been delays in closing accounts and delivering audits across the English local government sector as a whole.

Second, the external auditor had not completed the work to provide an opinion on the 2019/20 accounts which had consequential impact on subsequent years.

Third, the external auditor had raised concerns relating to recoverability of loans, the approach to the application of Minimum Revenue Provision (MRP), and the going concern of Council owned entities. These concerns were not fully addressed and were overtaken by events that included Central Government Intervention, and the Section 114 report in June 2023.

Finally, there were historical issues with finance systems and processes, along with a shortage of capacity in the Council's finance directorate, which was reported in some detail in the external assurance review undertaken by the Central Government appointed commissioners, in May 2023.

Advice and support had been engaged through the Chartered Institute of Public Finance and Accountancy (CIPFA) in early 2023 to help resolve the accounting and wider issues. Following that, further external resources were procured in spring 2024, which has improved capacity in the Council's Finance team and enabled the completion of these three sets of accounts.

2.1 2019/20 accounts

The 2019/20 accounts were prepared following the end of that financial year and audit work commenced, however they were not published on the Council's website or submitted to Audit and Governance Committee and Council for consideration. These accounts are exactly as submitted for audit work, and it would not be appropriate to change them at this stage. The officer signatory is Leigh Clarke as she was the Council's statutory Chief Finance Officer at that time.

The Section 114 Report paragraph of this 'Explanatory Statement' discusses the significant re-assessment of both the revenue account and balance sheet of the Council following the Section 114 Notice issued in June 2023. The 2019/20 accounts are as they were presented to auditors – they have not been adjusted to reflect the updated position.

2.2 2020/21 accounts

In the case of 2020/21, significant work had been completed for the year in question, but much of the audit work is still outstanding. The draft accounts were placed on the Council's website.

Having reviewed them it was considered that several adjustments needed to be made to accurately reflect the position. These adjustments relate to:

- Market Loans
- Earmarked Reserves
- The Capital Financing Requirement

These accounts are in my name as statutory Chief Finance Officer. This is because these accounts have been prepared during my tenure (which commenced in April 2024), so it is appropriate that they will be signed by me. In the statement of responsibilities, I make it clear that there were limitations to the accounting records available to me and that the statements were based on the best information available. This is an important caveat.

2.3 2021/22 accounts

These statements are the accounts that the current Finance Directorate have prepared and the signatory of the statement of responsibilities is myself and I make the same caveat as for 2020/21.

3.0 The Section 114 report

The issues associated with the Section 114 notice have then led to a significant re-assessment of both the revenue account and balance sheet of the Council. Given the complex and still evolving nature of the Council's financial position, I have made the decision, in consultation with the external auditors and Commissioners, that adjustments associated with the Section 114 notice will be made in the 2023/24 accounts, rather than re-stating prior years.

4.0 Minimum Revenue Provision

Each year Councils are required by statute to make a provision in the accounts for the costs of the repayment of debt. This is the Minimum Revenue Provision (MRP), which must be calculated in line with the Council's policy on the subject. In these accounts, the MRP charge is as calculated by the Council at that time.

5.0 Reserves

As with MRP the levels of the Council's reserves are based on the financial information that was provided at that time.

6.0 Future years

There are two further years of outstanding accounts that have yet to be placed on the Council website and considered by the Audit Committee. These are for the years 2022/23 and 2023/24. These are currently being prepared and it is planned that they will be submitted to the Audit and Governance Committee and Council later in the year.

7.0 Consolidation of Woking Borough Council company accounts

The accounts presented here are for the Council's own operations. The Council also must prepare consolidated accounts for the group of companies that Woking Borough Council has a financial interest in. These consolidated group accounts are under preparation for all the financial years in question and it is planned that they will be presented to the Audit and Governance Committee and Council later in the Autumn.

8.0 Conclusion

The draft accounts have been prepared in accordance with the [CIPFA Code of Practice on Local Authority Accounting in Great Britain](#). This requires the Council to present fairly its financial position at the accounting date.

Stephen Fitzgerald, Director Of Corporate Finance (Section 151 Officer)

Woking Borough Council, August 2024