

## Appendix C

### Key areas of the Statement of Accounts reviewed and changes made

| <b>No.</b> | <b>Area</b>                                    | <b>Actions taken</b>  |
|------------|--|---|
| 1          | Statement of accounts and working papers       | <p>The format of the Council's Statement of Accounts has been amended to improve layout and presentation and to remove unnecessary or duplicated information and disclosures.</p> <p>Consistency issues were identified in the published accounts such as the grants disclosure notes not reconciling to the Expenditure and Funding Analysis as well consistency issues between the CIES and some of the notes supporting the CIES. Consistency checks have been built into the new template to ensure that the accounts are consistent throughout.</p> <p>Some disclosure notes were duplicated, such as the Financial Instruments notes.</p> <p>Working papers were mostly non-existent and the working papers that were available did not reconcile to the published accounts.</p> <p>Furthermore, the preparation and filing of supporting information has been standardised, all of which is now centrally stored so that working papers can be easily located.</p> <p>A comprehensive suite of standardised working paper templates has been introduced so that all information supporting the accounts is provided in a consistent and comprehensible format which meets external audit expectations.</p> |
| 2          | Statement of accounts and the financial system | <p>The statement of accounts was previously prepared using CIPFA's Big Red Button. Whilst, using this method means that preparation of the</p>  |

| No. | Area                    | Actions taken   |
|-----|-------------------------|---|
|     |                         | <p>statement of accounts is easier, the trail to the financial system is lost and it is difficult to establish how the accounts have been populated.</p> <p>The statement of accounts has now been fully reconciled back to the financial system which identified several issues with the mapping and missing journal entries which resulted in the financial system not reconciling to the published accounts. There is now a clear working paper in place that demonstrates how the accounts have been prepared from the financial system, ensuring there is a clear trail between the two.</p> <p>Furthermore, there were issues identified with the 2018/19 accounts which required journal entries to be posted in the financial system in order to ensure that the financial system and the accounts reconciled. Some of these entries were either posted in the incorrect period or incorrect financial year, resulting in reconciliation issues between the accounts and the financial system as well as issues with the balances rolled forward into the new financial year. These have now been corrected in the 2018/19 statement of accounts.</p> |
| 3   | Knowledge and Resources | <p>The Finance team has onboarded additional interim support with experience of dealing with similar issues at other local authorities, to provide capacity to support both the range and complexity of the work arising from the audit overrun and various issues identified.</p> <p>Comprehensive technical guidance and training has been provided to all staff involved in closedown work, through a combination of access to on-line materials and weekly technical briefings via Teams.</p>   |

| No. | Area                          | Actions taken   |
|-----|-------------------------------|---|
|     |                               | <p>Investigation of the Council's asset register identified that there was a lack of in-house knowledge on how to use the fixed asset register and a lack of guidance notes. Training on how to use the system has been provided to the relevant members of staff along with guidance notes and video demonstrations saved in a central location to ensure resilience in the future.</p>  |
| 4   | Property, Plant and Equipment | <p>A major data cleansing exercise has been completed to ensure that entries on the register are accurate, up-to-date and there is evidence of Council ownership. This included:</p> <ul style="list-style-type: none"> <li>• review against HM Land Registry records – this identified 42 properties that were not registered with HM Land Registry. Instructions have been sent to HM Land Registry and they are currently in the process of registering the Council's interest in these properties.</li> <li>• An exercise to ensure that HRA assets are reconciled to rent collection data has been completed for the years 2018/19 to 2020/21, and that beacon properties used in the valuation process are representative of the stock currently owned.</li> <li>• Review against Department for Education (DfE) records has been completed and identified 1 asset that was still held on the Council's asset register. The asset in question should have been derecognised in 2013/14.</li> <li>• Review against valuers report – identified that not all valuations had been updated in the FAR.</li> </ul> |

