

Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

Report to:	Audit Committee
Date:	27 March 2017
Subject:	Statement of Accounts 2016/17

Summary:

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2016/17 Statement of Accounts;
- The review of the Council's Accounting Policies; and
- Changes resulting from the Accounts and Audit Regulations 2015 and the impact of this on the Council's Statement of Accounts for 2017/18.

Recommendation(s):

The Executive Director of Finance and Public Protection asks the Members of the Audit Committee to:

1. Note the changes required to our Statement of Accounts from the Code of Practice 2016/17;
2. Approve the Statement of Accounting Policies (Appendix A) to use in preparing the Council's accounts for the financial year ending 31 March 2017; and
3. Note the changes to the preparation and audit period for the 2017/18 Statement of Accounts as set out in the Accounts and Audit Regulations 2015.

Background

1.1 The Council is required to prepare its Statement of Accounts in accordance with the Code of Practice in Local Authority Accounting in United Kingdom 2016/17 (the Code). This ensures the accounts are prepared using "proper accounting practice".

Changes to the Code of Practice on Local Authority Accounting for 2016/17

1.2 The Code of Practice for 2016/17 has introduced a number of revisions and clarifications to the accounts and accounting requirements for the 2016/17 Statement of Accounts. The most significant of these relates to the presentation of the financial statements, namely: the Comprehensive Income and Expenditure Statement and the introduction of a new Expenditure and Funding Analysis.

Comprehensive Income and Expenditure Statement

1.3 The Comprehensive Income and Expenditure (CI&ES) will now be presented using the Council's organisational structure under which the authority operates and manages its services (Commissioning Strategies). This will remove the formal link to Service Expenditure Reporting Code of Practice and means overhead apportionment will now be based on how we operate as an authority. Total cost will continue with each Commissioning Strategy including appropriate charges for use of non-current assets and employee benefits.

Expenditure and Funding Analysis

1.4 In order to further aid in making the document more understandable to all users of the accounts, a new Expenditure and Funding Analysis (EFA) note is introduced. This will be within the Narrative Report and will provide a link between the Council's financial performance reporting (outturn) and the CI&ES.

1.5 The EFA will be presented so that each reporting service line (Commissioning Strategy) within the organisation structure provides a comparison of the net resources used and the net charge to council tax. This will provide an opportunity to explain the difference between the accounting adjustments in order to comply with reporting requirements and the amount charged to taxation.

1.6 This will help to promote accountability and stewardship by providing a direct link with the Council's decision making process, its budget and its financial reporting.

Statement of Accounting Policies

1.7 An important section of the published Accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the Accounts, together with any estimation techniques adopted. The policies have been reviewed and are attached at **Appendix A** for consideration and approval by this Committee.

1.8 A small number of minor changes have been made to the accounting policies for 2016/17 which are marked in ***bold italics*** in **Appendix A**, these include:

- Update on the use of capital receipts to reflect the authority's Flexible Use of Capital Receipts Strategy;

- Changes to reflect the change in the minimum revenue provision policy, which is consistent with the Council's Financial Strategy and will apply from 2016/17 onwards; and
- Changes to reflect the updated CI&ES, new EFA note and Council's organisational structure within the Statement of Accounts.

Accounts and Audit Regulations 2015

1.9 Under the current regulations, the Council has been required to have draft Statement of Accounts produced by 30 June and audited, approved and published by 30 September following the end of the financial year. Effective from the 2017/18 financial year, the Accounts and Audit (England) Regulations 2015 specify the requirement to accelerate this process so that draft annual Statement of Accounts is produced by 31 May and audited, approved and published by 31 July following the end of the financial year.

1.10 The revised timetable will present challenges to both the Council and External Auditors. The Council will have one month less in which to close the financial year and produce the annual Statement of Accounts, and External Auditors will be required to complete local government audits and issue opinions two months earlier than the current requirements.

1.11 In preparation for this change, the council plan to prepare its Statement of Accounts for 2016/17 by 2 June. Further work will be undertaken during 2017/18 to review the processes currently in place to ensure the annual Statement of Accounts can easily be produced within the new statutory deadlines.

1.12 Committee timetables will also be required to reflect these changes.

Conclusion

2.1 Changes to the format and content of the accounts and accounting requirements will be incorporated into the Statement of Accounts for 2016/17 as required by the Code of Practice.

2.2 The Statement of Accounts will be prepared using the Accounting Policies approved by the Audit Committee at this meeting.

2.3 Changes set out in the Accounts and Audit Regulations 2015 will require the Council to prepare its annual Statement of Accounts from 2017/18 by 31 May and have them audited, approved and published by 31 July.

Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Statement of Accounting Policies 2016/17

Background Papers

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17	Executive Director of Finance and Public Protection
Service Reporting Code of Practice for Local Authorities 2016/17	Executive Director of Finance and Public Protection

This report was written by Claire Machej, who can be contacted on 01522 553663 or Claire.Machej@lincolnshire.gov.uk