

Joint Audit and Governance Committee



Report of Head of Finance/Senior Accountant (Capita)

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Wards affected: all

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To: Joint Audit and Governance Committee

DATE: 25 March 2019

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Statement of accounts 2018/19

Recommendations

(a) To note progress on completing the 2018/19 statement of accounts

(b) To approve the revised statements of accounting policies as shown in Appendix 1 (South Oxfordshire District Council) and Appendix 2 (Vale of White Horse District Council).

Purpose of Report

1. To update councillors on progress being made towards the completion of the 2018/19 statement of accounts, and to present revised statements of accounting policies for approval.

Strategic Objectives

2. South – unqualified final accounts helps us demonstrate that finances are effectively controlled and show the council's strong financial position.
3. Vale – unqualified final accounts helps us demonstrate that we run an efficient council.

Background

4. The draft financial accounts for both councils need to be completed and signed by the head of finance by 31 May 2019. Following the audit, and approval by this committee, the final accounts are required to be published by 31 July 2019.
5. The external auditors Ernst and Young (EY) continue to be the assigned auditors for 2018/19 closedown. A two-week interim audit is due to start on 8 April with the intention of completing an element of year end work in advance. Walkthroughs of the processes and accounts have already commenced.
6. The 2018/19 closedown will be primarily undertaken offsite by the Capita financial accounting team based in Mendip in conjunction with the councils' finance business partners, and visits will be organised directly with the auditors to take place on council's site at Milton Park.
7. Valuations of council's properties have been received from Surveyors Sanderson Wetherall. The valuations are being reviewed by the councils' property manager prior to issue to the financial accounting team.

Changes to the accounts for 2018/19

8. There are two main changes in accounting policies this year. This is due to changes in IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The financial accounting team and the councils' strategic finance manager attended CIPFA training which outlined the changes and the accounting treatment for these changes.

IFRS 9 Financial Instruments

9. The introduction of IFRS 9 will have implications for the classification and measurement of financial assets, and results in new classifications of financial assets:
 - amortised cost,
 - fair value through profit and loss, and
 - fair value through other comprehensive income.
10. Most of the councils' investments will be classified as amortised cost, which will mean that there is no change to their accounting. The current classification of "available for sale" financial instruments has been removed. This was used for the CCLA pooled property fund holdings at both councils, and South's unit trust holdings. These investments will now be classified as "fair value through profit and loss".
11. This re-classification means that changes in fair value of these investments should be charged to the councils' general fund balances. However, a statutory override is in place for five years which means that such changes in value will continue to be reflected in an unusable reserve.
12. Overall, our analysis of these changes suggests there will be minimal effect on either councils' financial statements.

IFRS 15 Revenue from contracts

13. There has been a change in accounting standard IFRS 15 Revenue from contracts with customers. Much of the councils' activity, such as council tax and business rates collection, is outside the scope of this accounting standard. An initial review of other revenue from contracts has suggested there is no need for further action as a result of this change, but the effect of any amendments to services or contractual arrangements will be considered going forward.

Closedown Timetable

14. The draft final accounts deadline is for sign off by the Head of Finance by 31 May 2019. Audited accounts are to be approved by committee and published by 31 July 2019. For practical purposes, a target deadline of Monday 20 May 2019 for first draft of accounts to Head of Finance has been set with a final draft to be provided by the 28 May 2019 for approval in line with the statutory deadline of 31 May 2019.

15. The Capita financial accounting team has timetabled its work around these deadlines. For the team to adhere to the deadlines, parties outside of finance must provide information strictly according to timetabled dates. The crucial deadlines which require support from the council managers and third parties are:

- Year end budget monitoring reports to be reviewed by budget holders and year end accruals and adjustments to be submitted by budget holders by close of play 5 April 2019,
- Pensions liability information from Oxfordshire County Council (expected on 12 April 2019),
- Council tax and business rates information from Capita's revenues and benefits service by 5 April 2019.

16. The timetable and guidance were circulated on 14 March 2019 and a reminder of key deadlines was sent on 22 March 2019.

Financial Implications

17. There are no direct financial implications arising from this report.

Legal Implications

18. Approval of the statement of accounts by the committee in accordance with statutory dates fulfils the requirements of the Accounts and Audit (England) Regulations 2015.

Risks

19. None

Other Implications

20. None

Conclusion

21. Draft 2018/19 accounting policies are attached for approval by the committee.
22. The 2018/19 final accounts closedown has been timetabled in line with the accelerated reporting deadlines and opening work has already started. Critical deadlines have been communicated and must be understood and kept to by all parties to ensure the target delivery dates for the statutory accounts are met.