

Report of	Meeting	Date
Chief Executive	Governance Committee	12 September 2014

STATEMENT OF ACCOUNTS 2013-14

PURPOSE OF REPORT

1. To present for approval, by the statutory deadline of 30 September 2014, the audited Statement of Accounts for 2013/14.

RECOMMENDATION(S)

2. That the Committee should approve the audited Statement of Accounts for 2013/14 (Appendix A).
3. That the Committee should authorise the Chief Executive to sign the Letter of Representation (Appendix B).

EXECUTIVE SUMMARY OF REPORT

4. Approval of the audited Statement of Accounts and publication by 30 September 2014 is a requirement of the Accounts and Audit (England) Regulations 2011. The approved and signed Statement would be published on the Council's web site.
5. Figures for 2012/13 have been restated to apply a change in accounting policy relating to pension costs. Market Walk has been reclassified as a Property, Plant and Equipment asset rather than an Investment Property, which has required amendments to several statements and notes, as indicated below. Balances for Short-Term Creditors has been adjusted by £3.628m with Debtors being decreased by the same amount (£3.628m) which has a nil effect in total. A £0.493m restatement in 2012/13 in respect of Long-Term Creditors has been reversed so that the adjustment is implemented in 2013/14.
6. The Appointed Auditor intends to issue an unqualified audit opinion of the Statement of Accounts; an unqualified Value For Money conclusion; and indicates that there are no significant weaknesses in internal controls to highlight. The Audit Findings Report indicates that the adjusted misstatements had nil impact on total net expenditure.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

BACKGROUND

8. The unaudited Statement of Accounts 2013/14 was presented to the Governance Committee meeting of 25 June 2014. Since then the audit has been completed, and the Appointed Auditor's Audit Findings Report is presented as a separate report on this agenda.
9. The Accounts and Audit (England) Regulations 2011 require that the statement should be approved by a meeting of members by 30 September 2014. The full statement for 2013/14 is attached as Appendix A.
10. Following consideration and approval by this Committee, the Chair should sign and date the Statement, which should also be re-certified by the Chief Finance Officer (Chief Executive), and be published by 30 September 2014. The Statement of Accounts will be published on the Chorley Council web site, www.chorley.gov.uk.
11. The Chief Executive, as Chief Finance Officer, should also sign the Letter of Representation attached as Appendix B. This is referred to in the report from Grant Thornton.
12. When the draft statement was presented to Governance Committee on 25 June 2014, I indicated that the categorisation of Market Walk within the Long-Term Assets section of the Balance Sheet was still subject to agreement with the external auditor. There was therefore a possibility that the asset might be reclassified and various figures amended when the SOA was submitted for approval after the audit. The audited SOA reflects the reclassification of the asset, and the impact on the statement is explained in detail in the following paragraphs.

CHANGES IN AUDITED STATEMENT OF ACCOUNTS

13. There have been a number of changes to the audited Statement of Accounts for 2013/14 compared to the unaudited Statement presented on 25 June 2014.
14. There were material changes in respect of Market Walk, which was reclassified from Investment Property to Property, Plant and Equipment (PPE); and the split between debtors and creditors relating to Council Tax and National Non-Domestic Rates has also been amended. Pension costs figures for 2012/13 have been restated to apply the retrospective change in accounting policy required by the 2013/14 Code of Practice. The restatement of the 2012/13 Balance Sheet to move £0.493m from Short-Term Creditors to Long-term Creditors has been reversed: the correction has been reflected in 2013/14 figures only.
15. The following changes in respect of these are included in the audited Statement:
 - **Foreword by the Chief Finance Officer** – graphs presenting Gross Expenditure and Gross Income for 2013/14 have been amended to reflect the impact in the Comprehensive Income and Expenditure Statement of reclassifying Market Walk as

PPE. The extract from the MIRS has been amended to take account of restatement of 2012/13 figures, and changes relating to Market Walk.

- **Movement in Reserves Statement (MIRS)** – this has been updated to reflect the restatement of 2012/13 pension costs; and the effect of reclassifying Market Walk as PPE, which required a depreciation charge in the year of acquisition.
- **Comprehensive Income and Expenditure Statement (CI&ES)** – pension costs figures in 2012/13 have been restated (see note 51). Market Walk has been moved from Financing and Investment Income and Expenditure to Planning Services, in the Cost of Services section of the statement. Part-year depreciation has been charged for 4 months.
- **Balance Sheet** – the 2012/13 figures had been restated to move £0.493m from Short-Term to Long-Term Creditors. This has now been reversed, as agreed with the auditors, and the adjustment is reflected in 2013/14 only. In 2013/14, Market Walk has been moved from Investment Property to PPE, and has been depreciated for the purposes of the accounts for part of the year, which reduces Net Assets and Total Reserves. This depreciation charge is notional and is reversed out the accounts. A total of £3.628m has been moved between Short-Term Debtors and Short-Term Creditors, so that Collection Fund balances relating to central government and major preceptors are presented correctly. This change had no effect on Net Assets.
- **Cash Flow Statement** – the figures for the net deficit on provision of services have changed for both years, as have the adjustments to the deficit for non-cash movements. Cash and cash equivalents at the end of each period have not changed. The table in the report presented to Governance Committee on 25 June 2014 gave an incorrect cash and cash equivalents total as at 31 March 2014, because the bank overdraft had been netted off. This reduced the total by £0.337m. Please note that the statement was corrected before the statement of accounts was signed by the Chief Finance Officer on 30 June 2014, so the version presented for audit was correct and had not changed subsequently.
- **Note 1: Accounting Policies** – the Heritage Assets text has been amended; and the PPE section confirms that weighted depreciation can be charged in respect of part-year acquisitions or disposals.
- **Note 4: Assumptions about the future and other major sources of estimation uncertainty** – has been amended to reflect reclassifying Market Walk as PPE instead of Investment Property.
- **Note 7: Adjustments between accounting basis and funding basis under regulations** – the figures for 2013/14 reflect the reclassification of Market Walk as PPE, and the need to reverse the £0.107m part-year accounting depreciation charge so that it has no impact on Council Tax. Restatement of pension costs is reflected in the 2012/13 comparative figures.
- **Note 10: Finance and Investment Income and Expenditure** – figures relating to Market Walk in 2013/14 have been moved into the Planning Services line of Cost of Services. 2012/13 figures have been restated in respect of pension costs.

