

# Annual Statement of Accounts Update 2014/15

**Committee: Audit Committee**

**Date: 21<sup>st</sup> April 2015**

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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 2014/15 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 2014/15.
- 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.

### 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 2014/15, but areas reviewed are:
  - 3.2.1 School Assets – there has been clarification from CIPFA that there is an expectation that voluntary controlled and aided schools would not form part of local authority balance sheets, however, it is down to each authority to provide evidence of this position.
  - 3.2.2 Financial Instruments – a change to the presentation requirements around financial instruments
  - 3.2.3 Accounting for Collaboration – changes to the way in which control is looked at within group arrangements and therefore how joint arrangements are considered and accounted for if necessary.

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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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3.3 In addition to the impact of changes to the accounting Code of Practice on Local Authority Accounting (the Code), the Authority has local areas that are being reviewed in closing the 2014/15 accounts:

3.3.1 Format of the accounts – there continues to be a push for making the statement of accounts more user-friendly and easier to follow. This was considered last year to the greater extent but will continue to be reviewed as the accounts are produced where non-material items can be excluded.

3.3.2 Service Analysis – the Service Reporting Code of Practice (SERCOP) format that the Code requires service income and expenditure statements to be presented in has been revised in places. This has seen main changes to the Adult Social Care and Children's services divisions.

## Accounting Policies

3.1 The accounting policies remain as per the final audited 2013/14 statement of accounts, as at Appendix 1 for reference. Changes to the Code, as referred to in 3.2, do not directly result in the need to change the accounting policies. There may be 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 There are significant changes to the Code in 2016/17 that reflect requirements to report the valuation of transport infrastructure assets, such as highways, bridges, street lighting, on a different basis. These are currently valued under historic cost (HC), but in future will be required to be valued under depreciated replacement cost (DRC). DRC is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. It is therefore a fundamental shift in methodology which requires significantly more officer time to meet the requirements. Committee will be asked to approve this change in accounting policy for the 2016/17 accounting year.

3.3 This change has a significant impact on the accounts due to the value of balance sheet assets for Transport Infrastructure under DRC being materially higher than HC. It is estimated to add in the region of £2.5bn to infrastructure assets, mainly highways and connected land. The Highways department are involved in this process and early discussion with the external auditors has already been undertaken.

3.4 After the above change in 2016/17, there will be major shift in statutory timescales for the accounts in 2017/18. As mentioned in 3.1, the current date for the draft accounts to be signed by the S151 Officer is the 30<sup>th</sup> June. This will become the 31<sup>st</sup> May. The audit deadline will change from the 31<sup>st</sup> September to the 31<sup>st</sup> July.

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- 3.5 There are challenges involved in meeting these revised dates, especially with the group reporting position of the accounts; however, work has already begun on the routine review of the Finance timetable. Whilst there is the expectation that the dates will be achieved, there remains further and detailed discussion needed, both internally with wider financial and IT support, and externally with the auditors. The reality is that in practice there are two more 'dry-run' attempts to complete the accounts by the end of May before the statutory date change.

## **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.

### 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
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## **8. Appendices**

### **8.1 Appendix 1: Accounting Policies**