

**STROUD DISTRICT COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE**

**AGENDA  
ITEM NO**

**4 JULY 2017**

**9**

<b>Report Title</b>	<b>STATEMENT OF ACCOUNTS 2016/2017</b>
<b>Purpose of Report</b>	To report the headlines from the Statement of Accounts for 2016/2017 and any key issues.
<b>Decision(s)</b>	The Committee APPROVES the report and considers any recommendations that it would like to make regarding the accounts for the year ending 31 March 2017.
<b>Consultation and Feedback</b>	None.
<b>Financial Implications and Risk Assessment</b>	There are no financial implications arising directly from this report. The accounts are now subject to external audit and Members will be asked to approve the Statement of Accounts no later than 30 September 2017. David Stanley, S151 Officer Tel: 01453 754100 Email: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a> Risk Assessment: The risk to the Council in not approving the Statement of Accounts at this time is:- (i) a breach of legal obligation and (ii) the Council's reputation in not meeting statutory deadlines
<b>Legal Implications</b>	The approved civic timetable should enable the new finance timetable to be accommodated. If it becomes apparent that further committees will be required as reports cannot be prepared or approved in time to meet the statutory requirements, additional committee meetings may need to be arranged nearer the time. (Ref:d20.06r15.06.c20.06) Karen Trickey, Legal Services Manager Tel: 01453 754369 Email: <a href="mailto:karen.trickey@stroud.gov.uk">karen.trickey@stroud.gov.uk</a>
<b>Report Author</b>	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: <a href="mailto:graham.bailey@stroud.gov.uk">graham.bailey@stroud.gov.uk</a>
<b>Options</b>	None.
<b>Performance Management Follow Up</b>	KPMG will be presenting an ISO260 report and formal opinion to the Audit Committee at its meeting on 12 September 2017 when the audit has been completed. The Committee will be asked to approve the Accounts at this meeting.

<b>Background Papers/ Appendices</b>	<p>Background papers</p> <ul style="list-style-type: none"> <li>• Local Audit and Accountability Act 2014</li> <li>• The Accounts and Audit Regulations 2015</li> <li>• Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 'Code')</li> <li>• Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 'Code')</li> </ul> <p><b>Appendix A – <a href="#">Statement of Accounts 2016/17</a></b></p>
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## Background

1. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance and cash flows of a local authority.
2. The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
  - Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015
  - the audit of those accounts undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014 for England
3. The Code is part of the 'proper practices' requirements governing the preparation of an authority's Statement of Accounts referred to in section 21 of the Local Government Act 2003.
4. Section 3 of the Local Audit and Accountability Act 2014 requires a relevant authority to prepare a Statement of Accounts. It is expected that bodies covered by the Accounts and Audit Regulations requirements to prepare a Statement of Accounts but not by the definition of proper practices in section 21 of the Local Government Act 2003 will adopt the Code as a source of proper practices.
5. The Code has been prepared on the basis that the purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances. It should answer such questions as:
  - What did the authority's services cost in the year of account?
  - Where did the money come from?
  - What were the authority's assets and liabilities at the year-end?
6. It is important for compliance with the Code that two particular aspects are understood clearly. First, all Statements of Accounts should reflect a common pattern of presentation, although this does not necessarily require them to be in an identical format. One of the main aims of the Code is to narrow the areas of difference and variety in accounting treatment and thereby to enhance the usefulness of published Statements of Accounts.

7. Secondly, interpretation and explanation of the accounts are considered to be extremely important. The Code requires that there should be a Narrative Report to accompany the Statement of Accounts. The Narrative Report should explain the more significant features of the accounts (see section 3.1 of the Code for further details of the requirements to produce a Narrative Report). It should be based on the information contained in the Statement of Accounts and local authorities should ensure that it does not contain material inaccuracies or misleading statements in relation to the Statement of Accounts.
8. Information contained in the Statement of Accounts will be consolidated into the Whole of Government Accounts. The Code aims to narrow the areas of difference and variety in accounting treatment with the rest of the public sector, facilitating consolidation. As part of the consolidation process, additional information to that disclosed in the Statement of Accounts may need to be submitted to government; such information is expected to be in line with the requirements of the Code.
9. The Statement of Accounts should be prepared promptly by authorities in a form which fulfils the purpose outlined above in accordance with the statutory timetable and CIPFA's Standard of Professional Practice on Financial Reporting. The publication are as follows:
  - Each authority is required to prepare its accounts for certification by the responsible financial officer prior to the commencement of the period for the exercise of public rights (which includes the first 10 working days in July) and to approve and publish them by 30 September, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later).

#### **Arrangements for 2017/18 Statement of Accounts**

10. It is worth noting at this point the significant change in requirements that are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18:
11. The responsible financial officer in each authority is required to confirm that they are satisfied that the Statement of Accounts presents a true and fair view of the financial position of the authority at the end of the relevant financial year and the authority's income and expenditure for that financial year, prior to the commencement of the period for the exercise of public rights (which includes the first 10 working days in June) and to approve and publish them by 31 July, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later). The complete set of financial statements as defined in paragraph 3.4.2.17, and including the significant accounting policies and notes to the accounts, should form the relevant Statement of Accounts for the purpose of the auditor's certificate and opinion in England. The statements should be published with an audit certificate and opinion. If the published Statement of Accounts has not been audited, this should be stated clearly on the front of the document.

12. This new timetable, which finance have been working towards in recent years will have a significant impact on the way financial year closedown plans and processes have been carried out hitherto, not least of which will be significantly revising the dates for committees and for the production of the revenue and capital outturn reports and the unaudited and audited Statement of Accounts for consideration by those committees. Revenue and Capital outturn reports will need to be presented to Strategy and Resources Committee in late April, the draft Statement of Accounts will need to be presented to Audit and Standards Committee in early June, and the audited Statement of Accounts will need to be presented to an Audit and Standards Committee in late July.

### **Commentary on the Financial Statements**

13. The Statement of Accounts is comprised of four main statements as required by International Financial Reporting Standards which are:-

- **Movement in Reserves Statement**

This is split between usable and unusable reserves and shows the detail of movement in reserves, from the surplus / (deficit) on provision of services in the Comprehensive Income and Expenditure Statement (CIES), to the position on the Balance Sheet at 31 March 2017.

- **Comprehensive Income and Expenditure Statement (CIES)**

The CIES consolidates all the financial gains and losses experienced during the year. The CIES has two sections:

- a) Surplus or Deficit on the Provision of Services – which shows the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.
- b) Other Comprehensive Income and Expenditure – which shows any other changes to net worth, and examples include movements in the fair value of assets or actuarial gains or losses on pension assets and liabilities.

- **Balance Sheet**

The Balance Sheet summarises the Council's financial position at 31 March 2017. The top half shows accrued assets and liabilities. The bottom half is comprised of reserves, split between usable and unusable reserves, which represent the net worth of the Council.

- **Cash Flow Statement**

This shows the year on year change in cash and cash equivalents, which are cash on call, and investments with a maturity of three months or less.

### **Expenditure and Funding Analysis**

14. A new note is required by the Code for the 2016/17 Statement of Accounts, which is required to be given due prominence. It is positioned before the Comprehensive Income and Expenditure Statement. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent

payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.