| No. | Area                              | Actions taken  |
|-----|-----------------------------------|--|
|     |                                   | <p>Duplicate assets and one asset that is now an academy were identified from this review. Revised valuations have been obtained from the valuers in respect of the issues identified.</p> <ul style="list-style-type: none"> <li>• Review of componentisation – this work has been concluded and has not identified any material issues or a need to componentise.</li> <li>• Review against disposal records has been completed with no issues identified.</li> <li>• Review of asset balances has identified 3 assets that were transferred to a different asset class where the revaluation balance had not been written off on transfer</li> </ul> <p>All the above have been corrected in the statement of accounts at prior period adjustments 1, 2, 17, 18 and 21 and Note 17.</p> |
| 5   | Investment Property               | <p>A review of the Council's investment property portfolio identified 132 assets misclassified as investment properties, but which should have been classed as operational assets.</p> <p>This has been corrected in the statement of accounts at Note 19.</p>   |
| 6   | Minimum Revenue Provision         | <p>Review of the Council's MRP policy and calculations identified that MRP had been materially understated by:</p> <ul style="list-style-type: none"> <li>• £27m to 31/3/2018; and</li> <li>• £6m in 2018/19.</li> </ul> <p>i.e. MRP was understated by £33m to 31/3/2019. The cumulative understatement of MRP to 31/3/22 is £69m.</p> <p>This has been corrected in the statement of accounts as prior period adjustment 7 and in Notes 15, 22 and 30d.</p>  |
| 7   | Capital expenditure and financing | <p>The new finance team identified that revenue costs for staff and</p>  |

| No. | Area                      | Actions taken   |
|-----|---------------------------|---|
|     |                           | <p>transformation were being incorrectly charged to capital. These costs have been included in the Capitalisation Direction.</p> <p>This has been corrected in the statement of accounts as prior period adjustments 12, 14 and 15 and Notes 17 and 22.</p>   |
| 8   | Financial Instruments     | <p>Review of the financial instruments disclosures highlighted that no attempt had been made to re-classify financial instruments at 1 April 2018 as required by accounting standards – this has been corrected in the restated accounts.</p> <p>Furthermore, there was no disclosure of the nature and extent of risks arising from financial instruments included in the published 2018/19 accounts.</p> <p>These have been corrected in the statement of accounts at Notes 23 and 24.</p>  |
| 9   | Cash and cash equivalents | <p>Bank reconciliation processes are being simplified and work is underway to close all bank accounts not in regular use.</p>   |
| 10  | Debtors and Creditors     | <p>Debtor and creditor balances have been reviewed to ensure that uncollectable debtors can be written off and out-of-date creditors can be written back to the General Fund. This process identified historical unsupported balances migrated from the previous financial system in 2015 totalling £4.8m requiring write-off.</p> <p>Further, there was an additional £3.8m of unsubstantiated debtors and creditors relating to the collection fund requiring write-off.</p> <p>As part of this review, bad debt provisions have been re-assessed for the collectability of debts and increased as appropriate. All feeder systems are now being reconciled to Agresso and all suspense and holding</p> |

| No. | Area   | Actions taken  |
|-----|--|--|
|     |  | <p>account balances are to be cleared with improved controls and processes being put in place (see Appendix 3).</p> <p>In addition, the review has identified a number of cases where accruals have not been raised including:</p> <ul style="list-style-type: none"> <li>• £2.2m of capital expenditure relating to 2019/20 but paid in 2020/21; and</li> <li>• £1m of DSG-related expenditure paid in 2021/22 but relating to 2020/21.</li> </ul> <p>These have been corrected for in the statement of accounts as prior period adjustments 11 and 20 and at Notes 27 and 28 to the accounts as well as the Collection Fund.</p> |
| 11  | Unusable reserves  | <p>A review of unusable reserves identified that the Accumulated Absences Adjustment Account had remained unchanged from 2017/18 with no working paper available for 2018/19. Leave balances have been obtained from Human Resources to calculate the balance required for 2018/19 supported by a comprehensive working paper and Note 30i of the accounts corrected accordingly.</p>  |
| 12  | Usable reserves  | <p>A review of unusable reserves identified that £12m of s.106 contributions had been incorrectly recognised as capital grants unapplied in 2016/17. This needed to be restated as a long-term creditor, because the conditions associated with the agreements had not been met, therefore the contributions had been incorrectly recognised as income. This has been corrected for as prior period adjustment 8.</p>  |
| 13  | Provisions, Contingent Assets and Contingent Liabilities | <p>An exercise has been undertaken to review all provisions and contingent liability disclosures for completeness. This has identified a number of</p>   |

