

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Executive Director - Commercialisation (S151)

To: Governance and Audit Committee Thursday, 14 March 2019

(Author: Ellie Stacey Financial Control Manager)

Subject Financial Statements 2018/19 - Accounting Policies

Purpose: To review and agree the Accounting Policies for inclusion in the Financial Statements 2018/19

Recommendation(s):

- 1) That Governance and Audit Committee review and agree the Accounting Policies for 2018/19 at Appendix A.

1.0 BACKGROUND

- 1.1 Within the Financial Statements, the Council discloses the accounting policies it has applied to all material balances and transactions. Unless there are major changes to accounting rules and regulations, accounting policies do not change significantly between years, which enables the Statements to be comparable from one year to the next.
- 1.2 This report presents the proposed accounting policies to be adopted for the 2018/19 financial year. The policies are prepared in line with CIPFA's Code of Practice on Local Authority Accounting 2018/19 (the Code).
- 1.3 It is good practice to consider and agree the accounting policies in advance of the production and approval of the draft accounts, so this report will become an annual review by the Governance and Audit Committee.
- 1.4 There have been two major areas of change within the Code in 2018/19:
 - IFRS 15 – Revenue from contracts with customers
 - IFRS 9 – Financial Instruments

The Code contains provisions for transitional arrangements which only require adjustments to 1 April 2018 opening balances rather than a full prior year restatement.

IFRS 15 is not expected to have any impact on the Council's accounts.

IFRS 9 will mean changes in the classification and measurement of financial assets, and a new model for recognising impairment of these.

1.5 The majority of the accounting policies in Appendix A have not changed from 2017/18, the main changes made are:

- 2. Accruals of Income and Expenditure – updated to reflect the wording from the CIPFA Guidance Notes regarding recognition of income when the performance obligations in the service contract have been met. For example, once a licence has been granted, the Council is not required to do anything further regarding the granting of the licence until it expires and is renewed, although it can span more than one financial year. In this case, the income should be accounted for in its totality at the point of granting the licence.
- 9. Financial Instruments – policy amended to reflect the changes to IFRS 9 applicable from 1 April 2018.
- 18. Overheads and Support Services – policy amended to reflect the Council's policy of not recharging these costs to service segments within the Financial Statements. This is in line with the quarterly monitoring reports to Cabinet.

We are currently awaiting the release of the template accounting policies and disclosure notes from our external treasury advisors, Link Asset Services. Once received, these will be reviewed against the draft accounting policies, and any required adjustments will be made.

1.6 The unaudited Financial Statements will be presented to Governance and Audit Committee on 30 May 2019. The accounting policies will be included within the Statements, and any minor changes made during the Statements' production process will be agreed with the S151 Officer and highlighted to the Committee on this date.

2.0 **OPTIONS**

2.1 That Governance and Audit Committee review and agree the Accounting Policies for 2018/19 at Appendix A.

2.2 That Governance and Audit Committee review and make changes before agreeing the Accounting Policies for 2018/19 at Appendix A.

3.0 **REASONS FOR RECOMMENDATION(S)**

3.1 It is good practice to consider and agree the Accounting Policies in advance of the production and approval of the draft accounts.

4.0 **EXPECTED BENEFITS**

4.1 By agreeing these policies early it assists with the early closure timetable that Local Authorities work to.

5.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be

implications under one or more of these headings, these are identified below.

5.1 **Financial**

5.1.1 The policies at Appendix A underpin the Council's Statement of Accounts in line with the Code.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A.

7.0 **ACRONYMS**

7.1 CIPFA – Chartered Institute of Public Finance & Accountancy

Background papers:-	CIPFA Accounting Code of Practice 2018/19 and supporting Guidance Notes
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Key Decision: N

Exempt Decision: N

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Accounting Policies 2018/19