

North Tyneside Council Report to Audit Committee Date: 30 November 2016

ITEM 8

Title: Annual Statement of
Accounts 2016/17

Report from Service: Finance

Report Author: Janice Gillespie, Head of Finance (Tel: 643 5701)

Wards affected: All

PART 1

1.1 Executive Summary:

1.1.1 The purpose of this report is to update the Audit Committee on progress associated with the preparation of the 2016/17 Annual Statement of Accounts (Accounts) and work undertaken to date in respect of the new statutory dates for closing the accounts from 2017/18 onwards.

1.2 Recommendation(s):

1.2.1 It is recommended that the:

(a) Audit Committee note the progress made in working towards the preparation of the 2016/17 Accounts and work being undertaken in respect of future years' closedown.

1.3 Forward plan:

1.3.1 This report is included within the annual workplan for the Audit Committee.

1.4 Council plan and policy framework:

1.4.1 The Annual Statement of Accounts covers all the service responsibilities as identified within the Council Plan.

1.5 Information:

The changes in legislation governing the preparation of the Annual Statement of Accounts

1.5.1 As detailed in previous reports presented to the Audit Committee changes have been made to The 'Accounts and Audit Regulations 2015' in respect of the approval process required for the Annual Statement of Accounts. Currently the Chief Finance Officer is required, no later than 30 June, to sign and certify that the Statement of Accounts present a true and fair view of the Authority's financial position for the year to 31 March. The audited set of accounts should, no later than the 30 September, be approved and

subsequently published. These dates will change to 31 May and 31 July respectively as a result of the new legislation. These changes are effective from 2017/18.

Process for the 2016/17 preparation of the Annual Statement of Accounts

- 1.5.2 This report updates the Audit Committee with the progress made to date in the preparation of the 2016/17 Accounts. **Appendix A** sets out the key dates of this process and the progress made.
- 1.5.3 The 2015/16 Accounts were prepared and handed over to the Chief Finance Officer for final quality assurance on the 15 June 2016. For the 2016/17 accounts we have set ourselves the target date of 31 May 2017 for handing over the draft set of accounts to the Chief Finance Officer. We are committed to meeting this deadline, although we are aware that not all improvements and processes may be in place fully for the 2016/17 accounts that will allow this date to be met. However by setting this target date, it will ensure that we will be confident of meeting the revised statutory publication date of 31 May for the 2017/18 draft accounts.
- 1.5.4 A review of the 2015/16 closedown process has been undertaken identifying areas where lessons could be learned and improvements made, and also where the process went well. This has included identifying critical roles, not directly in finance, which need to be involved in the process and made aware of the changes in the deadlines as these individual's provide key information for the closedown process.
- 1.5.5 The closedown timetable has been updated to reflect the new deadlines for key tasks. A review of the 2015/16 timetable was undertaken to identify where there were 'hold ups' in the process, which tasks were dependent on each other and which tasks can be done early. It is recognised that we need to change some working practices particularly in relation to the use of estimates in order to achieve the revised statutory deadlines.
- 1.5.6 The Accounts are prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code). There have been changes to the Code that will impact on the 2016/17 Accounts and work is ongoing to ensure that these are reflected within the Accounts. The main changes are:
- The introduction of a new Expenditure and Funding Analysis which provides a direct reconciliation between the way the Authority is funded and the preparation of budgets with the Comprehensive Income and Expenditure Statement in a way that is more accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current Segmental Reporting note;
 - The requirement of the Authority to report on the same basis as it is managerially organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement. This means that the Comprehensive Income and Expenditure Statement format will be as per the Financial Management Reports to Cabinet;
 - The changes to the Code will for the first time allow the Authority to bring together the funding framework and the accounting framework in one analysis;
 - The 2015/16 Accounts will need to be restated to reflect these changes i.e. the Comprehensive Income and Expenditure Statement and the Movement in

Reserves Statement will be restated to allow comparators with the 2016/17 accounts; and,

- The introduction of the Highways Network Asset (HNA) Code – reports have previously been taken to the Audit Committee providing updates on the implementation and progress reports. The most recent update was provided to the 21 September 2016 meeting. Paragraph 1.5.8 below provides an update on the HNA.