| No. | Area                    | Actions taken   |
|-----|-------------------------|---|
|     |                         | <p>provisions which had not been identified:</p> <ul style="list-style-type: none"> <li>• £2.6m provision for refunds to tenants arising for the Thames Water v Southwark case;</li> <li>• bad debt provisions had not been reviewed for some time and were materially understated. Our review has identified that bad debt provisions in respect of General Fund items have been understated by £11m.</li> </ul> <p>These matters have been corrected in the statement of accounts at Notes 27, 29 and 37 and the HRA.</p> |
| 14  | Collection Fund         | <p>In addition to the understatement of the Business Rates appeals provision, our review identified that the bad debt provision for both Council Tax and Business Rates had been understated by £4m.</p> <p>Furthermore there was an additional £3.8m of unsubstantiated debtors and creditors relating to the Collection Fund requiring write-off.</p> <p>These issues have been corrected in the Collection Fund and Notes 27, 28 and 29.</p>   |
| 15  | Housing Revenue Account | <p>Officers have reconciled the asset register to the housing management system for council dwellings for the years 2018/19 to 2020/21. This identified minor discrepancies between the two systems and work is ongoing to identify the causes and rectify these. This does not have a material impact on the accounts.</p>   |
| 16  | Group Accounts          | <p>The Council has reassessed all of its' corporate interests and investments against Group accounting requirements. At 31 March 2019, the Council had interests in 11 companies (9 subsidiaries, 1 joint venture and 1 associate). The only company with a</p>   |

| No. | Area        | Actions taken  |
|-----|-------------|--|
|     |             | <p>different year-end to the Council is the joint venture, Slough Urban Renewal LLP (SUR), with a 31 December year-end. The Council's interest in SUR is that of joint venture which only requires consolidation on an equity basis (in contrast to line by line for subsidiaries). In view of this there is no benefit to be gained from changing the year-end of SUR LLP to 31 March. All dormant companies were wound up in 2022.</p>   |
| 17  | Assessments | <p>Two new accounting standards (IFRS 9 &amp; IFRS 15) came into effect in 2018/19. Officers failed to carry out an assessment as part of the preparation of the 2018/19 accounts. These assessments have now been carried out and necessary amendments made to the accounts.</p> <p>In addition, the going concern assessment has been updated to reflect the Council's current position.</p>   |
| 18  | Leases      | <p>Our review has identified that a lease for a plot of land to be used for an Extra Care Home development had been incorrectly accounted for as follows:</p> <ul style="list-style-type: none"> <li>a) lease rental payments of £2m had incorrectly been capitalised even though ownership of the land did not transfer to the Council. Consequently, the payments should have been charged to revenue and a prepayment recognised in 2019/20;</li> <li>b) as a result of the cancellation of the capital project in 2021, £0.6m of development costs currently charged to assets under construction will have to be written off to revenue and have been added to the Capitalisation Direction;</li> </ul> |



| No. | Area                  | Actions taken  |
|-----|-----------------------|--|
|     |                       | <p>c) also as a result of the cancellation of the project, a £4.5m provision has to be recognised for an onerous contract in respect of the remaining 40 year term of the contract.</p> <p>Furthermore, in preparation for the introduction of the new leasing accounting standard (IFRS16), work has been initiated with Place Directorate officers to identify all leases and lease type arrangements across the Council. Work is expected to be completed during 2022/23 but has highlighted that a number of spreadsheet records are being used across Directorates rather than the Council's asset management software. This carries the risk that the spreadsheet records have no audit trail, version control or completeness check.</p> <p>As the Extra Care Home lease was entered into in January 2020, it falls in the 2019/20 financial year and has no effect on 2018/19.</p> |
| 19  | Audit engagement      | <p>Regular meetings are being held with Grant Thornton to discuss technical accounting issues as they arise and agree a way forward as part of the closedown process.</p> <p>Technical accounting papers on the proposed treatment of the complex issues identified through our internal review have been shared and agreed with the auditors.</p>   |
| 20  | Infrastructure assets | <p>An issue raised in November 2021 at CIPFA/LASAAC was the accounting for infrastructure assets. One of the audit firms had queried the accounting being followed regarding replacement of components. The concern was that local authorities were not derecognising the component being replaced.</p>  |

