

Meeting:	Audit and governance committee
Meeting date:	Wednesday 20 September 2017
Title of report:	Accounting policy update
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To confirm the council's accounting policy, which has informed the preparation of the 2016/17 financial statements, in relation to the pension deficit of previous employees transferred to Hoople Ltd.

The constitution provides that the audit and governance committee will review and approve the financial statements, the external auditor's opinion and reports to members and oversee management action in response to the issues raised by external audit. The recommendation of this report supports the committee in fulfilling this role.

Accounting for pension liabilities is a complex area and the council has sought independent expert advice in this area after the committee meeting on 4 July. Eversheds-Sutherland have advised that the most appropriate treatment of the Hoople Ltd Local Government Pension Scheme liability is to be shown on the balance sheet of Hoople Ltd. Therefore there is no need to amend the councils accounting policy for the treatment of pension liabilities.

Recommendation(s)

That:

- (a) the accounting policy in relation to pension deficit valuation for Herefordshire Council and Hoople Ltd, is not changed.**

Alternative options

1. To amend the policy. This is not recommended as this could lead to the potential misstatement of the pension deficit.

Key considerations

2. Further to the paper presented to the committee on 4 July 2017 further advice has been sought in respect of the presentation of the Local Government Pension Scheme (LGPS) liability of Hoople Ltd. Grant Thornton in August confirmed that the council could not place reliance on the work they carried out in Autumn 2016 in respect of this matter, therefore Eversheds-Sutherland were commissioned to provide professional advice.
3. The advice from Eversheds-Sutherland has confirmed that the most appropriate accounting treatment of the Local Government Pension Scheme (LGPS) liability of Hoople Ltd is for the liability to be included on Hoople Ltd's balance sheet. As this is the historical treatment of this liability there is no requirement for the council to amend its accounting policy.

Community impact

4. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed supports the council's corporate plan objective to manage finances effectively and to demonstrate one of the council's values, namely to be open, transparent and accountable.

Equality duty

5. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
6. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

7. Retaining the existing accounting policy does not impact on either the council or Hoople Ltd pre-existing financial liabilities in relation to each party's pension costs.

Legal implications

8. Section 62 of the local government pension scheme regulations 2013 requires the council to obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31 March 2016 and on 31 March in every third year afterwards.
9. The Hoople Limited Admission Agreement entered into by the parties on 30 March 2011 contains specified wording from the council to the Fund. This guarantee would only be triggered in certain circumstances which do not require a change in the current accounting policy.

Risk management

10. The decision not to amend the accounting policy change does not result in new additional risks, the pension deficit valuation will continue to fluctuate based on the underlying assumptions used at each triannual valuation point.

Consultees

11. Hoople Ltd board have been consulted and are supportive of this update.
12. There has been continued engagement with the external auditor.

Appendices

None.

Background papers

None identified.