

Central Bedfordshire Council

AUDIT COMMITTEE

Monday, 8 January 2018

Statement of Accounts 2017/18

Report of Director of Resources, Charles Warboys
(Charles.Warboys@centralbedfordshire.gov.uk)

Advising Officer: Financial Controller, Stephanie Pocock
(stephanie.pocock@centralbedfordshire.gov.uk)

Purpose of this report

1. The report outlines key changes required to the Council's statutory Statement of Accounts for 2017/18.

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 31 May 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 31 July 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 2017/18 Changes

6. In respect of English local authorities the Code for 2017/18 has relatively limited changes compared to 2016/17. The main changes are outlined below.

Presentation of the financial statements

7. 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.
8. The 2017/18 Code identifies a principles based approach for the Narrative Statement with the aim of enabling management to tell the story of the authority by providing a holistic, clear and well structured view of its strategy, governance, performance and future outlook.
9. 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 both the Statement of Accounts 2015/16 and those for 2016/17. External Audit identified that there are opportunities for the Council to further enhance its Narrative Statement and these will also be considered in preparing the Statement of Accounts 2017/18.
10. 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 regulations

11. As part of the Housing Revenue Account (HRA) self-financing settlement in 2012, substantial changes were made to the accounting treatment of capital assets. A five year transitional period was put in place to help local authorities manage the impact of these changes by allowing them to 'reverse out' impairment charges. *The Item 8 Credit and Item 8 Debit (General) Determination from April 2017* (the Item 8 Determination) contains provisions on how these items should now be treated and is effective from 1 April 2017.
 - Impairment and revaluation gains and losses on dwellings will continue to be reversed out of the HRA through the Capital Adjustment Account.
 - This principle is applied prospectively to non-dwelling assets
 - Depreciation on dwellings and non-dwellings assets will be charged to the HRA in accordance with proper practices.
12. While depreciation will still be effected through a transfer to the Major Repairs Reserve it will no longer be capped at the value of the notional Major Repairs Allowance. This will not impact the Council as we have previously calculated depreciation on the appropriate accounting basis and not used a notional value in the accounts.

Amendments arising from changes to accounting standards

13. There are no changes to accounting standards that impact on the Statement of Accounts 2017/18.

Other key issues

Earlier closedown

14. The Accounts and Audit Regulations 2015 require local authorities to approve and publish the accounts by 31 May and 31 July respectively effective from the accounts for the year 2017/18. Preparation for these earlier closedown requirements began in earnest last year with the Statement of Accounts 2016/17 being a full trial run to ensure the Council is equipped to meet this requirement. This was largely successful; a full draft Statement of Accounts was ready on 8 June. Minor changes are currently being made to the 2017/18 closedown procedures in order to prepare the statements ahead of the 31 May deadline.
15. From 2017/18 we have agreed with the Council's professional valuer Wilks Head & Eve, a change to the valuation date of the Council's housing stock from 1 April to 31 December each year. Consequently

the year end impairment review will cover a period of three months, rather than the whole year, reducing the impact of any change in market conditions during this time. It is considered that, as these are unlikely to be material in future, an impairment allowance will not be required to be adjusted for at the year end and this should help with the earlier deadline. This was the only material adjustment required to the 2016/17 Statement of Accounts as a result of the audit.

Statement of Accounts presentation

16. For the last five 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 2016/17 was made by the Director of Resources (s151 Officer) and other key members of his team and included a question and answer session.
17. 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 audit period. This will be particularly important with the earlier timetable for the accounts. 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 2017/18 statements in a similar manner at the Audit Committee meeting in May 2018 with an open invitation to all Council Members to attend.

Rights of Access to the Statement of Accounts

18. 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.
19. 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.

Council Priorities

20. 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

21. 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.
22. 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

23. 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

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

Conclusion and next Steps

25. It is requested that the Committee notes the key changes required to the 2017/18 Statement of Accounts and the intention to make a presentation of the accounts as certified by the Director of Resources (s151 Officer) to the Committee and other Members in May. The changes for 2017/18 will be highlighted in the Statement of Accounts presentation.

Appendices

None

Background Papers

None