| No. | Area                | Actions taken   |
|-----|---------------------|---|
|     |                     | <p>The argument has always been that the net book value (NBV) of the component will always be nil, because the roadway (or similar) is worn out before the local authority gets round to replacing. Therefore, it has no impact on the NBV. However, the query was that the gross book value and the gross accumulated depreciation should have been amended, but local authorities do not have the records to do this.</p> <p>The practice at Slough had been to charge all the years' expenditure on infrastructure into one asset for each year and then depreciate this as a single annual asset over an assumed asset life of 40 years.</p> <p>This suggested that the NBV of the infrastructure assets would be overstated because not all expenditure on infrastructure would have the same asset life.</p> <p>A technical paper outlining the Council's proposal was shared with the auditors and the recalculation has been completed, resulting in a £60m reduction in infrastructure assets.</p> <p>These issues have been corrected for in the statement of accounts as prior period adjustment 9 and at Note 17 to the accounts.</p> |
| 21  | Accounting policies | <p>A review of the accounting policies identified that the disclosure note had not been updated for a number of years. This has now been brought up to date in line the Code and reflects the accounting policies applied by the Council in preparing the accounts.</p> <p>This has been reflected in a revised Note 1 to the accounts.</p>   |
| 22  | Narrative statement | <p>The narrative statement has been updated to reflect the Council's current</p>  |

| No. | Area | Actions taken   |
|-----|------|---|
|     |      | position and the magnitude of work required to ensure that the accounts are now materially correct. |

## **Appendix D**

### **Prior period adjustments and in-year adjustments**

#### Prior period adjustments:

1. A detailed review of the Council's fixed asset register identified a number of properties which had been disposed of but were still on the fixed asset register and that valuations for a number of properties had been misstated because of discrepancies in the gross internal areas used by the valuers as part of the valuation. The combination of the two issues has resulted in a reduction of the net book value of assets of £7.9m at 1 April 2017 and £1.45m at 31 March 2018, and a reduction of £11m in depreciation in 2017/18.
2. Review of the fixed asset register highlighted that a number of assets classified as surplus assets should have been reclassified to Assets held for Sale. The total value of assets reclassified is £1.278m.
3. The value and the classification of the purchase of the Thames Valley University site in 2017/18 had been understated because the 2017/18 accounts had only reflected the first of three annual payments for the purchase price. A creditor of £16.1m has been recognised to reflect the full purchase price of the asset in 2017/18. The asset had been misclassified as an investment property and had been revalued downwards in 2017/18 and 2019/20 by £8 and £9m respectively. Corrections have been made to reverse the downward revaluations and to reclassify the asset to Assets under Construction.
4. The distribution of the Council's share of profits from Slough Urban Renewal LLP in 2019/20 had been accrued for in 2017/18 and 2018/19, before the distribution was declared by the company. Therefore, the accrual has had to be reversed reducing income by £4.309m in 2017/18 and £3.264m in 2018/19.
5. Credit balances on debtors and debit balances on creditors had been incorrectly netted off each other in 2017/18. The balances have been grossed up by £14.89m to correct in 2017/18.
6. Income from overage agreements had been incorrectly classified as revenue income when it should have been classed as deferred capital receipts pending receipt of the cash payments. The impact was to overstate income credited to the General Fund by £2.203m and to the HRA by £2.646m in 2016/17. In addition, a further £1.43m was incorrectly treated as General Fund income in 2017/18 and has been transferred to usable capital receipts to correct.
7. The Council had understated the Minimum Revenue Provision (MRP) charge in previous years by not following either the Council's own MRP policy nor the Statutory Guidance on MRP issued by the then Department for Communities and Local Government in 2018. Consequently, MRP was understated by £21.661m in the years to 31 March 2017, £5.136m in 2017/18 and £6.036m in 2018/19.

