

Report of	Meeting	Date
Chief Executive	Governance Committee	23 September 2015

STATEMENT OF ACCOUNTS 2014-15

PURPOSE OF REPORT

- To present for approval, by the statutory deadline of 30 September 2015, the audited Statement of Accounts for 2014/15.

RECOMMENDATION(S)

- That the Committee should approve the audited Statement of Accounts for 2014/15 (Appendix A).
- That the Committee should authorise the Chief Executive to sign the Letter of Representation.

EXECUTIVE SUMMARY OF REPORT

- Approval of the audited Statement of Accounts and publication by 30 September 2015 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.
- Though many changes to the accounts since Governance Committee of 24 June 2015 are minor, the accrual of £0.934 additional net S106 income has required several statements and notes to be changed. The specific changes are explained in detail in the report.
- The Appointed Auditor intends to issue an unqualified audit opinion of the Statement of Accounts; an unqualified Value For Money conclusion; and advises about improvements to internal controls in respect of collecting S106 income and checking monthly bank reconciliations.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

- 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 draft Statement of Accounts 2014/15 was presented to the Governance Committee meeting of 24 June 2015. A small number of changes to the draft accounts were made before they were signed by the Chief Finance Officer on 29 June 2015. The signed accounts were then presented to Grant Thornton external auditors for audit. The audit of the accounts has now 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 2015. The full statement for 2014/15 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 2015. 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.

CHANGES IN AUDITED STATEMENT OF ACCOUNTS

12. There have been a number of changes to the audited Statement of Accounts for 2014/15 compared to the draft (unaudited) Statement presented on 24 June 2015. This section documents the changes made up to 29 June 2015, when the accounts were first certified, and the subsequent changes. Minor changes are not documented. These include the deletion of notes explaining trivial balances, accounting policies not relevant for the financial year, deletion of lines in notes with zero balances, and typing errors.
13. Most changes to the draft accounts from the version presented on 24 June 2015 to the version signed by the Chief Finance Officer on 29 June 2015 were minor. These included text amendments such as changing references to CI&E to CI&ES for consistency throughout the document; removal of some unnecessary brackets around figures; updating note numbers and cross-referencing; and changing some years from 2013/14 to 2014/15 where not previously updated.
14. The Cash Flow Statement was amended to increase non-cash movements by £0.286m, and to reduce investing activities by the same value. In the Cash Flow Statement – Investing Activities note, other receipts relating to investing activities were reduced by £0.286m. In the Note 4 Estimation Uncertainty, the asset valuation figure increased from £54m to £57m. Note 12 Fixed asset Valuations – the figure for assets valued at fair value as at 31 March 2015 was reduced from £29.905m to £26.905m, to correct a typing error. There was a further typing correction to Note 39d (Transactions relating to retirement benefits) to disclose the correct total for post-employment benefit charged to the CI&ES.
15. There have been a number of changes to the signed Statement of Accounts presented for audit. The minor changes are not documented here, but the more significant changes are explained in the following paragraphs.
16. There were material changes in respect of accrued commuted sums due from housing developers under S106 agreements. Council officers identified income totalling £1.050m which should have been accrued as being due by 31 March 2015 because the relevant trigger stages had been reached. Some of the contributions were overdue by more than one year. An allowance of £0.116m for non-collection has also been included in the revised

accounts, the net effect being that the Capital Grants and Contributions Unapplied Reserve within the total for Usable Reserves has increased by £0.934m, and it is matched by an increase in Short-term Debtors by the same value. The Council's usual practice is that S106 commuted sums would not be applied until the actual cash sums had been received from the developers. None of the sums were applied in the 2014/15 accounts, and the process of recovering the income has now begun. Once received, use of the commuted sums will be reflected in the relevant budgets, in particular the Capital programme.

17. There were large adjustments to three notes in respect of impairment and revaluation of non-current assets. In the unaudited accounts, Note 7 and the Capital Adjustment Account note included a sum of £0.661m described as impairment. This should have been split to show revaluation of non-current assets separately. This has now been corrected, and related figures in Note 12 Property Plant and Equipment have also been adjusted. None of the changes have affected asset values or the balance held in Unusable Reserves.

