

Report of	Meeting	Date
Chief Executive	Governance Committee	20 September 2017

## STATEMENT OF ACCOUNTS 2016-17

### PURPOSE OF REPORT

1. To present for approval, by the statutory deadline of 30 September 2017, the audited Statement of Accounts for 2016/17.

### RECOMMENDATION(S)

2. That the Committee should approve the audited Statement of Accounts for 2016/17 (Appendix A), subject to any amendments which in the opinion of the Chief Financial Officer (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material. The Chief Financial Officer will exercise this delegation in consultation with the Chair of Governance Committee. In the event the Chief Financial Officer is of the opinion the amendments are considered material, Governance Committee will be reconvened to approve the new Statement of Accounts.
3. That the Committee should authorise the Chief Executive and Chair of Governance Committee to sign the Letter of Representation (Appendix B).
4. That the Annual Governance Statement (AGS) included within the Statement of Accounts 2016/17 (Appendix A) should be updated to include any changes to the AGS approved at this meeting of Governance Committee.

### EXECUTIVE SUMMARY OF REPORT

5. Approval of the audited Statement of Accounts and publication by 30 September 2017 is a requirement of The Accounts and Audit Regulations 2015. The approved and signed Statement would be published on the Council's web site.
6. Material changes to the Statement of Accounts from the draft version published on 23 June 2017 relate to the accounting treatment of a £2.404m capital grant from the Homes and Communities Agency; netting off the Bank Overdraft from Cash and Cash Equivalents in Current Assets; and restating the 2015/16 figures for receivable rents in the Leases note. Other changes to the statement are explained in the report.
7. The Appointed Auditor intends to issue an unqualified audit opinion of the Statement of Accounts; an economy, efficiency and effectiveness in use of resources ("Value For Money") conclusion.
8. At the time of preparing this report, the Appointed Auditor has a limited number of further tests to complete. Should this additional work identify the need to make further changes to Statement of Accounts presented to this meeting, a procedure for agreeing the changes in

time to meet the statutory publication deadline is required. The recommendation in paragraph 2 requests approval for such a procedure.

<b>Confidential report</b> Please bold as appropriate	Yes	<b>No</b>
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## CORPORATE PRIORITIES

9. 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

10. The draft Statement of Accounts 2016/17 was presented to the Governance Committee meeting of 21 June 2017. They were signed by the Chief Finance Officer on 23 June 2017, and published on the Council's website together with details of public inspection rights. The signed accounts were then presented to Grant Thornton external auditors for audit. The main change between the Governance Committee draft and the version published two days later was the addition of the Annual Governance Statement.
11. The audit of the accounts has not yet been completed in full. A few issues are still being considered, which means that there is a possibility that further changes to the Statement of Accounts might be required. However the Appointed Auditor's Audit Findings Report is presented as a separate report on this agenda. This explains adjusted misstatements, unadjusted misstatements, and misclassification and disclosure changes in the current version of the Statement of Accounts.
12. The Accounts and Audit Regulations 2015 require that the statement should be approved by a meeting of members by 30 September 2017. The full statement for 2016/17 is attached as Appendix A.
13. Following consideration and approval by this Committee, the Chair should sign and date the Statement, which should also be re-certified by the Chief Financial Officer (Chief Executive), and be published by 30 September 2017. The Statement of Accounts will be published on the Chorley Council web site, [www.chorley.gov.uk](http://www.chorley.gov.uk).
14. The Chief Executive, as Chief Finance Officer, and the Chair of Governance Committee should also sign the Letter of Representation.
15. As the audit has not been completed in full, it is recommended that the Chief Financial Officer in consultation with the Chair of Governance Committee should approve non-material amendments to the Statement of Accounts before it is signed and dated. In the event the Chief Financial Officer is of the opinion the amendments are considered material, Governance Committee will be reconvened to approve the new Statement of Accounts.

