

**QUESTION BY MEMBER OF THE PUBLIC**

**Question submitted by:** Neal Stoneman

**To the Cabinet Member or Chair for:** Cabinet Member for Finance

**Question (to be no longer than 50 words):**

Why did it take 4 years to get a capitalisation directive for £73 million and how did the council set a legal budget in the previous 4 years when this money was not accounted for in the accounts?

**Will you be attending the meeting in person to ask your question?**

**Response:** (for completion by City Council officers and Cabinet Members / Chairs)

Thank you for your question.

The Capitalisation Direction relates to a single transaction in October 2019, falling within the 2019/20 Financial year, and was relevant to our auditor's financial statements audit work for that year. This work was unable to commence ahead of the publication of our draft accounts, and due to Covid-19 the deadline was extended from the usual 31 May to 31 August 2020.

Following the publication of the draft accounts, legal advice was taken by both the council and our auditors on the technical difference of opinion on whether the transaction was revenue or capital and the way in which it should be treated for accounting purposes. The auditors were unable to sign off the accounts for the year 19/20 until the correct accounting treatment was clear. There is no suggestion that this money was not accounted for in the accounts and the question of the accounting treatment took time to resolve due to the innovative and unique nature of the transaction which the auditors acknowledged would provide the Council with significant savings in the pension contribution deficit in the long-term.

Discussion with the government department on a Capitalisation Direction commenced in July 2023. The "minded to" letter was received by the Leader February 2024.

The council has been able to set legal budgets for each financial year due to the nature of the discussions with both auditors and more recently MHCLG.