

**Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection**

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| Report to: | <b>Audit Committee</b>               |
| Date:      | <b>26 March 2018</b>                 |
| Subject:   | <b>Statement of Accounts 2017/18</b> |

**Summary:**

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2017/18 Statement of Accounts;
- Changes resulting from the Accounts and Audit Regulations 2015 and the impact of this on the Council's Statement of Accounts; and
- The review of the Council's Accounting Policies.

**Recommendation(s):**

The Executive Director of Finance and Public Protection asks the Members of the Audit Committee to:

1. Note the changes required to our Statement of Accounts from the Code of Practice 2017/18;
2. Note the changes to the preparation and audit period for the 2017/18 Statement of Accounts as set out in the Accounts and Audit Regulations 2015; and
3. Approve the Statement of Accounting Policies (Appendix A) to use in preparing the Council's accounts for the financial year ending 31 March 2018.

**Background**

1.1 The Council is required to prepare its Statement of Accounts in accordance with the Code of Practice in Local Authority Accounting in United Kingdom 2017/18 (the Code). This ensures the accounts are prepared using "proper accounting practice".

## **Changes to the Code of Practice on Local Authority Accounting for 2017/18**

1.2 The Code of Practice for 2017/18 has introduced a few revisions and clarifications to the accounts and accounting requirements for the 2017/18 Statement of Accounts. These include:

- Clarification on the contents of the Narrative Report. The Code has provided additional guidance on how the information about the financial performance and economy, efficiency and effectiveness in its use of resources for the financial year is prepared to be more user friendly manner;
- Additional guidance on how to treat the Apprenticeship Levy payment, which was introduced from 1 April 2017, and how to include the expenses claimed through the Digital Apprenticeship Service Account in the Council's account;
- The Code of Practice providing guidance on the on-going concern requirements reflecting the economic and statutory environment in which the Council operate. As the Council could not be created or dissolved without proper statutory prescription, the financial statement will be prepared in an on-going concern basis; and
- For the Pension Fund Accounts clarification of the amended disclosure requirements for the reporting of pension fund scheme transaction cost and reporting of investment concentration.

1.3 The following accounting standards will be implemented in 2018/19. These do not impact the Council in the 2017/18 accounts, but will be reported in a disclosure note.

- IFRS 9 – Financial Instruments – The way financial instruments are classified and measured will change in accordance with this accounting standard. Any changes in the previous carrying amount (2017/18) and the carrying amount at the beginning of 2018/19 financial year will be adjusted as an opening adjustment to the reserves. This will be presented in the Movement in Reserves Statement in 2018/19; and
- IFRS 15 Revenue from Contracts with Customers – This standard will require the Council to recognise revenue in such a way that it represents the transfer of the promised goods and services to the service recipients (customer) in an amount that reflects the consideration to which the authority expects to be entitled in exchange for goods or services. It is not expected that this will have a substantial effect as the Council has a predictable income streams.

## **Accounts and Audit Regulations 2015**

1.4 Under the new regulations, the Council is now required to have draft Statement of Accounts produced by 31 May (previously 30 June) and audited, approved and published by 31 July (previously 30 September) following the end of the financial year. This will be the first year wherein this process is accelerated.

1.5 The revised timetable will present challenges to both the Council and External Auditors. The Council will have one month less in which to close the financial year and produce the annual Statement of Accounts, and External Auditors will be required to complete local government audits and issue opinions two months earlier than the current requirements.

1.6 Reporting to the Audit Committee has been amended to reflect these statutory changes. The Committee will be asked to agree the Council's Accounting Policies and altered to any significant changes to accounting regulations prior to the end of the financial year (for 2017/18 this meeting is 26 March). The Committee will then be presented with final, audited accounts and asked to approve these prior to the end of July (for 2017/18 this meeting is 23 July). This removes the training and scrutiny meeting (previously held in June/July). The finance team would be happy to provide individual training on the Financial Statements to any members of the Audit Committee..

## **Statement of Accounting Policies**

1.7 An important section of the published Accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the Accounts, together with any estimation techniques adopted. The policies have been reviewed and are attached at **Appendix A** for consideration and approval by this Committee.

1.8 A small number of minor changes have been made to the accounting policies for 2017/18 which are marked in ***bold italics*** in **Appendix A**, these include:

- Increase of threshold limits for some items to reflect the materiality of these items that have to be included in the Council's account.
- Update on the use of capital receipts to reflect the authority's Flexible Use of Capital Receipts Strategy as a result of the provisional Local Government Finance Settlement for 2018/19; and
- Additional policy to provide explanation on how the Council deals with the assets that are valued using Fair Value Measurement.

## Conclusion

2.1 The additional disclosures as required by the Code of Practice will be incorporated into the Statement of Accounts for 2017/18.

2.2 Changes set out in the Accounts and Audit Regulations 2015 will require the Council to prepare its annual Statement of Accounts from 2017/18 by 31 May and have them audited, approved and published by 31 July.

2.3 The Statement of Accounts will be prepared using the Accounting Policies approved by the Audit Committee at this meeting.

## Consultation

### a) Have Risks and Impact Analysis been carried out?

No

### b) Risks and Impact Analysis

N/A

## Appendices

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| These are listed below and attached at the back of the report |  |
| Appendix A  | Statement of Accounting Policies 2017/18 |

## Background Papers

| Document title   | Where the document can be viewed                    |
|--|---|
| CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 | Executive Director of Finance and Public Protection |

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