

Agenda Item No: 15 **Report No:** 85/16
Report Title: Statement of Accounts 2015/2016
Report To: Audit and Standards Committee **Date:** 20 June 2016
Ward(s) Affected: All
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Purpose of Report:

To provide assurance to the Audit and Standards Committee that the Council's Statement of Accounts for 2015/2016 has been prepared in accordance with statutory requirements and recommended accounting practice.

Officers Recommendation:

1. To note the action taken to prepare, publish and enable public inspection of the 2015/2016 Statement of Accounts.
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Reasons for Recommendations

- 1 The Council's constitution enables the Audit and Standards Committee to approve the Annual Statement of Accounts. The Accounts and Audit Regulations 2015 require the Director of Corporate Services to certify by 30 June that the Statement of Accounts presents fairly the financial position of the Council, in advance of the external audit of those Accounts taking place.

Information

2 Approval of the Accounts

- 2.1 The Audit and Standards Committee is required to approve the Council's formal annual Accounts, which include statements of its income and expenditure for the year and its balance sheet at the year end. The requirement stems from the Council's Constitution, the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting published each year by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 2.2** The Accounts and Audit Regulations 2015 (the Regulations) came into effect from 1 April 2015 for financial years beginning on or after 1 April 2015. The Regulations specify the framework for the approval and auditing of local authority accounting statements, and also require a local authority (other than a smaller authority such as a Town or Parish Council) to prepare a 'narrative statement' on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.
- 2.3** The Regulations require the Council's responsible financial officer (the Director of Corporate Services) to certify the 2015/2016 Accounts by 30 June, with no approval by councillors at that stage. The external audit then takes place, with a final audited set of Accounts, including any necessary amendments, being brought to councillors to approve by 30 September, the final deadline for publication. The intended consequence of the Regulations is that, when approving the Accounts, councillors can be made aware of the findings of the audit and hence make a better informed decision.
- 2.4** At the time of writing this report, it is the intention that the Director of Corporate Services will certify the Statement of Accounts 2015/2016 on 29 June, maximising the time available for final 'quality checking'. It will then be sent to the Council's external auditor, BDO, triggering the start of their audit work. It will also be published on the Council's website on 30 June 2016.
- 2.5** The Regulations include a phased timetable for faster closure and publication of the audited accounts in future years: there will be a requirement to publish the 2017/2018 audited accounts by 31 July 2018. This 2-month shortening of the timetable will present a significant challenge to both the Finance team and the external auditors.

3 Inspection of the Accounts

- 3.1** Any person has the right to inspect the Council's accounts and supporting records. Local government electors for the area of the Council are also able to ask the auditor questions about the accounts and may object to the accounts asking the auditor to issue a report in the public interest and/or apply to the court for a declaration that an item in the accounts is unlawful.
- 3.2** The Regulations, for the first time, prescribe certain dates to be included within a thirty day period for the exercise of public rights before the final publication of the accounts and auditor's report. For the 2015/2016 accounts, the thirty working day period must include the first ten working days of July. The period for the exercise of public rights has been set for the period 1 July to 11 August 2016. This is advertised on the Council's website, along with a link to the National Audit Office guide for the public 'Council Accounts – A Guide to your rights'.

4 Narrative Statement

- 4.1** In previous years local authorities have published an 'explanatory foreword' to the Statement of Accounts giving general context to the year's financial

performance and looking ahead to future years. As noted above, the Regulations now require the preparation of a 'narrative statement'.

4.2 In order to meet this new requirement, CIPFA recommend the replacement of the explanatory foreword with a 'narrative report' to provide an analysis of:

- the development and the performance of the authority in that financial year and its position at the end of the year
- the financial and non-financial performance indicators as relevant to the performance of the authority, along with prior-year comparatives and an explanation of changes

5 Format of the Accounts

5.1 The Statement of Accounts comprises the following core elements:

Movement in Reserves Statement - this shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those the Council can apply to fund expenditure or reduce local taxation) and other reserves.

Comprehensive Income and Expenditure Statement - this records all of the spending and income used in the day to day provision of all services including Council housing and also includes any profit or loss from the use and disposal of assets within the period. The account also shows how much is received from council taxpayers, business ratepayers and from general government grants to help meet the cost of services.

Balance Sheet – this provides a snapshot of the Council's financial position as at 31 March 2016 and includes the General Fund and Housing Revenue Account balances. It sets out what the Council owns, owes and is owed at that point in time, and identifies amounts which are set aside in reserves to finance future spending.

Cash Flow Statement – this summarises the total receipts and payments of cash arising from the Council's activities in the year ie it excludes amounts which the Council owes but has not yet paid and is owed but has not yet received.

Notes to the Financial Statements – these explain the significant items within each of the core elements along with an explanation of the accounting policies that were followed when compiling and presenting the Accounts.

Housing Revenue Account – this statutory 'ring-fenced' account reports for the year on the management of the Council's housing stock. It shows the major elements of housing running costs (maintenance, management and capital financing costs) and how these are met by rents, service charges and other income.

Collection Fund – this shows the Council’s transactions in relation to the collection of non-domestic rates and council tax, and their payment over to the Government and ‘precepting authorities’ (East Sussex County Council, the Sussex Police and Crime Commissioner, East Sussex Fire Authority and Lewes District Council).

Statement of Responsibilities for the Statement of Accounts – this explains the relative responsibilities of the Council and Director of Corporate Services in terms of making arrangements for the administration of the Council’s financial affairs, keeping financial records, etc. Before publication of the audited Accounts in September, the Chair of the Audit and Standards Committee and the Director of Corporate Services will sign this Statement.

- 5.2** In 2013, CIPFA published a good practice guide for local authorities’ financial statements. This looks at how presentation can be improved and clutter cut from the accounts. CIPFA consider that too often organisations play safe by including in the accounts every disclosure required by standards, in case an omission is questioned, and that, also too often, auditors question the omission of non-material disclosures, encouraging this behaviour.
- 5.3** Drawing on CIPFA’s guide, the Statement of Accounts 2015/2016 has been produced with an increased focus on materiality and the exclusion of information that contributes little to the understanding of the accounts or the Council’s overall financial position.

Financial Implications

- 6** There are no additional financial implications arising from this report.

Risk Management Implications

- 7** I have completed the Risk Management Questionnaire. The issues covered by the recommendations are not significant in terms of risk.

Equality Screening

- 8** This is a routine report for which detailed Equality Analysis is not required to be undertaken.

Legal Implications

- 9** None arising from this report.

Background Papers

- 10** Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and Guidance Notes for Practitioners.