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.

<u>In-year adjustments:</u>

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.