

# Annual Statement of Accounts Update 2015/16

**Committee: Audit Committee**

**Date: 19<sup>th</sup> April 2016**

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Author: Board Director, Resources

Wards: All

Locality Affected: All

Parishes Affected: All

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## **1. Purpose and Reasons**

- 1.1 This report provides an update on the progress towards the completion of the 2015/16 Statement of Accounts`
- 1.2 The audit committee is the designated body for approval of the Council's final accounts.

## **2. Recommendations**

The Committee is recommended to:

- 2.1 Confirm the accounting policies for 2015/16 and proposed amendments for 2016/17.
- 2.2 Note the content of this report.

## **3. Detail**

- 3.1 Under statutory requirements the draft annual accounts require authorisation by the Council's Section 151 Officer (Board Director, Resources) by the end of June. The position of the draft accounts may be reported to Committee at its June meeting for information, but is not a requirement for it to approve them until final.

### Code Changes

- 3.2 The Code is reviewed annually by The Chartered Institute of Public Finance and Accountancy (CIPFA) and updates made to accounting requirements as a result of accounting regulation changes as interpreted for the public sector. There has not been significant change to the Code for 2015/16, but the main areas reviewed are:
  - 3.2.1 Fair Value Measurement – the Code has been updated to clarify and standardise the meaning of Fair Value measurement for valuations. Fair Value for non-financial assets, i.e. long term property, plant and equipment surplus assets and investments, are to be measured at highest and best use of the market. This means the maximum value, from its 'highest and best use', that could be obtained, without considering an Authority's intentions or restrictions on use. There are limited assets classified as investment or surplus and the effect of this change is expected to be limited.

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Further information on the subject of this report can be obtained from Darren Stevens, Direct Dial 07769 281659, dstevens@swindon.gov.uk.

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- 3.2.2 Narrative Report – the narrative report is the new name for the explanatory foreword and has the new requirement to include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

## Accounting Policies

- 3.1 The accounting policies remain as per the final audited 2014/15 statement of accounts. Changes to the Code, as referred to in 3.2, do not directly result in the need to change the accounting policies. There are terminology updates or disclosure changes, depending on materiality, but significant judgements will be referred to in the accounts.

## Future Changes to the Code and Local Arrangements

- 3.2 The introduction of a Highways Network Asset (HNA), previously called the Transport Infrastructure Asset, will require a revaluation under depreciated replacement cost methodology as at 1/4/16.
- 3.3 This will mean the inclusion for 2016/17 of an updated accounting policy for the HNA. The proposed policy to be included for the 2016/17 accounts is shown below, and Members are asked to approve it in preparation, with any refinement being presented at a future Audit Committee for confirmation:

“A Highways Network Asset (HNA) is a network and grouping of inalienable components, expenditure on which is only recoverable by continued use of the asset created. As a Highways Authority, Swindon Borough Council is judged to have highways infrastructure that fits this definition.

The HNA will be valued under depreciated replacement cost (DRC). Additions to the network from the capital programme will be deemed to equal the value of the asset being replaced, with additions equalling disposals. The replaced part will be assumed to have reached the end of its useful life and the value of the replaced part will equal the value of the depreciation derecognised for that replacement.

Valuations are undertaken by Highways Engineers using nationally prescribed models. This is supported with inventory from condition surveys and local knowledge. Significant judgements in the valuations process are recorded within the accounts disclosures.”

- 3.4 The process for including the HNA in the accounts has recently changed. Previously there was a requirement to restate the 2015/16 accounts but it has been agreed this year that the Code will be updated and the requirement will now be to show the asset revaluation from the 1<sup>st</sup> April 2016 only. This will now only result in adjustment to opening balances, without full prior period adjustment.
- 3.5 There has also been a review by CIPFA of the accounting statements format. This will see changes from 2016/17 to the core revenue statements of the
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Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves (MiRS). The CIES will be required to present income and expenditure based on an Authority's internal reporting arrangements to those charged with governance. This means that in future, rather than the service analysis dictated by the Service Reporting Code of Practice (SERCOP), the accounts will be presented showing the service analysis that our internal budget monitoring reporting is shown as. This should provide greater consistency between in-year and year-end reporting, whilst improving the ability of the reader to follow the accounting adjustments that take place after budgeted outturn position.

- 3.6 The dates from 2017/18 remain as previously advised, and have since been published in the last Accounts and Audit Regulations, so are now statutory. This means that for 2017/18 onwards the draft accounts will need signing by the S151 officer by the 31<sup>st</sup> May. The subsequent publication of the final accounts, and therefore deadline for confirmation of the audit and receipt of certificate, changes to the 31<sup>st</sup> July. The Audit Committee for approval of the 2017/18 statement of accounts will therefore be expected during the last week of July 2018.
- 3.7 In the final statement of accounts for 2014/15 there remained the possibility that the group accounts section would need to be updated for any change to the published accounts of Public Power Solutions (PPS). Their position has since been concluded and it is confirmed that the turnover and subsequent balances in the Swindon Borough Council group accounts section will require restatement in the 2015/16 accounts of £3.7m. This is due to the timing of when income was able to be presented in the PPS accounts.

## **4. Alternative Options**

- 4.1 None – the annual Statement of Accounts is a statutory process.

## **5. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

- 5.1 These have been reflected in the body of the report.

### Legal and Human Rights Implications

- 5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 There are no such direct implications.

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## Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

## Diversity Impact Assessment

- 5.5 A Diversity Impact Assessment (DIA) has not been done as this report does not make any new recommendations that would have a detrimental impact on services.

## **6. Consultees**

- 6.1 The Board Director Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 None