

AUDIT AND RISK COMMITTEE

25 April 2017

ACCOUNTS CLOSURE PLANNING 2016/17

Report of the Director for Resources

Strategic Aim:	Sound Financial and Workforce Planning	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr T Mathias, Leader, Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)	
Contact Officer(s):	Saverio Della Rocca, Assistant Director (Finance)	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Finance Manager - Technical	01572 758152 amerry@rutland.gov.uk
Ward Councillors	Not Applicable	

DECISION RECOMMENDATIONS

That the Committee:

1. Notes the contents of the report including the following key changes that impact the Statement of Accounts for 2016/17:
 - Changes to the Comprehensive Income and Expenditure Statement;
 - Early Closure 2017/18; and
 - Update on the Implementation of the Transport Infrastructure Code.

1 PURPOSE OF THE REPORT

- 1.1 To inform the Committee of the emerging changes that will have an impact on the production of the Statement of Accounts for 2016/17 and how the Council are planning on meeting the new requirements.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 Changes to the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement

- 2.1.1 The Code of Practice on Local Authority Accounting includes changes resulting

from the 'Telling the Story Review' on improving the presentation of local authority financial statements. These include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the introduction of an Expenditure and Funding Analysis (EFA) and an Income Analysed by Nature note.

- 2.1.2 The MIRS disclosure shows the changes in the reserves of the authority during the reporting period. It has been reduced to a minimum in comparison with previous years. Earmarked reserves will no longer be presented within the MIRS as distinct from the General Fund Balance. However, the detail of reserves identified for specific purposes will be set out elsewhere in the Statements.
- 2.1.3 The EFA will show how annual expenditure is used and funded from resources in comparison with the accounting basis for those items. It also shows how the expenditure is allocated for decision making purposes between directorates/services. The EFA will take the net expenditure that is chargeable to taxation/rents and reconcile it to the CIES Surplus or Deficit on the Provision of Services. This change will enable the previous segmental reporting requirements to be streamlined, which has resulted in the CIES being split over the directorates (People, Places and Resources) rather than follow the Service Reporting Code of Practice (SeRCOP).
- 2.1.4 Full retrospective restatement of the 2015/16 CIES and EFA related information will have to be made. There is no requirement for a restated balance sheet as there are no changes to that information as a result of the new accounting policies.

2.2 Early Closure 2017/18

- 2.2.1 The Accounts and Audit Regulations 2015 require local authorities to approve and publish the accounts by 31 May and 31 July respectively (currently 30 June and 30 September) effective from the accounts for the year 2017/18. Preparation for these earlier closedown requirements is underway and the Statement of Accounts 2016/17 will be a trial run to ensure the Council is equipped to meet this requirement. The first full draft of the financial statements is anticipated to be produced by mid May 2017.

2.3 Update on the Implementation of the Transport Infrastructure Code

- 2.3.1 The 2016/17 Code specifies the revised measurement requirements as Depreciated Replacement Cost for the Highways Network Asset as advised to the audit and risk committee in report 20/2016. The Code includes specific accounting policies for the initial recognition, measurement, derecognition and disclosure requirements for the Highways Network Asset.
- 2.3.2 On 14th November 2016, CIPFA/LASAAC announced the postponement of the implementation date to 1 April 2017. The decision to defer implementation was taken as a result of key information required from Central Government, regarding central rates to be used in the calculation, not being available in good time for the 2016/17 financial statements. The position will be reviewed in March with a view to implementation in 2017/18.
- 2.3.3 Whilst implementation was not deferred due to concerns regarding local authorities' readiness to meet the Highways Network Asset Code requirements, it

nevertheless provides the Council with the time to improve the integrity of the data inputs, and the opportunity to further consider the valuation procedures as part of the 2016/17 accounts 'close down'. It also provides time to address any matters arising over the forthcoming year.

3 CONSULTATION

- 3.1 Formal external consultation is not required for any decisions being sought in this report

4 ALTERNATIVE OPTIONS

- 4.1 The Council could choose not to apply relevant accounting practice, however, in doing so the Council would be in breach of the Code of Practice and could potentially have the accounts qualified by the external auditors.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Council must adhere to the code of practice setting out the proper accounting practices required by section 21(2) of the Local Government Act 2003.
- 6.2 To ensure the Councils accounts are prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2011.
- 6.3 On 30 January 2014, the Local Audit and Accountability Act 2014 received Royal Assent. The implications of this act relate to early closure and publication of the SoA as discussed in 2.2.

7 EQUALITY IMPACT ASSESSMENT

- 7.1 An Equality Impact Assessment (EqIA) has not been completed because the report does not represent the introduction of a new policy or service or a change / review to an existing policy or service.

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

- 9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure the Committee is aware of plans in place to ensure effective and timely closure of accounts.

11 BACKGROUND PAPERS

11.1 There are no background papers.

12 APPENDICES

12.1 No appendices.

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