

Report of	Meeting	Date
Director (Finance)	Governance Committee	Thursday, 8th January 2024

## Statement of Accounts 2022/23

Is this report confidential?	No
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Is this decision key?	No
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Savings or expenditure amounting to greater than £100,000	Significant impact on 2 or more council wards
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### Purpose of the Report

- Further to the approval of the Statement of Accounts for 2022/23 at the Governance Committee meeting on 29<sup>th</sup> November 2023, the purpose of the report is to update Committee Members on the adjustments made to the accounts since that date, following completion of the external audit by Grant Thornton.

### Recommendations

- Further to the approval of the Draft 2022/23 Statement of Accounts at the Governance Committee on 29<sup>th</sup> November 2023, the Committee is asked to approve the statements which have been amended during the completion of the external audit to include the adjustments detailed in point 12 below.

### Reasons for recommendations

- At the November Governance Committee meeting, the Committee approved the 2022/23 Statement of Accounts, subject to any amendments which, in the opinion of the Director of Finance (Section 151 Officer), were minor in nature.
- Delegated authority was given to the Director of Finance, in consultation with the Chair of Governance Committee, to make such minor amendments, however if in the opinion of the Director of Finance any such amendments were found to be material to the financial position of the council, then Governance Committee would be asked to approve the updated Statement of Accounts

### Other options considered and rejected

- The Statement of Accounts are prepared in the form to meet professional accounting standards and to comply with statutory regulations. There are therefore no alternative

options that can be adopted. The report complies with the recommendations approved by Governance Committee in November 2023.

### **Corporate priorities**

6. The report relates to the following corporate priorities:

<b>Housing where residents can live well</b>	<b>A green and sustainable borough</b>
<b>An enterprising economy with vibrant local centres in urban and rural areas</b>	<b>Healthy, safe and engaged communities</b>

### **Background to the report**

7. Once the external audit has been completed, the Regulations specify that the responsible Financial Officer must reconfirm on behalf of the authority that they are satisfied that the Statement of Accounts present a true and fair view of the financial position of the authority at the year end, and the income and expenditure for the year.
8. The council is then required to:
  - consider, either by way of a Committee, or by the Members meeting as a whole, the Statement of Accounts;
  - approve the Statement of Accounts by a resolution of that Committee or meeting.
9. Chorley Borough Council delegates the responsibility for the approval of the accounts to the Governance Committee.
10. The Governance Committee approved the 2022/23 Statement of Accounts at their meeting on 29<sup>th</sup> November 2023 subject to any amendments arising from completion of the external audit which, if in the opinion of the Director of Finance were material to the financial position of the Council, the Governance Committee would be asked to approve the updated Statement of Accounts at a future meeting.
11. As noted in Grant Thornton's Audit Findings Report on the agenda, they have now completed their audit work. In doing so, since 29<sup>th</sup> November they have identified 5 adjustments required to the accounts which they have discussed with the Director of Finance and her team; these amendments have been agreed and the 2022/23 Statement of Accounts updated accordingly.
12. The full list of adjustments identified by Grant Thornton to the Draft Statement of Accounts published on 7<sup>th</sup> August 2023 are set out below; these can also be found in Appendix D of their Audit Findings Report.

### Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Misclassification of the Energy Rebate payments	-	Short term creditors 6,329 Short term debtors (6,329)	-	-
Misclassification of short term borrowing as long term borrowing	-	Long-term borrowing 10,000 Short term borrowing (10,000)	-	-
Misclassification of Council Tax refunds at 31 March 2023	-	Short term debtors 192 Cash & cash equivalents (192)	-	-
Pension surplus asset ceiling and recognition of unfunded liability	Remeasure of defined benefit liability/asset 12,720	Unfunded pension liability (2,822) Pension net asset (9,898)	12,720	12,720
Updated revaluations and adjustment of misclassification of revaluation movements including: - restatement of impairment Tatton development £6,835k - omitted land asset reinstated £5,925k - revaluation and reclassification of Astley Hall £2,331k	Surplus/Deficit on revaluation of PPE 1,009 Depreciation and impairment through CIES (12,906) Loss on disposal 175	Land & buildings 4,886	(11,722)	(4,886)
<b>Overall impact</b>	<b>998</b>	<b>(7,834)</b>	<b>998</b>	<b>7,834</b>