8. Review of the accounting for s.106 agreements highlighted that all such income had been recognised as income and credited to the Capital Grants Unapplied Account. As s.106 income has conditions attached to the funding, it should have been classified as a long-term creditor and only recognised as income when the conditions attached to the individual s.106 agreements had been met. To correct £11.854m has been transferred from Capital Grants Unapplied to Long-Term Creditors at 1 April 2017, a further net transfer of £1.43m was made to Long-Term Creditors in 2017/18 and net deployment of £3.904m from Long-Term Creditors made in 2018/19.
9. The carrying value of infrastructure assets has been overstated for a number of years because accumulated depreciation had not been written out when assets were fully depreciated and all expenditure on infrastructure had been classed as single asset each year and depreciated over a standard asset life of 40 years, when the various components of infrastructure have asset lives ranging from 10 to 40 years. Recalculating depreciation of the revised asset lives has resulted in a reduction in the net book value of the assets of £38.343m at 1 April 2017 and an increase in depreciation charges of £3.196m in 2017/18 and £3.340m in 2018/19.
10. Loans advanced to James Elliman Homes in 2017/18 had been misclassified as Long-Term Investments and the carrying amount misstated by not accounting for the advance as a "soft loan" (i.e. advanced at below commercial rates).
11. A debtor had been recognised in respect of a legal dispute with Essex CC for £1.17m, when there was insufficient evidence to recognise any income. The dispute was subsequently settled in 2020/21 for £0.3m.
12. The Council had capitalised costs totalling £4.2m relating to support for the Agresso ledger system in the years after implementation which should have been charged to revenue. The costs have been reversed to revenue.
13. The Council had operated an oncost recharge system to recover costs of officers engaged on capital projects, but this overcharged directly attributable costs to capital projects by £3.5m. The overcharge has been reversed to revenue.
14. £9.4m of revenue costs incurred by Slough Children First and classed as transformation funding did not meet the criteria to be classed as transformation and have had to be reversed to revenue.
15. £4.7m of revenue costs incurred by the Council on projects classed as transformation did not meet the criteria to be classed as transformation and have been reversed to revenue.
16. The Department for Levelling Up, Housing and Communities has awarded a Capitalisation Direction to the Council to permit the Council to capitalise a range of costs which would otherwise be a charge to the General Fund. The purpose of the Capitalisation Direction is primarily allow the Council to correct the understatement of MRP in previous

years. This allows the Council to transfer to the Capital Adjustment Account the following understatements of MRP:

- a. £21.661m to 1 April 2017;
  - b. £5.136m in 2017/18; and
  - c. £6.036m in 2018/19.
17. Beechwood School became an academy in 2016/17. The land relating to Beechwood should have been derecognised in 2016/17. A PPA is required to amend the accounts and to fully derecognise the asset from 2017/18.
  18. The Town Hall Development Site (Investment Property) was included in the accounts as a duplicate asset. The duplicate asset needs to be derecognised and any associated fair value movements need to be reversed.
  19. IAS19 entries relating to 2017/18 pension costs were understated on the CIES and Balance Sheet by £4.5m. The PPA makes the necessary adjustments to the CIES, LT Liabilities, and the Pensions Reserve.
  20. Net £4.8m of historical balances were written-off in 2016/17. These were legacy balances arising from the migration of the old finance system to Agresso.
  21. Council dwellings totalling £7.2m were incorrectly derecognised when this should have been accounted for as a valuation movement.

In-year adjustments:

1. The Thames Water refund provision £3m was recognised in the HRA.
2. The provisions for NNDR appeals and bad debts were increased by £10m.
3. The "loan" to Slough Children First was reclassified as a prepayment in line with the contract and impaired by £2.4m.
4. Staff costs which had been incorrectly capitalised in respect of Thames Valley University site totalling £1m were reversed to revenue.
5. The Thames Valley University site had been incorrectly classified as an investment property and subject to revaluation. The revaluation has been reversed and the asset reclassified as an asset under construction and reported at cost.
6. The Grant disclosure note was re-written to reflect all grants received by the Council.
7. Unsubstantiated collection fund debtors/creditors have been written off.

## Appendix E

### Summary of key changes to the core statements

Tables 4 to 7 below summarise the impact of the changes to the core financial statements. In all tables the column headed “Original” refers to the first version of statement of accounts published 19 June 2019, and the column headed “Revised” refers to the current version as at February 2023 and included at Appendix A.

