

Report of the Director of Finance, Assets & Information Technology

Audit Committee: 20th July 2016

DRAFT 2015/16 STATEMENT OF ACCOUNTS

1. Purpose of Report

- 1.1 This report presents the 2015/16 Statement of Accounts, the Council's sixth set of accounts prepared in accordance with International Financial Reporting Standards.

2. Recommendation

- 2.1 It is recommended that:

a) The Audit Committee considers and comments on the work that has taken place to prepare the Authority's draft 2015/16 Statement of Accounts.

3. Introduction / Background

- 3.1 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the 2015/16 Statement of Accounts. The main requirement is that the Council should lodge a Code of Practice on Local Authority Accounting (the Code) compliant set of accounts with the External Auditor by no later than 30th June 2016.

- 3.2 Members of the Committee will be aware that the external auditors for 2013/14 through to 2015/16 are KPMG.

- 3.3 Members of the Committee should note that the Council met all of its statutory obligations with the draft accounts submitted to KPMG on the afternoon of the 30th June 2016. It should also be noted that the Accounts and Audit Regulations 2015 no longer require those charged with governance (the Council) to approve the draft accounts prior to the 30th June 2016 deadline. This is primarily to allow the Council's officers additional time to prepare the accounts under the more complex and time consuming International Financial Reporting Standards (IFRS) and to place public bodies on a similar reporting footing with the private sector.

- 3.4 It should be noted however that the newly adopted Accounts and Audit Regulations 2015 determine that from the 2017/18 financial year, the statutory obligation for submitting a set of draft accounts to audit will be brought forward by one month (31st May). Over the past 3 years, Council finance staff have been working towards this deadline by improving and automating processes. 2016/17 marks the end of this series of 'dry runs'. No issues are anticipated at this stage in meeting this revised deadline.

- 3.5 As in 2015, the Audit Committee and the full Council will receive the External Auditor's report prior to the 30th September 2016 statutory deadline.

4. Current Position

- 4.1 A set of the Council's 2015/16 summary accounts are attached at Appendix 1 to this document, with the full draft Statement of Accounts for 2015/16 attached at Appendix 2. The main document (Appendix 2) presents the Authority's financial statements in the format required by CIPFA's Code of Practice on Local Authority Accounting 2015/16 (the 'Code'), the Accounts and Audit Regulations 2015 and the Audit Commission Act 1998.
- 4.2 As previously mentioned, the format of the information is prescribed and based on International Financial Reporting Standards as interpreted by the 'Code'. Although this format allows for comparison between local authorities and other bodies, this format is different to the Authority's service and management structures. Consequently, separate revenue and capital final accounts reports detailing the 2015/16 outturn for each Directorate and the overall implications of those positions were submitted to the Council's Cabinet for approval on the 15th June 2016. These reports can also be made available to members of the Audit Committee if required.
- 4.3 The annual audit of the accounts commenced in early July 2016. On conclusion of the audit, the External Auditor will issue a formal report and opinion on the accounts. No major amendments to the accounts are anticipated, however, if any significant amendments are required then these will be presented to the Audit Committee and the full Council in a separate report at a later date.

5. Options

- 5.1 The Council has a statutory obligation to submit the draft 2015/16 Statement of Accounts to the External Auditor by 30th June 2016. Failure to do so could result in an audit qualification and consequential reputational damage. This requirement was duly met.

6. Consultations

- 6.1 The Statement of Accounts has been prepared in conjunction with all Executive Directors and Financial Services support staff. External Audit has been kept informed of progress throughout the accounts closure process.

7. Local Area Implications / Compatibility with European Convention on Human Rights / Reduction of Crime and Disorder / Risk Assessment

- 7.1 No direct implications.

8. Proposal

- 8.1 That the Director of Finance, Assets & Information Technology submits the draft 2015/16 Statement of Accounts (Appendix 2) to the Audit Committee meeting of the 20th July 2016 for consideration and comment.

9. Financial Implications

- 9.1 The Authority's statutory draft financial statements for the financial year 2015/16 are attached at Appendix 2 to this report. For the benefit of Members, this includes on pages 6 to 29, a Narrative Report (formerly the Explanatory

Foreword) which is a new requirement introduced for 2015/16. This report introduces the Council and what the purpose is, together with the corporate vision and values.