### 13. In relation to each of the points above;

- Misclassification of energy rebate payments: as the energy rebates were processed through the Council Tax system, at 31<sup>st</sup> March 2023 the balance was on a debtors code rather than a creditors code. Since the year end this has been corrected and the balance repaid over to central government.
- Misclassification of short term borrowing as long term borrowing: this relates to two loans taken out by the Council which were under a year in duration and were therefore reclassified as short-term.
- Misclassification of Council Tax Refunds at 31 March 2023: due to a technical issue, a number of refund payments issued to Council Tax payers were not recorded in the financial systems. This led to the balance due to Council Tax payers, and the bank balance, being overstated.
- Pension surplus asset ceiling and recognition of unfunded liability: accounting for pensions was unusual in 2022/23 due to there being a net surplus on the fund; this position was not unique to Chorley. The fund actuaries were requested to provide an IFRIC 14 assessment which considered the limit to be placed on this defined benefit asset. This was the approach taken by many local authorities across the country who found themselves in the same position. At the time of preparing the accounts it was uncertain how this surplus should be treated. Following the IFRIC 14 Assessment in November 2023, and on advice from the technical team at Grant Thornton, adjustments were identified and actioned in line with the advice received.
- Asset register adjustments: Astley Hall was reclassified from being an Heritage Asset to an Operational Asset which resulted in a change in the method of valuation. The adjustment in relation to Tatton was affected by the impact of the a prior period adjustment to the opening balance which was impaired to reflect 'value in use' rather than the 'cost of construction'. The omitted land asset relates to land at Shady Lane which was removed from the asset register in error.

14. In addition to the adjusted misstatements in the 2022/23 accounts noted above, during the audit it was identified that adjustment needed to be made to the opening balances brought forward from the 2021/22 accounts as follows:

**Impact of prior year adjusted misstatements**

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Impairment of asset under construction in relation to Tatton development	Impairment expense 6,835	Land & Buildings – AUC (6,835)	6,835	(6,835)
Misclassification of revaluation movements between CIES and revaluation reserve	Surplus/Deficit on revaluation of PPE (1,265)	Revaluation reserve 1,265	-	-
<b>Overall impact</b>	<b>5,570</b>	<b>(5,570)</b>	<b>6,835</b>	<b>(6,835)</b>

15. These adjustments relate to:

- Impairment of asset under construction in relation to the Tatton development: see Paragraph 13 above.
- Misclassification of revaluation movements between CIES and revaluation reserve: this relates to Property, Plant and Equipment (PPE) and the incorrect use of the revaluation reserve, rather than the Comprehensive Income and Expenditure Statement (CIES) following an adjustment to the council's asset register. This has been reviewed and additional checks and balances put in place to ensure correct accounting for 2023/24 and beyond.

16. Misclassification and disclosure changes have been made to the accounts as outlined in page 35 of Grant Thornton's Audit Findings Report.

17. Two adjustments identified by the auditors that have not been actioned as they are not material to the accounts are detailed in their report on page 36:

**Impact of unadjusted misstatements**

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Business rates appeals provision is overstated following the revised calculation	Provision expense (165)	Provisions 165	(165)	165	Not material
Misclassification of technical overdraft	-	Cash and cash equivalents 501 Short term creditors (501)	-	-	Not material
<b>Overall impact</b>	<b>(165)</b>	<b>165</b>	<b>(165)</b>	<b>165</b>	

18. Having considered the position, the council have decided not to adjust for these items as they are not material to the overall position of the accounts. The Provision for Business Rates appeals is reviewed annually and the provision for 2023/24 will be calculated using the methodology that resulted in the revised figure above. The misclassification of the technical overdraft has a net nil impact on the balance sheet and is a presentational issue. However as we strive for the Council's Statement of Accounts to meet all standards, including best presentation we have noted this requirement for

future years. These unadjusted misstatements will be referred to in the Letter of Representation to be signed by the Chair of the Governance Committee and the Director of Finance.

19. The Annual Governance Statement is unchanged from that approved by the Committee on 24 May 2023.

### **Climate change and air quality**

20. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

### **Equality and diversity**

21. This report has no implications in respect of equality and diversity.

### **Risk**

22. Risk implications apply in relation to compliance with the Accounts and Audit Regulations 2015 (as amended) 2022, and in preparing financial statements in accordance with the statutory timetable. The accounts must be compliant with the relevant standards and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

### **Comments of the Statutory Finance Officer**

23. The report meets the statutory accounting requirements for the Statement of Accounts to be produced, which must present a factual statement of the income and expenditure flows over the course of the 2022/23 financial year, and a snapshot of the Balance Sheet position as at 31st March 2023.
24. All financial implications relating to the final budget outturn position have been set out in the Revenue and Capital Outturn Reports 2022/23, and which were considered by Cabinet on 15<sup>th</sup> June 2023.

### **Comments of the Monitoring Officer**

25. The legal implications are in respect of the Accounts and Audit Regulations 2015 (as amended) 2022, and the requirement that the Accounts must be compliant with the relevant Accounting Standards and Codes of Practice and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

### **Background documents**

- Accounts and Audit (England) Regulations 2015 (as amended) 2022
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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