18. The following changes are included in the audited Statement:

- **Movement in Reserves Statement (MIRS)** – this has been updated to reflect the accrual of £0.934m additional S106 income, which has increased the balance on the Capital Grants & Contributions Unapplied Reserve.
- **Comprehensive Income and Expenditure Statement (CI&ES)** – the accrual of £0.934m additional S106 commuted sums is included in Taxation & non-specific grant income & expenditure. The net effect if that Total Comprehensive Expenditure has reduced by £0.934m
- **Balance Sheet** – the accrual of £0.934m additional S106 income is reflected in the increase in Short-Term Debtors and Net Assets. This is matched by the £0.934m increase in Usable Reserves, in particular Capital Grants and Contributions Unapplied.
- **Cash Flow Statement** – the net surplus on the provision of services on the Comprehensive Income and Expenditure Statement has increased by £0.934m. This is matched by a reduction in the figure below for non-cash movements, so there is no overall change to the total for cash and cash equivalents.
- **Note 1: Accounting Policies** – the text of several policies has been amended to comply with current CIPFA guidance, and some have been added or deleted. Amended policies include General Principles, Accruals of Income and Expenditure, Employee Benefits, and Overheads. A Going Concern policy has been added, and the Inventories policy has been deleted following deletion of the Inventories note.
- **Note 3: Critical Judgements in Applying Accounting Policies** – now refers to judgements in respect of the accrual of additional S106 commuted sums; and treatment as operating leases various assets let to tenants.
- **Note 4: Assumptions about the future and other major sources of estimation uncertainty** – the Debtors figure has been increased to £7.4m to include the additional S106 income which has been accrued.
- **Note 7: Adjustments between accounting basis and funding basis under regulations** – the figure for Capital grants and contributions unapplied credited to CI&ES has been increased to reflect accrued S106 commuted sums. An additional

line has been added below Charges for impairment of non-current assets, and the £0.661m has been split to show the element relating to revaluations.

- **Note 8: Transfers to/from Earmarked Reserves** - £1.75m on the line Reduce Pension Fund Liability has been moved from the In column to the Out column, and the column subtotals have been updated.
- **Note 11: Taxation and Non-Specific Grant Income and Expenditure** – now includes the additional £0.934m accrued S106 income.
- **Note 12: Property Plant and Equipment** – the 2014/15 table has been updated to show the split between revaluation and impairment correctly. Following the 2013/14 table, a disclosure about the purchase of Market Walk in that year has been added. In the Fixed Asset valuations section, a disclosure that the carrying value of PPE assets not revalued in the year is not materially different to fair value has been added.
- **Note 16: Financial Instruments** – figures for Debtors and Creditors that are not Financial Instruments have been added to note 16a so that the totals are reconcilable to the Balance Sheet figures. A rounding error has been corrected in 16b.
- **Note 17: Short-Term Debtors** – 31 March 2015 total has been increased following the inclusion of accrued S106 commuted sums.
- **Note 22b: Capital Adjustment Account** – includes the corresponding correction to the impairment figure disclosed in Note 7.
- **Note 29: Amounts Reported for Resource Allocation Decisions (Segments)** – this note has been amended to include the accrual of additional S106 income in the Government grants and contributions total. The surplus on the provision of services has therefore increased by £0.934m
- **Note 31: External Audit Costs** – the table has been amended to identify payments only to Grant Thornton. Payments to other auditors for other services are disclosed below the table.
- **Note 32: Grant Income** – The table includes the accrued S106 commuted sums in the total of Capital Contributions.
- **Note 34: Capital Expenditure and Financing** – the figure for capital investment on Property Plant and Equipment has been split to show the expenditure in respect of Heritage Assets.
- **Note 41: Nature and Extent of Risks arising from Financial Instruments** – A table confirming investments by counterparty has been added under Bank Loans. The Sundry Debtors table has been amended to include the additional accrued S106 commuted sums. The PWLB borrowings maturity table has been amended to match the Balance Sheet figures for the equivalent borrowing.

- **Collection Fund** – explanatory text had been added to the note Accounting for Business Rates (NNDR). A new table reconciles the Council’s share of business rates as presented in the Collection Fund statement to the NNDR net income in Note 11.

AUDIT FINDINGS

19. 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. The report does include recommendations about arrangements for billing developers for S106 monies; and independent checking of monthly bank reconciliations.

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 2015 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	18 September 2015	Statement of Accounts Report 2014-15 – Governance Cttee 23-9-15.docx