## CHANGES TO SIGNED STATEMENT OF ACCOUNTS PUBLISHED ON 23 JUNE 2017

16. The main adjusted misstatement is in respect of the accounting treatment of a capital grant from the Homes and Communities Agency, for the financing of the Primrose Gardens Retirement Living capital project. The £2.404m HCA grant was accrued in the 2016/17 accounts, the cash having been received in early April 2017.
17. To credit the grant to the Comprehensive Income and Expenditure Statement (CI&ES) in 2016/17, all conditions relating to the grant should have been met by 31 March 2017. As the conditions had not been met, the grant should not have been transferred via the Movement in Reserves Statement to Usable Reserves (Capital Grants Unapplied Reserve). Instead the accounting treatment now agreed is that it should have been credited directly to the Balance Sheet account Grants Receipts in Advance – Capital.
18. The HCA grant is still in the Council's accounts for 2016/17, but it has been moved from Usable Reserves to Long Term Liabilities. Though this has the effect in 2016/17 of reducing both Net Assets and Total Reserves by £2.404m, the HCA grant remains available to finance capital expenditure from 2017/18 onwards.
19. Having credited the HCA grant in error to the CI&ES in the draft accounts, it was necessary to reverse the entries which had appeared in a number of the notes and statements. The grant was eliminated from the Expenditure and Funding Analysis note, which reduced the accounting surplus for the year by £2.404m without affecting the actual £0.924m surplus transferred to the General Fund Balance. The same adjustment was made to the CI&ES, which increased Total Comprehensive Income and Expenditure by £2.404m. Equivalent adjustments were required to the Movement in Reserves Statement, Cash Flow Statement, Note 7 (Note to the Expenditure and Funding Analysis), Note 9 (Adjustments between Accounting Basis and Funding Basis under regulations), Note 13 (Taxation and Non-Specific Grant Income and Expenditure), Note 26b (Cash Flow Statement – Investing and Financing Activities), and Note 33 (Grant Income).
20. Though the Council treated Cash and Cash Equivalents as being net of the Bank Overdraft, on the face of the Balance Sheet the Bank Overdraft was shown separately within Current Liabilities. It has now been netted off Cash and Cash Equivalents within Current Assets. This adjustment by £0.834m has not affected Net Assets and Total Reserves. The Cash and Cash Equivalents figure in the Treasury Management section of the Narrative Report has also been amended to quote the total net of the Bank Overdraft. Note 20 (Cash and Cash Equivalents) has been amended so that the Bank Overdraft is deducted from the total within Current Assets as at 31 March 2017.
21. For the avoidance of doubt, the Accounting Policy 1.3 Cash and Cash Equivalents has been updated to comply with the latest CIPFA guidance.
22. An NNDR cash receipt of £0.136m had been matched against Short Term Debtors as at 31 March 2017. The correct treatment was to include it within the total for Short Term Creditors. This adjustment has been made to the Balance Sheet. A number of other adjustments were necessary as a consequence, in particular Total Debtors and Total Creditors in Note 18a (Categories of Financial Instruments) have been corrected, as have Note 19 (Short Term Debtors) and Note 22 (Short Term Creditors). In addition, the debtor and creditor movements in Note 26a (Cash Flow Statement – Operating Activities: Non-cash movements) have been corrected.
23. Investigation of a large variance between figures as at 31 March 2016 and 31 March 2017 in Note 36b (Leases – Authority as Lessor – Operating Leases) confirmed that the total for rentals receivable disclosed in the 2015/16 accounts had been understated by £1.573m. The 31 March 2016 figures have been restated in the 2016/17 accounts, and an

explanation provided in Note 40 (Prior Period Adjustment). This restatement had no effect on the reported financial position or performance of the Council. No further amendments to other notes or statements were required, as Note 36b is a stand-alone disclosure.

24. Note 5 (Material Items of Income and Expense) has been amended to include the disposal by exchange of the Council's land at Cowling Farm, Eaves Green, and Greenside (Euxton) for £2.49m. The description of sites acquired by exchange and payment of a balancing sum has also been amended.
25. The Council has decided not to include a Prior Period Adjustment (PPA) note in respect of the amended format of the Comprehensive Income and Expenditure Statement. This is referred to by the auditors as an unadjusted misstatement. Up to 2015/16 gross expenditure and income was presented by service as defined in the CIPFA Service Reporting Code of Practice. This meant that the financial performance reported in the Statement of Accounts was in a completely different format to that presented to those responsible for the control of the budget during the year. From 2016/17 onwards the figures are presented in a recognisable format by directorate, as laid out in budget monitoring reports. In the CI&ES for 2016/17, the 2015/16 figures have been restated in the new format, but a PPA note has not been included because the omission would not have a material impact on the understanding of the accounts. Other councils have provided such a note, though it could be argued that some of these do not improve understanding of the accounts. In Chorley's case, a PPA note for the restatement would cover three pages to show the restatement of Gross Expenditure, Gross Income, and Net Expenditure separately.
26. There have been a number of minor changes to the document since 23 June 2017.
27. In the Financial Performance section of the Narrative Report, the table showing the £0.924m net increase in the General Fund Balance has been amended so that it is reconcilable to the Expenditure and Funding Analysis note, the Movement in Reserves Statement, and Note 10 (Transfers to/from Earmarked Reserves), as well as figures presented to Executive Cabinet in the provisional outturn report. Only the presentation of the figures has been amended. The Reserves and Balances Summary section of the Narrative Report quoted the wrong total for Earmarked Reserves. This has now been corrected to match the updated table.
28. Some text has been added and changed to clarify that the Expenditure and Funding Analysis (EFA) is a note to the Main Financial Statements. It has been presented before the CI&ES to give it the due prominence advised by CIPFA. As a consequence it is unnumbered.
29. At the time of preparing this report and the version of the Statement of Accounts it introduces, the auditors are still undertaking a number of final checks. As a result, it is possible that they could identify further changes that would be required to core statements or supporting notes.

## **ANNUAL GOVERNANCE STATEMENT**

30. The current version of the Statement of Accounts 2016/17 includes the Annual Governance Statement (AGS) approved on 21 June 2017. A separate report on this agenda presents a revised AGS for approval. This includes a number of changes suggested by the external auditors. If approved, the AGS in the statement should be replaced by the revised version prior to publication.

## AUDIT FINDINGS

31. 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 economy, efficiency and effectiveness in use of resources (“Value For Money”) conclusion.
32. At the time of preparing this report and the version of the Statement of Accounts it introduces, the auditors are still undertaking a limited amount of checks. Due to the audit not having been finalised, it is possible that they could identify further changes that would be required to core statements or supporting notes after Governance Committee has resolved to approve the Statement of Accounts. As a consequence, it is recommended that the Chief Financial Officer in consultation with the Chair of Governance Committee should agree any non-material changes before recertifying the Statement of Accounts. Should there be any material changes it would be necessary to reconvene Governance Committee to agree the changes.

## IMPLICATIONS OF REPORT

33. 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

34. All relevant comments are included within the report.

## COMMENTS OF THE MONITORING OFFICER

35. Approval and publication of the 2016/17 Statement of Accounts by 30 September 2017 is required in order to comply with The Accounts and Audit Regulations 2015.

GARY HALL  
CHIEF EXECUTIVE

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Michael Jackson	5490	19 September 2015	Statement of Accounts Report 2016-17 – Governance Cttee 20-9-17.docx