

Classification:

Part 1 – Public

Key Decision:

No

Gravesham Borough Council

Report to: Finance & Audit Committee
Date: 12 March 2019
Reporting officer: Sarah Parfitt – Assistant Director (Corporate Services)
Subject: Review of Accounting Policies 2018-19

Purpose and summary of report:

To seek endorsement of the Accounting Policies to be used in formulating the Financial Statements for the authority for the financial year 2018-19.

Recommendation:

1. Members are asked to endorse the use of the Accounting Policies as outlined at Appendix Two to this report, subject to comments from the Council's external auditor.

1. BACKGROUND

- 1.1 The Accounts & Audit (England) Regulations 2015 requires local authorities to prepare their annual financial statement of accounts in accordance with 'proper accounting practice'. For local authorities, proper accounting practice is defined as that contained within the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).
- 1.2 Accounting policies are 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. This may be through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Except where explicitly specified in The Code, or due to specific legislative requirements, it is for an authority to select the accounting policies that are most appropriate to its particular circumstances.
- 1.3 The Terms of Reference of the Finance & Audit Committee require it to review the annual accounting policies to be used in preparing the annual statement of accounts.

2. ACCOUNTING POLICIES FOR 2018-19

- 2.1 The Code for 2018-19 has been published and a review of the Council's accounting policies has been conducted to ensure that these are in line with the requirements of The Code.
- 2.2 There are two main changes to The Code that have been identified as being of influence to the council's accounting policies for 2018-19, principally from new International Financial Reporting Standards (IFRSs). These concern the adoption of IFRS9 - Financial Instruments, and IFRS 15 - Revenue from Contracts with Customers. Other accounting policies remain in line with those used to prepare the 2018-19 Statement of Accounts. A summary of the changes are provided below:
- 2.2.1 **IFRS15 - Revenue from Contracts with Customers** recognises contracted revenue at the point at which services are delivered to service recipients, not necessarily when cash payments are made or received. The Standard defines a contract as being an agreement with enforceable rights and obligations, and requires a five step approach to the recognition and measurement of revenue income. The requirements have been incorporated in Accounting Policy 1.3 at Appendix Two and are not expected to have a material impact on the Council's accounts.
- 2.2.2 **IFRS9 - Financial Instruments** recognises a change of classification and measurement of financial assets and the accounting treatment of gains and losses on investments. Financial assets are now classified into three categories either at amortised cost, fair value through other comprehensive income or at fair value through profit and loss. The classification is determined by the cash flow and business model characteristics of the financial assets and is determined at the time of initial recognition. The requirements have been incorporated in Accounting Policies 1.26 to 1.30 at Appendix Two. The Government has introduced a five-year statutory override for local authorities, though during the period of the statutory override, local authorities will be required to disclose profits and losses from pooled investments. This will result in changes to the presentation of the Council's financial statements and disclosure note requirements.
- 2.3 The Accounting Policies to be used in formulating the Financial Statements for the authority for the financial year 2018-19 are provided at Appendix Two for Member review and endorsement.
- 2.4 Members should note that the accounting policies have been shared with the external auditors and may therefore be subject to any comments / feedback from the Council's external auditors. Any material changes to the accounting policies subsequently found to be necessary will be accompanied by an explanation of the impact of the change in policy within the financial statements.

3. BACKGROUND PAPERS

- 3.1 The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 'Guidance Notes for Practitioners' is held by Financial Services.

Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

IMPLICATIONS	APPENDIX 1
Legal	The Accounts & Audit (England) Regulations 2015 requires local authorities to prepare their annual financial statement of accounts in accordance with 'proper accounting practice'.
Finance and Value for Money	The potential costs of not updating the accounting policies could include additional audit fees should further testing or extra audit time be required.
Risk Assessment	<p>It is considered that the policies presented to the Finance & Audit Committee within this report are properly in line with the statutory guidance. In conducting the review of the accounting policies, Officers have attended a CIPFA event and a separate Grant Thornton event on applying The Code to the preparation of the 2018-19 accounts.</p> <p>If the accounting policies were not in accordance with statutory guidance and The Code, the accounts for the financial year could receive a qualified opinion from Grant Thornton, the Council's external auditors.</p>
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data?</p> <p>A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>No</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk.</p> <p>N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>No</p>

	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>No</p>
	<p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Corporate Plan	Corporate Objective 4: A sound and self-sufficient council.
Crime and Disorder	N/A
Digital and website implications	The draft and final versions of the statement of accounts will be published on the council website.
Safeguarding children and vulnerable adults	N/A