

## **Summary Sheet**

### **Council Report**

Audit Committee

### **Title**

Publication of unaudited accounts 2015/16

### **Is this a Key Decision and has it been included on the Forward Plan?**

No.

### **Strategic Director Approving Submission of the Report**

Judith Badger – Strategic Director of Finance & Customer Services

### **Report Author(s)**

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### **Ward(s) Affected**

All

## **Executive Summary**

The Council's annual accounts are the principal means by which the Council is held publicly accountable to local and national stakeholders over the stewardship of its resources.

The report to Audit Committee on 10 February 2016 brought to Members attention the main changes to local authority financial reporting in 2015/16 and changes to the statutory framework for local electors to exercise their rights.

This report highlights how the changes to local authority financial reporting have manifested themselves in the unaudited accounts published on the Council's website on 30 June 2016 which are available through the following link:

[http://www.rotherham.gov.uk/downloads/download/295/financial\\_reports\\_and\\_documentation\\_2016](http://www.rotherham.gov.uk/downloads/download/295/financial_reports_and_documentation_2016)

It also provides Members with an opportunity to consider the accounts before Audit Committee is asked to formally approve them, post completion of KPMG's audit, at its meeting in September.

## **Recommendation**

**The Audit Committee is asked to receive the unaudited 2015/16 accounts**

**List of Appendices Included**

Appendix A – Narrative Report

Appendix B – Highlights Report setting out key matters reported in the 2015/16 accounts

Appendix C – Unaudited accounts 2015/16

**Background Papers**

CIPFA Code of Practice on Local Authority Accounting 2015/16

Accounts and Audit Regulations 2015

Audit Committee meeting – 10 February 2016

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Publication of the unaudited accounts 2015/16**

### **1. Recommendation**

**The Audit Committee is asked to receive the unaudited 2015/16 accounts**

### **2. Background**

- 2.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations 2015 set out the accounting and statutory framework for local authority financial reporting.
- 2.2 Under the Accounts and Audit Regulations 2015, local authorities are required to publish their unaudited accounts no later than 30 June accompanied by a Narrative Report and draft Annual Governance Statement. This triggers a period of 30 working days for local electors to exercise their rights to inspect the accounts and supporting records and to ask questions of the external auditor. The 2015/16 unaudited accounts were published on the Council's website alongside the Narrative Report and draft Annual Governance Statement on 30 June 2016. The period for local electors to exercise their rights is therefore now underway ending on 11 August 2016.
- 2.3 The external audit of the unaudited 2015/16 accounts is also now underway. KPMG will report the findings from their audit to Audit Committee at its September meeting setting out any material adjustments made to the accounts and any uncorrected differences of a non trivial nature (KPMG have set an overall materiality level of £10 million and triviality threshold of £0.5 million for their audit of the 2015/16 accounts). Audit Committee will then be asked to formally approve the audited accounts for publication having regard to KPMG's findings and KPMG will give their opinion on whether the accounts give a true and fair view of the Council's financial performance for the year and its financial position at the end of the year and whether they have been prepared in accordance with proper practice. The deadline for publishing the audited accounts is 30 September.

### **3. Key Issues**

#### **3.1 Unaudited accounts – key changes / issues to note**

- 3.1.1 The Council's unaudited 2015/16 accounts as published on the Council's website are attached as Appendix C.
- 3.1.2 The main changes to the accounts in 2015/16 are:
  - Introduction of the Narrative Report
  - The creation of earmarked revenue reserves to address specific financial risks
  - A technical change to the way in which charges for the repayment of debt (MRP) are presented in the accounts
  - Opening of the Joint Waste PFI facility in July 2015

- The establishment of the Better Care Fund for the operation of integrated health and social care with NHS Rotherham

