

AUDIT & GOVERNANCE COMMITTEE

24th APRIL 2024

REPORT OF THE EXECUTIVE DIRECTOR FINANCE

RE-STATED ANNUAL STATEMENT OF ACCOUNTS 2022/23

EXEMPT INFORMATION

None

PURPOSE

To approve the re-stated Statement of Accounts (the Statement) for the financial year ended 31st March 2023 following completion of the external audit, and updates required to take account of IFRIC 14 - IAS 19 The Limit on a Defined Benefit Asset.

RECOMMENDATION

That Members approve the Annual Statement of Accounts 2022/23

EXECUTIVE SUMMARY

At its meeting of 27th September 2023, the Audit & Governance Committee approved the Statement of Accounts, and the external auditors Grant Thornton's Audit Findings Report. At that time the audit had not yet concluded as there were some outstanding issues to be finalised, including receipt of the pensions audit letter from Ernst & Young, prior to issue of Grant Thornton's opinion, audit conclusion and certificate. It was therefore agreed at the meeting to delegate authority to the Chair to approve any changes and re-sign the accounts, if necessary, once this work was completed.

However, while we awaited receipt of the pensions assurances, CIPFA issued a bulletin in November 2023 in response to the number of Councils who were for the first time reporting a net pensions asset rather than a liability as in previous years, as was the case for Tamworth. The bulletin provided further guidance as to the required treatment and the application of IFRIC 14 - IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The original actuary's valuation of the Council's pension fund as previously reported in the Statement of Accounts was a £1.09m net asset position. However, IFRIC 14 requires that consideration is given as to whether there is an asset ceiling that would limit the Council's ability to recognise the asset. The IAS 19 asset ceiling is a specified estimate of the present value of the economic benefit which the employer organisation can realise, either through refunds or by gaining economic benefit through reductions in future contributions. A net asset ceiling calculation was requested from our actuary Hymans Robertson, which indicated that the impact of the net asset ceiling would result in a reduction of £7.9m, therefore reducing the net asset to a net liability of £6.8m.

Under the provisions of IAS 19, we are required to measure the net defined benefit asset at the lower of the surplus in the defined benefit plan, or the asset ceiling, and therefore, following discussions with Grant Thornton, it was agreed we would amend the Statement of Accounts to reflect the net asset ceiling calculation.

This has resulted in changes to the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet, Movement in Reserves, and Pensions notes. The amendments are highlighted yellow in the attached updated Statement at **Appendix 1**, and can be found at pages 2 – 6, 26, 28, 31, 40, 82, 85, 106, and 109 – 112.

It should be noted that there has been no impact as a result of these amendments to the surplus or deficit on the provision of services, and the overall financial position of the Council remains unchanged, with no change to the previously reported outturn position and net balances of the General Fund, Housing Revenue Account or Collection Fund. However, as there are a number of significant amendments to the Statement, it is being reported to this Committee for approval, as it was agreed at the meeting of 27th September that members would be advised of any significant changes.

Regulations require the Chair of the Audit & Governance Committee meeting to sign and date the Statement of Accounts with the intention that the Chair's signature formally represents the completion of the Council's approval process of the accounts.

RESOURCE IMPLICATIONS

None as a direct result of this report.

LEGAL / RISK IMPLICATIONS

Legislation detailed in Accounts and Audit (England) Regulations 2015, requires the draft statement of accounts to be prepared by 31st May and for a Committee of the Council to approve the audited Statement and for the Council to publish the Statement together with the Auditors' opinion by 31st July.

However, because of the impact of ongoing issues being experienced with regard to accounts and audit completion, the requirement was amended again for 2022/23, with the deadline for publishing audited statements being pushed back to 30th September 2023.

It has previously been reported to Members that, due to the significant and unprecedented backlog of outstanding audit opinions, DLUHC have recently consulted on amending the Accounts and Audit Regulations to enable audit opinions up to and including 2022/23 to be cleared by September 2024, and proposing a recovery period with amended timelines for publishing audited accounts from 2023/24 to 2027/28. The consultation closed 7th March 2024, however, to date no response or findings have been published by DLUHC.

REPORT AUTHOR

Jo Goodfellow, Assistant Director Finance

LIST OF BACKGROUND PAPERS

Annual Statement of Accounts and Report 2022/23, Audit & Governance Committee 27th September 2023.

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