- **Note 12: Property Plant and Equipment** – the acquisition of Market Walk at £23.341m has been moved here from Investment Property. For accounting purposes it was revalued to £22.250m and part-year depreciation of £0.107m was charged. The Fixed Asset Valuations table was also updated to reflect the reclassification.
- **Note 14: Investment Properties** – the £23.341m addition in respect of Market Walk has been moved to PPE (see Note 12).
- **Note 19: Short-Term Debtors** – 31 March 2014 total has been reduced by £3.628m, which has been netted off the Short-Term Creditors total (Note 22).
- **Note 22: Short-Term Creditors** – has also been adjusted by £3.628m (see Note 19).
- **Note 25: Unusable Reserves** – Capital Adjustment Account balance has been reduced by £0.107m, being the reversal of the part-year depreciation in respect of Market Walk following reclassification as PPE.
- **Note 25b: Capital Adjustment Account** – the split of 2013/14 figures has been revised to reflect the reclassification of Market Walk as PPE; and the 31 March 2014 balance reduced by £0.107m as a consequence of the reversal of part-year depreciation.
- **Note 29: Amounts Reported for Resource Allocation Decisions (Segments)** – this note has been amended to reflect the changes to the Comprehensive Income and Expenditure Statement relating to pension costs restated (2012/13), and Market Walk reclassification (2013/14).
- **Note 31: Market Walk** – Trading Operations note has been renamed and the narrative amended.
- **Note 39: Related Parties** – text has been updated to confirm that there were no material related party transactions in respect of officers.
- **Note 40: Capital Expenditure and Financing** – split of 2013/14 capital expenditure has been amended to include Market Walk acquisition as PPE rather than Investment Properties.
- **Note 44: Defined Benefit Pension Scheme** – where relevant, text and tables include the restatement of 2012/14 pension costs resulting from the retrospective implementation of the requirements of the 2013/14 Code of Practice.
- **Note 51: Restatement of Prior Periods** – an additional note which presents the specific changes in several statements and notes as a result of the restatement of 2012/13 pension costs.

AUDIT FINDINGS

16. The Audit Findings report by the Appointed Auditor (Grant Thornton) includes a draft audit opinion. This indicates that the Council will be provided with an unmodified audit report which is, in other words, an unqualified opinion. In addition, Grant Thornton propose to give an unqualified Value For Money conclusion. Furthermore work on testing of internal controls has not satisfied any significant weaknesses that the Appointed Auditor wishes to highlight for the Council's attention.
17. Grant Thornton confirm that there is no impact on the Council's overall reported financial position in respect of the adjusted misstatements relating to Market Walk, IAS 19 Pension Costs, and NNDR and Council Tax Debtors and Creditors. It should be noted that this change made to the SOA does not change the information provided at year-end with regard to Market Walk's net income and contribution to reducing the budget deficit position.
18. Though the draft statement of accounts presented to Governance Committee on 25 June 2014 included an error in the Cash Flow Statement, whereby the total of cash and cash equivalents was understated by £0.337m, this had been corrected in the signed version presented for audit.
19. The two unadjusted misstatements in 2012/13 have been adjusted in 2013/14. Capital expenditure in respect of Clayton Green Sports Centre and Brinscall Baths was incorrectly attributed to the All Seasons Leisure Centre, which meant that depreciation and revaluation figures in 2012/13 were incorrect. In addition, commuted sums for the maintenance of assets adopted by the Council under Section 106 agreements had been included in the balance sheet figure for Short Term Creditors. Such sums should be in the Long Term Creditors total. The corrections for these misstatements were made in 2013/14 because there was no material impact in 2012/13.

IMPLICATIONS OF REPORT

20. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

21. All relevant comments are included within the report.

COMMENTS OF THE MONITORING OFFICER

22. Approval and publication of the Statement of Accounts by 30 September 2014 is required in order to comply with the Accounts and Audit (England) Regulations 2011.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	8/9/14	Statement of Accounts Report 2013-14 Gov Ctte 10-9-14.docx