

Central Bedfordshire Council

AUDIT COMMITTEE

Monday, 9 January 2017

Statement of Accounts 2016/17

Report of Director of Resources, Charles Warboys
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Purpose of this report

1. The report outlines key changes required to the Council's statutory Statement of Accounts for 2016/17.

RECOMMENDATIONS

The Committee is asked to:

1. Consider and comment upon the issues raised within the report.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by any Overview and Scrutiny Committee as the Audit Committee provides scrutiny of the Council's preparation of the annual Statement of Accounts.

Background

2. The Accounts and Audit Regulations 2015 require the responsible financial officer of the Local Authority (the Director of Resources) to prepare and sign a set of unaudited accounts by 30 June each year. Audited accounting statements are required to be re-certified by the responsible financial officer, signed by the Chair of the Audit Committee and published by 30 September each year.
3. In addition to meeting the requirements of the 2015 Regulations, the Council has in recent years arranged a Statement of Accounts presentation in June, open to all Members, to inform and enable scrutiny of the key figures from the Statements.
4. Under the same 2015 regulations, the accounts are required to present a 'true and fair' view of the financial position of the Council and comply with 'proper accounting practices'. The Local Government Act 2003

specifies the CIPFA Code of Practice, issued annually, as representing proper accounting practices for this purpose.

5. CIPFA and the Local Authority (Scotland) Accounts and Advisory Committee (LASAAC) issue a Local Authority Accounting Panel (LAAP) bulletin at the end of the financial year to address any specific issues arising from the CIPFA Code of Practice. These bulletins have the same status as the CIPFA Code in forming the statutory basis of the Council's accounts. LAAP bulletins may also be issued during the year to provide general guidance on topical issues. CIPFA may also issue mid-year updates to the Code of Practice on an exceptional basis.

CIPFA Code of Practice 2016/17 Changes

6. It was anticipated that the Code for 2016/17 would introduce significant changes in respect of the disclosure of the Highways Network Asset. However this particular change has now been deferred by CIPFA/LASAAC until at least the 2017/18 financial year. In respect of English local authorities the Code for 2016/17 now has relatively limited changes compared to 2015/16. The main changes are outlined below.

Highways Network Asset

7. The 2016/17 Code specifies the revised measurement requirements as Depreciated Replacement Cost for the Highways Network Asset. Currently infrastructure assets are valued at historic cost. The Code includes specific accounting policies for the initial recognition, measurement, derecognition and disclosure requirements for the Highways Network Asset. Consequential amendments are also required, principally to the section on Property, Plant and Equipment.
8. On 14th November 2016, CIPFA/LASAAC announced the postponement of the implementation date to 1 April 2017. The decision to defer implementation was taken as a result of key information required from Central Government, regarding central rates to be used in the calculation, not being available in good time for the 2016/17 financial statements. The position will be reviewed in March with a view to implementation in 2017/18.
9. Whilst implementation was not deferred due to concerns regarding local authorities' readiness to meet the Highways Network Asset Code requirements, it nevertheless provides the Council with the time to improve the integrity of the data inputs, and the opportunity to further consider the valuation procedures as part of the 2016/17 accounts 'close down'. It also provides time to address any matters arising over the forthcoming year.

Presentation of the financial statements

10. The Code includes changes resulting from the 'Telling the Story Review' on improving the presentation of local authority financial statements. These include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS) and the introduction of an Expenditure and Funding Analysis and an Income Analysed by Nature note.
11. The Movement in Reserves Statement (MIRS) disclosure has been reduced to a minimum in comparison with previous years. Earmarked reserves will no longer be presented within the MIRS as distinct from the General Fund Balance. However, the detail of reserves identified for specific purposes will be set out elsewhere in the Statements.
12. The Expenditure and Funding Analysis (EFA) will show how annual expenditure is used and funded from resources in comparison with the accounting basis for those items. It also shows how the expenditure is allocated for decision making purposes between directorates/services. The EFA will take the net expenditure that is chargeable to taxation/rents and reconcile it to the CIES Surplus or Deficit on the Provision of Services. This change has enabled the previous segmental reporting requirements to be streamlined.
13. Full retrospective restatement of the 2015/16 CIES and EFA related information will have to be made. However there is no requirement for a restated balance sheet as there are no changes to that information as a result of the new accounting policies.
14. The Accounts and Audit Regulations 2015 introduced a new requirement for English authorities to produce a Narrative Statement, providing an accessible guide to the most significant matters reported in the accounts. The statement must include comment by the Council on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The Narrative Statement should be fair, balanced and understandable for the users of the financial statements.
15. The requirement for a Narrative Statement (previously the Explanatory Foreword) arose in 2015/16 following an Update to the 2015/16 Code and this was included in the 2015/16 Statement of Accounts. External Audit identified that there are opportunities for the Council to enhance its Narrative Statement to more clearly comply with the requirements and this will be a consideration in preparing the 2016/17 Statement of Accounts.
16. The narrative report is not formally part of the Statement of Accounts and is not directly covered by the statutory requirements for an audit opinion or certification by the responsible finance officer. However it

needs to be prepared so that it is consistent with the Statement of Accounts but is not formally bound by true and fair requirements.

