

REPORT OF: DIRECTOR OF RESOURCES

TO: ACCOUNTS AND AUDIT COMMITTEE

DATES: 25TH JULY 2022

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Closure of Accounts
2022/23 Accounting Code of Practice update and other related matters

PURPOSE OF REPORT

The purpose of this report is to:

- (a) update the Committee on the Accounting Code of Practice for 2022/23;
- (b) request approval of the proposed Accounting Policies as the basis on which the accounts will be prepared for the financial year ending 31st March 2023;
- (c) inform the Committee of the assessment of the Council as a 'going concern' for the purposes of producing the Statement of Accounts for 2021/23.
- (d) Note the position in respect of the 2021/22 Statement of Accounts and 2022/23 Statement of Accounts

RECOMMENDATIONS

It is recommended that the Committee:

- a) Note the main changes arising from the 2022/23 Accounting Code of Practice (CIPFA Bulletin 14 – Appendix A) which impact on the preparation of the Council's financial statements for the year.
- b) Approve the proposed accounting policies for the 2022/23 accounts as set out at Appendix B.
- c) Accept the outcome of the assessment made of the Council's status as a 'going concern' for the purposes of preparing the Statement of Accounts for 2022/23.
- d) Note the position in respect of the 2021/22 Statement of Accounts and 2022/23 Statement of Accounts

ISSUE

Update on Statement of Accounts for 2021/22

1. The 2021/22 Statement of Accounts remain outstanding. At the meeting of March 2023, it was explained that further work was required to clarify outstanding queries on the fixed asset register and to make the necessary adjustments in the accounts once agreed.
2. All changes have been made by Pendle Borough Council but have not yet been audited.
3. Grant Thornton have now raised a further issue in respect of the Final triennial valuation statements received from pension fund account preparers. In the opinion of Grant Thornton, the triennial valuation poses a potential material risk to the Statement of Accounts and therefore a revised valuation needs to be obtained. This has been requested and any material changes will be reflected in the Accounts.
4. We do not yet have an agreed completion date with Grant Thornton to sign off the 2021/22 Accounts.

Changes to the 2022/23 Code of Practice (CIPFA Bulletin 14) Appendix B & C

5. The Council is required to prepare the annual Statement of Accounts in accordance with International Financial Reporting Standards (IFRS) as adapted in the Code of Practice on Local Authority Accounting in the United Kingdom.
6. CIPFA (Chartered Institute of Public Finance and Accountancy) Bulletin 14 - Closure of the 2022/23 Financial Statements was published in March 2023 to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and the Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice but are not prescriptive and do not have the formal status of the Code, SeRCOP or the Prudential Code.
7. The key areas highlighted in the Bulletin are set out below. The bulletin is a technical document which covers a wide range of topics and the Council has followed the guidance when preparing the Accounts for 2022/23.
 - a) Grant recognition and presentation
 - b) Amendments to the Non-Domestic Rating (Rates Retention) Regulations 2013 [SI 2023/268]
 - c) Subsequent measurement of property, plant and equipment and investment properties
 - d) Nature and extent of risks arising from financial instruments
 - e) Fair value gains and losses on pooled investments (England and Wales) Amendments to the Capital Finance and Accounting Regulations
 - f) Other capital accounting issues – capital financing requirement (CFR) and minimum revenue provision
 - g) Accounts closure processes
 - h) Reporting impacts of inflation and high interest rates – financial statements
 - i) Final triennial valuation statements received by pension fund account preparers – 2021/22 issue
 - j) Narrative report and recent economic activity
 - k) Developments in auditor guidance on materiality
 - l) Accounting standards that have been issued but not yet adopted
 - m) Accounting for infrastructure assets – temporary solution

- n) Local authority reserves and balances
- o) IFRS 16 Leases mandatory implementation as of 1 April 2024 (and other IFRS 16 issues)

Accounting Policies

8. Accounting policies are defined in the Code as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'.

The Code requires that where the Code applies to a transaction, other event or condition, an authority should determine the accounting policy or policies to be applied to that item with direct reference to the requirements of the accounting policies stipulated by the Code. Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in as it applies to omissions and misstatements:

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

9. The proposed accounting policies under which the 2022/23 Statement of Accounts will be prepared are set out in Appendix B.
10. The Committee is asked to approve the Accounting Policies for 2022/23.

Going Concern Assessment

11. The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). The main factors which underpin this assessment are outlined below and include:
 - a) The council's current financial position
 - b) The council's projected financial position
 - c) The council's strategic planning and budget framework process
 - d) The regulatory and control environment applicable to the council as a local authority
12. The Council's latest financial forecast and budget setting report was taken to Council on Thursday 23rd February 2023. The outcome over the medium term is stark with huge uncertainty around future funding from Central Government as well as the impact of the cost of living crisis. However, the Council was able to set a balanced budget for 2023/24 for the next three year with a balanced position over the medium term.
13. The projected position and the strategic planning framework was report to Executive on 20th July 2023 which set out a drawdown of reserves of £1m. Whilst this was less than anticipated it represents a shift in previous years and could indicate a new longer term position for the Authority which could, if not properly addressed, lead to the prospect of a Section 114 notice in future years.
14. The council has a well-established and robust corporate governance framework including the statutory posts of Head of Paid Service, Monitoring Officer and the Section 151 Officer (Director or Resources) in addition to the current political

arrangements. A new Corporate Leadership Team has been implemented across the Authority and a further review completed within tier below within the Corporate Management Team.

15. An overview of this governance framework is provided within the Annual Governance Statement which is included elsewhere on this agenda. This includes a detailed review of the effectiveness of the council's governance arrangements which concludes that the existing arrangements remain fit for purposes and provides assurance of their effectiveness.
16. It is considered that having regard to the council's arrangements and such factors as highlighted in this report that the council remains a going concern.

Draft Statement of Accounts for 2022/23

17. The draft 2022/23 Statement of Accounts should have been published by 31st May 2023 with the final audited accounts published by 30th September 2023. Neither date will be met.
18. Progress made any the timetable is significantly further on this year compared to last but we are not yet in a position to produce a draft Statement of Accounts. This has been caused by delays in the 2021/22 Statement being sign off, particularly within the fixed assets and the consequential knock on in the opening balances for 2022/23 and now the pension valuation issue.
19. We are currently aiming for a draft Statement of Accounts for 2022/23 by September but this is subject to getting the 2021/22 Accounts sign off in good order.
20. Grant Thornton have issued a Planning questionnaire for the 2022/23 audit but this was not issued in time to bring to this Committee for review. This will be brought to a subsequent meeting of the Committee.

IMPLICATIONS

Policy: The Council's accounting policies are reviewed annually in compliance with CIPFA's Accounting Code of Practice.

Financial: The financial implications are as given in the report.

Legal: There are no legal implications arising from the contents of this report.

Risk Management: The Council reviews its risks regularly and in the context of financial instruments and the Expected Credit Loss Model, will maintain an ongoing assessment of risks associated with its financial assets.

Health and Safety: There are no health and safety implications arising from the contents of this report.

Sustainability: There are no sustainability issues arising from the contents of this report.

Community Safety: There are no community safety issues arising from the contents of this report.

Equality and Diversity: There are no equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix A - Proposed accounting policies for 2020/21 statement of accounts.

Appendix B - CIPFA Bulletin 14

Appendix C - CIPFA Bulletin 14 Supplemental

LIST OF BACKGROUND PAPERS

None.