- 3.1.3 The Narrative Report is a new requirement for 2015/16. Its purpose is to give a fair and balanced commentary of the development and performance of the Council against its corporate and financial objectives and of its key strengths and resources. The introduction of the Narrative Report is a first step towards CIPFA's wider aim of having an integrated reporting framework which sets out how an authority deploys its resources to deliver its desired outcomes. CIPFA anticipate that integrated reporting will be introduced fully in 2017/18. The Council's Narrative Report for 2015/16 is attached as Appendix A. It has been considered by SLT prior to being published.
- 3.1.4 The Highlights Report attached at Appendix B summarises the key financial disclosures reported in the 2015/16 unaudited Statement of Accounts and provides further detail on each of the key financial issues referred to in para 3.1.2.
- 3.1.5 Although not an issue for the 2015/16 accounts, Members may wish to note that there is a forthcoming major change to the way in which the Council's highways assets are valued and presented in the Balance Sheet. At present, highways infrastructure assets have a value of £136 million in the Balance Sheet based on historic cost. As at 1 April 2016 they will be presented in the Balance Sheet as a single interconnected Highways Network Asset and revalued to their current replacement cost. Officers are in the process of producing a reliable estimate on what the change in value might be but the indication at this stage is that it will lead to a very material increase in excess of the current combined value of the Council's housing stock, schools and other Property Plant and Equipment which stood at £1,000 million in the 2015/16 Balance Sheet.

## **3.2 Future developments - Faster closure and "Telling the Story"**

### Faster closure

- 3.2.1 Members may recall that the Accounts and Audit Regulations 2015 will, with effect from 2017/18, bring forward the deadlines for publishing the unaudited accounts and audited accounts. The deadline for publishing the unaudited accounts will be brought forward by one month from 30 June to 31 May. The deadline for publishing the audited accounts will be brought forward by 2 months from 30 September to 31 July. There are benefits in bringing forward the timetable in that it encourages authorities to focus on material items and information of most relevance to readers of the accounts and stakeholders and to treat end of year reporting as an extension of in year reporting. However, achieving a shorter reporting timetable whilst at the same maintaining good quality accounts will represent a significant challenge for many local authorities.

- 3.2.2 Rotherham has made a good start to meet this challenge due to the changes to the accounting system and semi automation of the accounts production process that has taken place in recent years. Nevertheless, successfully reducing closedown by a further month should not be underestimated and will require high level commitment as well as detailed planning.
- 3.2.3 2016/17 is therefore being used as a dry run with the aim of publishing the unaudited accounts by 31 May. A project plan is being prepared to re-engineer processes where necessary to overcome potential barriers. This will be project managed closely over the remainder of the financial year. As part of this process advantage will be taken of CIPFA's initiative to "de-clutter" the accounts to remove non material disclosures. Engagement will also take place with neighbouring authorities and our external auditors to share best practice and to get KPMG's assurance that the new processes and reduced disclosure are satisfactory from their perspective.

#### Telling the Story

- 3.2.4 Local authority accounts are very complex due to the fact they are prepared on an IFRS basis but local government is funded on a different statutory basis. CIPFA has launched an initiative to try and improve the presentation of the accounts ("Telling the Story"), to better inform an ordinary reader of the accounts on how information contained within the financial statements can be related to the funding the local authority receives and how its money is spent. This will involve de-cluttering the accounts to remove non material disclosure and to present service expenditure in a manner consistent with how it is reported in year through revenue monitoring.
- 3.2.5 These developments will be factored into the plan for achieving faster closure.

### **4. Options considered and recommended proposal**

- 4.1 Compliance with the Accounts and Audit Regulations 2015 is a statutory requirement. The Audit Committee does however have discretion over whether it wishes to receive the unaudited accounts before they are formally required to approve them for publication post audit.

### **5. Consultation**

- 5.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the accounts being prepared.

### **6. Timetable and Accountability for Implementing this Decision**

- 6.1 The statutory deadline for publishing the unaudited financial statements of 30 June has been met. The statutory deadline for publishing the audited financial statements is 30 September.

## **7. Financial and Procurement Implications**

- 7.1 There are no financial or procurement implications directly associated with closure of the accounts, other than the impact on the audit fee of having good quality financial statements and supporting working papers which meet KPMG's expectations.

## **8. Legal Implications**

- 8.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015.

## **9. Human Resources Implications**

- 9.1 There are no Human Resource implications arising from the report.

## **10. Implications for Children and Young People and Vulnerable Adults**

- 10.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

## **11. Equalities and Human Rights Implications**

- 11.1 There are no implications arising from this report to Equalities and Human Rights.

## **12. Implications for Partners and Other Directorates**

- 12.1 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners or other directorates.

## **13. Risks and Mitigation**

- 13.1 Robust project management arrangements have been put in place to ensure that the timetable is adhered to and quality standards met.

**14. Accountable Officer(s)**

Judith Badger - Strategic Director of Finance & Customer Services)

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