**Table 4: Comprehensive Income and Expenditure Statement (page 31)**

| <b>Account Balance</b>                            | <b>Original<br/>£000s</b> | <b>Revised<br/>£000s</b> | <b>Difference<br/>£000s</b> | <b>Explanation of main<br/>variances</b>   |
|---|---------------------------|--------------------------|-----------------------------|--|
| Net Cost of Services                              | 158,860                   | 163,427                  | 4,567                       | Increase in Expenditure – Adults (£0.2m); Place (£5.1m); Children Learning and Skills (£2.6m); Finance (£2.9m); Reduction in Expenditure HRA (£7.0m) Total £3.9m<br>Decrease in Income – Adults (£0.4m); Place (£0.3m) Total £0.7m |
| Deficit on Provision of services                  | 106,986                   | 137,618                  | 30,632                      | Increase in other operating expenditure (£6.5m); increase in expenditure on finance and investment income (£11.7m); reduction in Taxation and non-specific grant income (£7.8m)  |
| <b>Total Comprehensive Income and Expenditure</b> | <b>265,846</b>            | <b>76,114</b>            | <b>29,014</b>               | <b>Reduction in Total CIE: £22.1m increase expenditure<br/>£8.5m reduction in income</b>   |

**Table 5: Balance Sheet (page 34)**

| <b>Account Balance</b> | <b>Original<br/>£000s</b> | <b>Revised<br/>£000s</b> | <b>Difference<br/>£000s</b> | <b>Explanation of main<br/>variances</b>  |
|------------------------|---------------------------|--------------------------|-----------------------------|---|
| Long Term Assets       | 1,125,595                 | 1,056,719                | (68,876)                    | Reduction in value of: Property Plant and Equipment (£36m); Investment property (£31m).               |
| Current Assets         | 104,421                   | 86,850                   | (17,571)                    | Reduction in short term debtors (£18m)  |
| Current Liabilities    | (275,543)                 | (275,697)                | (154)                       | Increase in short term creditors (£4m); Reduction in short term provisions (£2m)                      |
| Long Term Liabilities  | (617,622)                 | (636,489)                | (18,867)                    | Increase in Long Term creditors (£6m), Deferred Capital Receipts (£4m) and Long-Term Provisions (£9m) |
| <b>Net Assets</b>      | <b>336,851</b>            | <b>231,383</b>           | <b>(105,468)</b>            | <b>Reduction in Net Assets</b>  |
| Usable Reserves        | 71,238                    | 75,675                   | 4,437                       | Increase  |
| Unusable Reserves      | 265,613                   | 155,708                  | (109,905)                   | Decrease  |
| <b>Total Reserves</b>  | <b>336,851</b>            | <b>231,383</b>           | <b>(105,468)</b>            | <b>Decrease, see Table 6 below</b>  |

**Table 6: Movement in Reserves Statement (page 32)**

| <b>Account Balance</b>       | <b>Original<br/>£000s</b> | <b>Revised<br/>£000s</b> | <b>Difference<br/>£000s</b> |
|------------------------------|---------------------------|--------------------------|-----------------------------|
| General Fund Balance         | 549                       | 1,460                    | 911                         |
| Earmarked Reserves           | 4,780                     | 419                      | (4,361)                     |
| Housing Revenue Account      | 16,266                    | 15,280                   | (986)                       |
| Capital Receipts Reserve     | 23,986                    | 40,920                   | 16,934                      |
| Major Repairs Reserve        | 12,457                    | 12,457                   | 0                           |
| Capital Grants Unapplied     | 13,200                    | 5,139                    | (8,061)                     |
| <b>Total Usable Reserves</b> | <b>71,238</b>             | <b>75,675</b>            | <b>4,437</b>                |
| Unusable Reserves            | 265,613                   | 155,706                  | (109,907)                   |
| <b>Total Reserves</b>        | <b>336,851</b>            | <b>231,381</b>           | <b>(105,470)</b>            |



**Table 7: Summary Cash Flow Statement (Page 35)**

| <b>Account Balance</b>  | <b>Original<br/>£000s</b> | <b>Revised<br/>£000s</b> | <b>Difference<br/>£000s</b> |
|---|---------------------------|--------------------------|-----------------------------|
| Net Cash Flow from Operating Activities                             | 2,886                     | 2,534                    | (352)                       |
| Net (increase) or decrease in cash and cash equivalents             | (9,979)                   | (9,980)                  | (1)                         |
| <b>Cash and cash equivalents at the end of the reporting period</b> | <b>19,879</b>             | <b>19,880</b>            | <b>1</b>                    |