

<b>Subject:</b>	<b>Unaudited Statement of Accounts 2015/16</b>		
<b>Date of Meeting:</b>	<b>21 June 2016</b>		
<b>Report of:</b>	<b>Executive Director Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jane Strudwick</b>	<b>Tel: 29-1255</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least 5 days in advance of the meeting) were that the accounts and audit working papers were still being finalised.

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Under the Accounts and Audit Regulations 2015, the council's Statement of Accounts are to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September each year. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility.
- 1.2 Accordingly, this report presents the unaudited accounts for 2015/16 for information purposes only. Copies of the accounts are available to members of the Audit & Standards Committee. It is expected that the External Auditor will present an Audit Results Report to the September meeting of this committee on the conclusion of the audit of the 2015/16 accounts. An officer report will also be presented to that meeting to enable Members to consider and approve the statement of accounts.

**2. RECOMMENDATIONS:**

- 2.1 That the Audit & Standards Committee note the accounts for 2015/16 and note that these are subject to audit and public inspection.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 3.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year and approved by the Chief Finance Officer by 30 June and considered by a committee or Full Council, and approved

by a resolution of that committee or meeting by 30 September. The accounts must be published and signed off by the External Auditor as soon as reasonably possible after conclusion of the audit and by 30 September.

### Format of Accounts

- 3.3 The council is required to present its accounts on an International Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and covering the period 1 April 2015 to 31 March 2016.
- 3.4 In accordance with the Accounts and Audit Regulations, the accounts include:
- a narrative report;
  - a statement of responsibilities;
  - the core financial statements (Movement in Reserves Statement (MiRS), Comprehensive Income and Expenditure Statement (CIES), Balance Sheet and Cash Flow Statement);
  - supplementary statements (Housing Revenue Account and Collection Fund);
  - the notes to the accounts; and,
  - accounting policies.

### Key Changes in the 2015/16 accounts

- 3.5 The council has fully adopted the new accounting standard IFRS 13 in respect of the fair value measurement of non financial assets and financial assets and liabilities (i.e. financial instruments). 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.
- 3.6 In adopting IFRS 13 for local authorities, the Code has introduced the concept and definition of current value for the measurement of property, plant and equipment (PPE). This concept requires the council to measure the service potential and thus operating capacity used to deliver local authority goods and services through PPE assets. This means that the measurement requirements of operational PPE has not changed from the 2014/15 accounts. However the Code requires that non operational PPE classified as surplus assets are measured at fair value (estimated at highest and best use from a market participant's perspective). Investment property is also required to be measured at fair value.
- 3.7 In respect of financial instruments, the council's available for sale financial assets are held at fair value; all other financial assets and liabilities are carried at amortised cost.
- 3.8 In addition to ensuring that relevant assets and liabilities have been measured at fair value in accordance with the Code, the council is required to make enhanced disclosures under the fair value framework.
- 3.9 The Accounts and Audit Regulations 2015 have introduced a new requirement for category 1 authorities, such as this council, to prepare a narrative statement (report) which must include comment by the council on its financial performance and its arrangements for securing economy, efficiency and effectiveness in its use of resources over the financial year. In order to meet the new requirements, the Code recommends that the narrative statement should provide an analysis of

the development and performance of the council in the financial year and its position at the end of the year together with an analysis of the financial and non financial performance indicators as relevant to the performance of the authority. In essence, the new narrative report has replaced the explanatory foreword and has been enhanced to include new information, such as performance indicators and the direction of travel / strategic approach for the council, in order to meet the new requirements.

- 3.10 As part of the 2015/16 accounts closure process, officers have undertaken a significant review of the accounting policies for the accounts with the aim of streamlining them. Although much shortened, the review has not resulted in any fundamental changes to the council's accounting policies.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 Under the Accounts and Audit Regulations 2015, the council's accounts are to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September each year. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility. The accounts are presented at this stage for information purposes only.

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 The purpose of this report is to present the council's accounts for 2015/16. There has been no external consultation, however, the accounts are required to be made available for public inspection and residents of Brighton and Hove are able to inspect the accounts during the period 15 June 2016 to 26 July 2016.

#### **6. CONCLUSION**

- 6.1 At this stage, the accounts are for information only.
- 6.2 The accounts have not been audited by the External Auditor. It is expected that the External Auditor will present their Audit Results Report to the September meeting of this committee on the conclusion of the audit of the 2015/16 accounts.
- 6.3 Any material changes resulting from the conclusion of the audit will be included in the accounts to be reported to the Audit & Standards Committee in September 2016. An accompanying officer report will be presented to that meeting, to enable Members to consider and approve the accounts.

#### **7. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

- 7.1 Detailed financial information is contained in the accounts. There are no other financial implications.

*Finance Officer Consulted: Jane Strudwick*

*Date: 13/06/16*

Legal Implications:

- 7.2 The relevant statutory requirements relating to the accounts are summarised in the report, in particular at paragraphs 1.1 and 3.1-3.2.
- 7.3 The report is for noting only. As indicated in para 1.1 above, the Committee has until 30 September to approve the council's statement of accounts. Officers will prepare a separate report on that process for consideration by the Committee in sufficient time to comply with that statutory deadline.

*Lawyer Consulted:*

*Victoria Simpson*

*Date: 13/06/16*

Equalities Implications:

- 7.4 There are no equalities implications arising directly from this report. The accounts are a statutory publication and are available for public inspection at the council's main offices and on the council's website. Information on the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

Sustainability Implications:

- 7.5 There are no direct environmental implications arising from this report. However, it is likely that the reputation of the council's financial control framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in or with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Any Other Significant Implications:

- 7.6 There are no other significant implications arising from this report.

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. None

**Documents in Members' Rooms**

1. Unaudited Statement of Accounts 2015/16

**Background Documents**

1. Unaudited Statement of Accounts 2015/16