



AUDIT COMMITTEE

19 February 2014

Subject Heading:	Accounting Policies 2013/14
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Policy context:	This report advises the Audit Committee of the Accounting Policies applicable to the Closure of Accounts 2013/14
Financial summary:	There are no direct financial implications to the report. There are no alterations to the accounting policies which might give rise to a material impact upon the financial position of the Council

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

- This report presents the accounting policies applicable to the financial year 2013/14 and reflected in the published statement of accounts.
 - The CIPFA Better Governance Forum has produced a tool-kit for local authority Audit Committees that recommends Members review accounting policies.
 - Appendix A includes the revised accounting policies for 2013/14.
- This report summarises the main contents of the policies and highlights recent changes. Any further changes to accounting regulations may require the policies to be changed during 2013/14 although none are anticipated at this stage. Any

significant changes will be highlighted in the statement of accounts report in September 2014

RECOMMENDATIONS

The Committee is asked to note and comment on the accounting policies applicable to 2013/14.

REPORT DETAIL

1. Introduction

- 1.1 This report tables the revised accounting policies that will be applied during the financial year 2013/14. The full policies are shown in appendix A to this report and will be included in the statement of accounts. The draft policies are prepared under the international Financial Reporting Standards. Members of the Audit Committee are invited to note these policies and make comment. Reviewing of accounting policies by Members ensures that the Council and Audit Committee complies with the CIPFA Better Governance Forum toolkit for local authority Audit Committees
- 1.2 Unless there are major changes to accounting rules and regulation, accounting policies do not change significantly between years because the accounts would not be comparable from one year to the next.
- 1.3 The draft audited Statement of Accounts for 2013/14 will be presented to the September 2014 Audit Committee for approval. The draft accounting policies statement will be included within the accounts and any changes made during the course of the closedown programme and/or audit will be highlighted and explained.

2. Purpose of Accounting Policies

- 2.1 The Statement of Recommended Practice for Local Authority Accounting defines accounting policies as "the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves".
- 2.2 The application of accounting policies supports the implementation of the main accounting concepts of best practice. These ensure financial reports:
 - Are **relevant** - providing appropriate information on the stewardship of Authority monies.

- Are **reliable** - financial information can be relied upon and is without bias and free from error,
- Within the bounds of materiality and has been prudently prepared.
- Allow **comparability** - the interpretation of financial reports is enhanced by being able to compare information across other accounting periods and other organisations.
- Are **understandable** - though financial reports have to contain certain information, they have to be understandable. For example the Council publishes summary accounts.
- Reflect **material** information - significant transactions must be incorporated in the financial reports.
- Prepared on a **going concern** basis (the assumption that the authority will continue in operational existence for the foreseeable future)
- Prepared on an **accruals** basis (accounts are prepared to reflect the benefit of goods and services received and provided rather than when cash transactions occur when invoices are paid in a later accounting period).

2.3 The accounting policies currently in place are similar in requiring accounts to be prepared on a going concern basis (unless not appropriate), use of accruals, consistent presentation, material items to be shown separate if material and no offsetting of assets and liabilities. There is now a requirement to prepare the accounts on a “true and fair” view rather than a “presents fairly basis”.

3. Contents of Accounting Policies

3.1 The appendix contains all of the Council's accounting policies. The more significant policies cover the treatment of the following:

- **Property Plant and Equipment** - the basis for valuing major long-term assets, such as council dwellings and offices is explained.
- **Impairment** – The carrying value of assets is reviewed annually to determine whether there is a material change in value and the basis on which impairment losses are written off.
- **Depreciation** - depreciation is charged to spread the value of an asset over its useful life.
- **Provisions and reserves** - a **provision** is created because the Council will have to make a future payment to settle a financial obligation and a reasonable estimate can be made of the amount payable. Provisions are charged to the relevant service area. A **reserve** is created for a planned future purpose or maintained as a general contingency. These are recorded separately on the Movement in Reserves Statement.
- **Accruals of Income and Expenditure** - The Council raise these to comply with the accruals concept of accounting to measure when

payments or receipts are due rather than where cash is transferred to settle the amount due.

- **Pensions** - This note describes the two pension schemes Council employees contribute to (teachers and Local Government Pension Scheme). The policy includes detail on the investment valuation basis used and the calculations made of future liability.
- **Value Added Tax** - As the vast majority of VAT paid by the Council is recoverable from H.M. Revenue & Customs, recoverable VAT is excluded from the cost of services within the accounts.

4. Changes in accounting policies for 2013/14

- 4.1 The application of most accounting policies is consistently applied from year to year. Changes are required when new accounting regulations are introduced or updated or if there is a significant change within the financial activities of the Council.
- 4.2. We must follow the requirements of International Accounting Standard 8 when selecting or changing accounting policies, adopting the accounting treatment and disclosing changes in accounting policies, estimation techniques and correcting errors.
- 4.3 There is a requirement to disclose expected impact of new standards. They will only result in a change in accounting policy if they are required by the code and will result in the financial statements providing reliable and more relevant information.
- 4.4 It is for an authority to select the accounting policies that are most appropriate to its particular circumstances. Best practice requires council's to regularly review the accounting policies adopted to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods.
- 4.5 There are no significant amendments proposed in the draft code of practice on local authority in the United Kingdom 2013/14. The proposed accounting policies for 2013/14 are reflected in **Appendix A**.

5. External Audit Consultation

- 5.1 As accounting policies form part of the Statement of Accounts document, these are subject to annual external audit review as part of the final accounts audit process.
- 5.2 Corporate finance liaises with external auditors with regard to proposed changes in accounting regulations and where these impact on accounting policies.

Financial Implications and risks:

There are no direct financial implications arising from the publication or approval of accounting policies. There are no material changes to policy impacting upon the Councils financial position

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Legal Implications and risks:

Section 21 of the Local Government Act 2003 enables the Secretary of State to make regulations requiring accounting practices including the Statement of Accounts to be undertaken in accordance with proper practices. The Local Authority must also have regard to the Code of Practice on Local Authority Accounting for 2013/14 (based upon International Financial Reporting Standards) which sets out the proper practices applicable with effect from 1st April 2011. There are no apparent legal implications in noting the content of the Report.

Human Resources Implications and risks:

None arising directly.

Equalities and Social Inclusion Implications and risks

None arising directly

Background Papers List

None