

# Annual Statement of Accounts Update 2016/17

**Committee: Audit Committee**

**Date: 21<sup>st</sup> February 2017**

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Author: Interim Corporate 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 2016/17 Statement of Accounts and future changes affecting their production.
- 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 2016/17 and proposed amendments for 2017/18.
- 2.2 Note the content of this report.

## **3. Detail**

Statutory Deadlines and Faster Closing

- 3.1 Under statutory requirements the draft annual accounts for 2016/17 require authorisation by the Council's Section 151 Officer (S151) by 30 June 2017.
- 3.2 The draft accounts may be reported to Committee at a subsequent meeting for information, but there is not a requirement for Committee to approve them until final, by the 30 September 2017.
- 3.3 From the 2017/18 financial year the draft accounts must be authorised by the S151 Officer by the 31 May and by the Audit Committee by 31 July. For 2016/17 it has been agreed with the external auditor that we will look to close the accounts and produce the annual statements to the deadline for 2017/18. The consolidation of the 2015/16 accounts was completed in early June, so there is expectation of meeting the 31 May deadline. The actual position will be reported back to Audit Committee in the next available report on the accounts.
- 3.4 We have met with external audit and have identified the following areas as being critical to the successful delivery and audit of the accounts within the shorter timescales:
  - 3.4.1 Consolidation of Group company accounts details

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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](mailto:dstevens@swindon.gov.uk).

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- 3.4.2 Asset valuations; although the 2015/16 process was successful, timescales around the data remain one of the most critical aspects of the accounts production due to the wide range of statements/disclosures affected.
  - 3.4.3 Clarity and consistency of working papers
  - 3.4.4 Response times to audit queries and follow up
  - 3.5 We have redesigned our closedown process to incorporate:
    - 3.5.1 Tighter project management of year end activities
    - 3.5.2 Quality reviews of working papers
    - 3.5.3 Raising awareness of the earlier timescales across the council
    - 3.5.4 Escalation processes to ensure audit queries are responded to
- Highways Network Asset
- 3.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) announced in November 2016 that there will be a delay in the implementation of the Highways Network Asset (HNA). It is currently expected that the implementation will be postponed until 2017/18 financial year, but this will not be confirmed until March 2017.
  - 3.7 The reason for the delay is given by CIPFA as due to out of date central rates for the gross replacement cost element of the necessary valuation. These are now over five years old and have been unable to be updated in time for 2016/17 calculations. Without updated rates the valuation figure would be non-compliant with the Code, which requires valuations to be made/updated at no more than five-yearly intervals.
  - 3.8 Whilst work has been ongoing with the Highways service on preparedness for the 2016/17 implementation of the HNA, there have been some areas of the valuation where less data is available, and therefore more professional judgement applied in the valuation process. The postponement to the HNA inclusion enables more time to focus on higher-risk areas of the valuation data, whilst looking to clear the process in advance of the final implementation date. This should enable the final audit of the valuation to be more efficient in the year that the statutory completion dates are reduced.
  - 3.9 It remains the expectation that the process of implementation in 2017/18 will be the same as 2016/17 would have been, i.e. without the need to restate prior year figures. The first date at which the HNA could appear from (if 2017/18 implementation confirmed) would therefore be 1<sup>st</sup> April 2017.
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## Accounting Policies

- 3.10 The postponement to the HNA implementation means that the previously agreed (Audit Committee 19/4/16) accounting policy update for it will also have publication delayed. The agreed HNA policy will be reviewed in 2017/18 to ensure it remains consistent on reimplementation, and confirmed to Audit Committee at a subsequent date.
- 3.11 Accounting policies for 2016/17 therefore remain as per 2015/16 with the exception that the 'Overheads and Support Services' policy will be removed. This removal relates to the new requirement for the Comprehensive Income and Expenditure Statement (CIES) to reflect internal reporting arrangements. As reporting to Cabinet does not include the reallocation of support services, the statement of accounts should also not include such apportionments. The process will still be undertaken outside of the accounting statements as it remains a requirement for Central Government Revenue Outturn returns.
- 3.12 There have been no other changes to the Code of Practice that affect the accounting policies in 2016/17.

## Other Changes Affecting the Accounts

- 3.13 The CIES will now present income and expenditure based on an Authority's internal reporting arrangements to those charged with governance. This means that the accounts will be presented showing the service analysis that our internal budget monitoring reporting to Cabinet is shown as.
- 3.14 The CIES is complemented by a new statement – the Expenditure and Funding Analysis. This statement shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities, and represents the outturn position. It also shows how this expenditure is then adjusted for accounting entries to arrive at the net balance included within the CIES. 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. Example of the new funding statement and restated 2015/16 CIES is attached at appendix 1.

## **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.
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## 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.

## 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 Corporate Director of 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 Appendix 1 – New Funding Analysis statement