

Report of the Treasurer

9. Provisional Annual Statement of Accounts 2015/16

Purpose of report

1. To present a draft of the Annual Statement of Accounts for discussion and to seek approval for a revision to the Accounting Policies
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Recommendation

It is recommended that the Treasurer bring back a further report when the accounts have been audited.

Introduction

2. The Account and Audit Regulations 2013 require that the Annual Statement of Accounts is presented for approval on completion of the Audit and before 30 September in the year of account.
3. The Audit and Standards Committee is not required to formally consider and approve the Statement of Accounts until completion of the Audit, and prior to the 30th September. This report is therefore an interim position to promote discussion and understanding prior to the formal request for approval at the September meeting of this Committee.
4. At the point of issue of these papers the Statements although largely complete are not yet finalised. The Audit Regulations require that the completed Accounts are signed by the Treasurer by the 30th June and work is on track to meet this deadline.
5. As Members will be aware, the Code of Practice on Local Authority Accounting - Statement of Recommended Practice (SORP) requires that the Accounts are prepared on the basis of International Finance Reporting Standards (IFRS). This differs significantly from the statutory framework used for Council Tax and Grant purposes. This is explained further below.
6. The Accounts are produced based on the Accounting Policies as set out in the Statements, these were originally approved by Audit Committee and change in these is now proposed.
7. It has also been necessary to restate the prior year Accounts to reflect different accounting treatments, which whilst not impacting at all on the overall financial position of the Authority do have a significant impact on the disclosure notes.

Prior Year Restatement

8. The 2014/15 comparative figures are restated to match the accounting treatment adopted for 2015/16 in respect of
 - Property, Plant and Equipment
 - Pension Adjustments relating to GAD v Milne
9. An error was made by the Authority's independent valuer, during the 2015 valuation cycle, from which the 2014/15 accounting valuation adjustments were calculated. The 2014/15 accounting entries for these assets have been restated using the amended valuation figures.
10. Following the publication of a decision by the Pension Ombudsman in respect of GAD v Milne, which resulted in the recalculation of commutation rates for Firefighters retiring between December 2001 and August 2006, with additional sums and their related interest being payable to these individuals.
11. In accordance with the CIPFA Accounting Code of Practice the expenditure and the corresponding grant was accrued into the 2014/15 accounts. Government has subsequently instructed Authorities to include entries within the 2015/16 Pension Fund. The 2014/15 Statement of Accounts have been restated to comply with this new directive.

Statement of Accounts

12. As stated in paragraph 5 above, Accounts are prepared on the basis of IFRS, which differs significantly from the statutory framework used for Council Tax and Grant purposes.
13. The principal effect of this is that the Comprehensive Income and Expenditure Statement (CIES) exhibits a significant net deficit because the Statutory Accounting arrangements which are used by the FRA in council tax setting have precedence over IFRS.
14. There are charges, e.g. depreciation, and the liability on pension schemes which are not chargeable in the statutory accounts. The Government does not recognise IFRS for grant allocations or as part of the statutory budget setting arrangements.
15. The differences between IFRS and Statutory Accounting are reconciled in the Movement in Reserves Statement and do not affect the underlying financial position.
16. The Balance Sheet shows a negative balance which arises from the identified liabilities in the Pension Schemes.
17. The FRA is, however, not required or empowered to fund these deficits immediately. The Local Government Pension Scheme (LGPS) is covered by future payments of the employer's contribution and the Firefighters' Schemes are covered by the new financing arrangements commencing from 1 April 2006

which effectively means that the liability will be met by direct government grant, as it arises.

Further Progress

18. The final draft of the Accounts will be signed by the Treasurer on 30th June.
 1. The final accounts audit will be undertaken by Grant Thornton in the two weeks commencing the 13th July. On publication, the Statement of Accounts will contain the approved Annual Governance Statement, which is subject to a separate approval process.
19. Subject to no matters arising from the public inspection period of 1 July 2016 to 11th August 2016, the External Auditor will be able to issue the audit opinion and the accounts will be published as soon as practical after this.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	N/A
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	N/A
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	N/A
Consultation (identify any public or other consultation that has been carried out on this matter)	N/A
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

Supporting Information

Appendix 1 – Draft Statement of Accounts 2015/16

Background papers

None

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