- 9.2 Furthermore, the new requirements dictate that key performance of the Council must also be presented, from both an internal and external perspective, covering a range of themes such as performance management, treasury management, risk management and the future economic outlook. Though not a new requirement, the narrative report explains the linkages between the Authority's management accounts and the financial statements contained within the Statement of Accounts and provides a reconciliation between the two.
- 9.3 The Narrative Report also provides a brief description of the purpose of the main statements within the accounts, including the Movement in Reserves Statement, the Comprehensive Income & Expenditure Statement and the Balance Sheet.
- 9.4 Attached at Appendix 1 are a modified set of summary accounts for 2015/16 which are intended to highlight key issues to Members, the public and other stakeholders in an intelligible and accessible way. In considering the draft statements, the Audit Committee's attention is drawn to the issues outlined in paragraphs 9.5 to 9.18 below.
- 9.5 The legislative requirements stemming from the Accounts & Audit Regulations 2011 have had the impact of significantly reducing the timeframe allowed for the accounts closure process in recent years. Added to the reductions in staffing and the increasing complexity brought about by International Financial Reporting Standards, this has created workload issues. However all such requirements were still met in full and in overall terms, the Council considers that the overall quality of working papers and files for audit have improved.
- 9.6 Looking forward, the Accounts and Audit (England) Regulations 2015 have been made which are in effect from the 2015/16 financial year. Key changes include the Categorisation of Authorities to determine the scope of the statutory audit and, more of an impact to the Authority, introducing an earlier timetable for the closure of accounts.
- 9.7 In preparation for this, the Authority has used the past three closedowns to implement revised processes such as increased automation as well as a more rigorous approach to materiality. Specific transitional periods are applied within the 2015 Regulations in respect of this to defer the effective start date to the closedown of 2017/18 accounts. This gives the Authority a further one year period to drive through further improvements to the processes including periodic closedowns throughout the year.
- 9.8 The Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 'Code') prescribes the accounting treatment and disclosures for all transactions of a local authority.
- 9.9 The 'Code' sets out the accounting concepts and principles that underpin the Statement of Accounts with the overriding requirement that the accounts provide a true and fair view of the financial position and transactions of the Authority.
- 9.10 The 'Code' is updated each year as accounting practice evolves. Members of the Committee will recall that recent changes have included the introduction of

International Financial Reporting Standards and the inclusion of Heritage Assets to the Council's Balance Sheet for the first time in 2012.

- 9.11 The only significant accounting change to the Code for 2015/16 relates to the adoption of IFRS 13 – Fair Value Measurement. This standard provides a consistent definition of fair value throughout the accounts for assets and liabilities; fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The impact of the change has resulted in revaluations, with additional disclosures in the financial statements and the supporting notes to the accounts. Though significant in terms of accounting changes and disclosures, the impact on the Authority from both a net worth on the balance sheet and the recorded cost of 2015/16 services through the Comprehensive Income & Expenditure Statement (CI&ES) points of view, is not material.
- 9.12 No other significant accounting changes are contained within the 2015/16 Code that impact on the Authority and therefore does not affect the Authority's financial position both in terms of net worth on the balance sheet and through the surplus / deficit reported through its Comprehensive Income & Expenditure Statement (CI&ES).
- 9.13 A summary of the main financial performance of the Council for the 2015/16 financial year is also set out in Appendix 1 'Barnsley Council Summary Accounts 2015/16'.

The Authority's 2015/16 Financial Performance / Movement in Reserves Statement

- 9.14 The Authority's 2015/16 Movement in Reserves Statement (Appendix 2 page 32) shows a total increase in General Fund Balances of £31.4 Million, comprised of a £30.7 Million increase in General Fund Balances and an increase in school balances of £0.7 Million.
- 9.15 This statement also shows that the Minimum Working Balance (contingency for unforeseen events) was increased by £5 Million to £15 Million at the end of the financial year.
- 9.16 The overall increase in General Fund Balances (excluding schools) of £35.7 Million is comprised of an in year surplus of £60.0 Million, net of reserves utilised in the year totalling £24.3 Million. The increase relating to Schools' Balances relates to an in year surplus of £5.1 Million, net of brought forward reserves totalling £4.4 Million.
- 9.17 The majority of the in-year surplus is a consequence of one-off events during the year, predominantly relating to scheme / project slippage as described in the Narrative Report (management accounts detailing this position were also submitted to the 15th June 2016 Cabinet meeting for approval). Therefore, it has been necessary to earmark £48.2 Million to fund schemes or projects continuing to completion in the 2016/17 financial year.
- 9.18 At its meeting of the 15th June 2016, the Council's Cabinet approved the transfer of the remaining balance of £16.8 Million as follows:

a) the service operational under-spend of £16.8 Million be transferred into the Authority's strategic reserves to be considered as part of the recently revised planning processes which have been agreed to deliver 'Future Council'.

10. Employee Implications

10.1 No direct implications.

11. Glossary

11.1 CIPFA - Chartered Institute of Public Finance and Accountancy

12. List of Appendices

12.1 Appendix 1 - Barnsley Council Summary Accounts 2015/16;
Appendix 2 - Draft Statement of Accounts 2015/16.

13. Background Papers

13.1 Various closedown files, working papers and external audit schedules are available for inspection within the Finance, Assets and Information Technology Directorate.

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