Amendments arising from changes to accounting standards

17. IAS 24 **Related Party Disclosures**—the definition as to whom this disclosure relates has been amended and now also includes key management personnel. Key management personnel are chief officers, elected members, Chief Executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority. The 2015/16 Statement of Accounts included Members, Councillors and Senior Officers in addition to other public bodies. We have previously provided more information than the guidelines required, as we included senior officers, and therefore this change will not require any further disclosure.

Other key issues

Earlier closedown

18. The Accounts and Audit Regulations 2015 require local authorities to approve and publish the accounts by 31 May and 31 July respectively (currently 30 June and 30 September) effective from the accounts for the year 2017/18. Preparation for these earlier closedown requirements is underway and the Statement of Accounts 2016/17 will be a trial run to ensure the Council is equipped to meet this requirement. The first full draft of the financial statements is anticipated to be produced by mid May 2017.

Statement of Accounts presentation

19. For the last four years there has been a presentation of the key figures in the accounting statements to this Committee with all other Council Members invited, the purpose being to enhance the scrutiny and discussion of the statements. The presentation for 2015/16 was made by the Chief Finance Officer and the Head of Financial Control and included a question and answer session.
20. Conducting a presentation instead of submitting the accounts as an Audit Committee report enabled significantly more time for Finance staff to concentrate on quality assurance work in June. Making the most of the time available for quality assurance activities helps to minimise the work of the Finance team and the external auditors in the period July to September. Positive feedback was received following the latest presentation, which engaged Members and enabled a focus on the key points within the accounts. It is therefore proposed to present the 2016/17 statements in a similar manner at the Audit Committee meeting in June 2017 with an open invitation to all Council Members to attend.

Rights of Access to the Statement of Accounts

21. The Accounts and Audit Regulations 2015 extended the period for exercise of Public Rights (which include rights of objection, inspection of the local authority accounting documentation and questioning of the external auditor) to 30 working days. During this period the Council must make all relevant documents available for public inspection.
22. The Regulations also require that the period for the exercise of public rights includes the first 10 working days of June of the financial year immediately following the end of the financial year being reported, although transitional arrangements amend this to the first 10 working days of July for reporting of financial years 2015/16 and 2016/17.
23. At present local electors can exercise public rights, however, under the Local Audit (Public Access to Documents) Bill—currently being discussed in the House of Commons—this right may be extended to journalists as ‘interested parties’. This would also enable journalists to have access to the accounting records and supporting documents for the relevant year where they are not otherwise an ‘interested person’. The extension of the right to inspect and make or request copies of local authority accounts documentation is intended to increase transparency. This may lead to additional resources being taken up responding to queries. The extension of the right to inspect accounts could also lead to journalists having the right to lodge objections to the accounts, just as local electors may do already. There is strong opposition to this and Government are being lobbied to not allow this.

Council Priorities

24. Informing Members of forthcoming changes relating to the Statement of Accounts and inviting all Members to consider and comment on the Statement contributes towards the Committee’s scrutiny function and meeting the Council’s priority of a more efficient and responsive Council.

Corporate Implications

Legal Implications

25. The production of an annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015. The accounts are to be prepared in line with ‘proper accounting practice’ and the Local Government Act 2003 section 21(2) specifies the CIPFA Code of Practice as representing proper accounting practice for this purpose.
26. The accounts are based on International Financial Reporting Standards (IFRS) as defined by the CIPFA Code of Practice and the authority must incorporate any changes to the CIPFA Code in preparing the financial statements.

Financial and Risk Implications

27. The preparation of the annual financial statements is a core responsibility of the Council's Finance team and involves the support of many other services. The Finance team seek to continuously improve the processes that support the preparation of the statements as well as implement any changes in reporting requirements within the Council's overall approved revenue budget.

Equalities Implications

28. There are no specific implications for equalities as this report is made for information purposes.

Conclusion and Next Steps

29. It is requested that the Committee notes the key changes required to the 2016/17 Statement of Accounts and the intention to make a presentation of the accounts as certified by the Chief Finance Officer to the Committee and other Members in June. The changes for 2016/17 will be highlighted in the Statement of Accounts presentation.

Appendices

None

Background Papers

None