- 1.5.7 The restatement of the 2015/16 accounts is currently underway. Dialogue is ongoing with our external auditors to ensure that any restatement reflects the Code's requirement.
- 1.5.8 At a meeting held on 9 November 2016 the CIPFA (Chartered Institute of Public Finance & Accountancy) /LASAAC ((Local Authority (Scotland) Accounts Advisory Committee)) Board took the decision to defer the implementation of the HNA for the 2016/17 financial year with a view to implementing the accounting requirements in 2017/18. The reason behind this decision relates to the updating of centrally provided GRC (gross replacement cost) rates. These rates are used in the calculation of the value of the HNA and are now over five years old. CIPFA have been working with stakeholders, including the Department for Transport, to review the rates. However, despite best efforts, it has become clear to CIPFA that the rates will not be ready in good time for the 2016/17 financial statements. We will continue to work on the requirements of accounting for the HNA with a view to its introduction 2017/18.

Preparation for future years

- 1.5.9 A plan has been devised to assist in the implementation of the new statutory deadlines in place from 2017/18. **Appendix B** sets out the key dates and progress to date within the plan and details of when updates will be provided to the Audit Committee.
- 1.5.10 A report has been presented to the Council's Senior Leadership Team to advise them of the changes in the legislation in the preparation of the Accounts, to make them aware of the additional work that will be required within service areas, and to ensure Chief Officers fully understand the importance of ensuring the Authority meets the revised regulations. Regular updates will be provided outlining areas where any issues are arising.
- 1.5.11 We are working with our neighbouring authorities to share experience and best practice, in particular where authorities achieved earlier closedown for the 2015/16 accounts. Another area we are sharing experience and best practice in is in respect of Capital Accounting. Capital Accounting has become more complex and we need to ensure that we have appropriate systems in place that will assist in the early closedown rather than hinder us. We are also working with our external auditors on ways we can make the audit of the Annual Statement of Accounts smoother which will assist in the meeting of the revised statutory deadlines.
- 1.5.12 It is acknowledged that ensuring that the Authority is able to meet the new regulations will require significant change affecting the whole Council and it's partners. Although the process is led by Finance, Chief Officers and their staff and elected members need to be involved. Work has taken place with Democratic Services so that the dates of Council Committee meetings going forward will be set to ensure the governance process of approving the Accounts are in line with the new deadlines.

1.6 Decision options:

The options available are:

- (a) To accept the recommendations made in section 1.2.1; or
- (b) To reject the recommendations made within this report.

1.7 Reasons for recommended option:

The production of an Audited Annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015.

1.8 Appendices:

Appendix A – Key dates for 2016/17 closedown of accounts

Appendix B – Key dates on bringing forward closedown of accounts

1.9 Contact officers:

Janice Gillespie – Head of Finance - Tel: 643 5701

Cathy Davison – Principal Accountant – Tel 643 5727

Mary Gascoigne – Principal Accountant – Tel 643 5731

1.10 Background information:

The following background papers and reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Accounts and Audit Regulations 2015
- (b) Code of Practice on Local Authority Accounting in the UK 2016/17

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no financial implications as a result of the recommendations within this report.

2.2 Legal

The Annual Statement of Accounts is produced annually in accordance with the Accounts and Audit Regulations 2015.

2.3 Consultation / community engagement

Consultation will take place with the key personnel and interested parties involved in the closedown process.

2.4 Human rights

There are no Human Rights implications as a result of the recommendations in this report.

2.5 Equalities and diversity

There are no Equalities and Diversity implications as a result of the recommendations in this report.

2.6 Risk management

A risk log has been set up which identifies the key risks and issues associated with the closedown process. The management of these risks are part of the overall process.

2.7 Crime and disorder

There are no crime and disorder implications as a result of the recommendations in this report.

2.8 Environment and sustainability

There are no environment and sustainability implications as a result of the recommendations in this report.