

ACCOUNTING POLICIES AND RELATED MATTERS FOR THE YEAR 2017/18

SUMMARY AND RECOMMENDATIONS:

SUMMARY: This report reviews the proposed accounting policies to be applied for the closure of the 2017/18 accounts. These are prepared in line with CIPFA's Code of Practice on Local Authority Accounting in the UK 2017/18 (the Code). Adopting the policies supports timely and robust production of a high-quality set of annual accounts. In addition, this report notifies members of the nature of updated disclosures required and reviews the internal level of materiality.

RECOMMENDATION:

- (i) Licensing and General Purposes Committee adopt the accounting policies including the amendment disclosed at Appendix 1 for closure of the 2017/18 Accounts
- (ii) The Committee notes the updated disclosures and internal level of materiality to be included within the statement of accounts for 2017/18.

1 INTRODUCTION

1.1 As part of its statement of accounts, the Council needs to disclose the accounting policies it has applied to all material balances and transactions. This process is described in the Code as proper accounting practices and the Council has limited discretion. In relation to the financial year 2017/18 there has been no change in the requirements of the Accounting Policies, changes in accounting estimates and errors section of the Code since 2016/17 that are relevant to the Council. Accounting policies are discussed at Section 2 of this report.

1.2 Other items for the committee to note are provided at:

Section of this report

- 3 Materiality
- 4 Disclosure review

2 ACCOUNTING POLICIES

2.1 The accounting policies have not changed compared to the policies applied for the previous financial year (2016/17), other than for the following reasons:

- (a) Cash and cash equivalents policy has been clarified to remove ambiguity with Investments.
- (b) Introduction of new accounting policy related to the capitalisation of borrowing cost.

Appendix 1 provides detail of this updated accounting policy.

- (c) Date references relating to the financial year 2017/18 applicable to some of the accounting policies have been updated

2.2 The entire set of accounting policies applied for the year 2017/18 remain as per the previous financial year, and apart from changes disclosed at paragraph 2.1 there are no other modifications of amendments required. These accounting policies do not depart from the provisions of the 2017/18 Code.

3 MATERIALITY

3.1 On 28th May 2015 the Licensing and General Purposes committee approved an agenda item entitled “Financial Statements – Decluttering the accounts”. This paper discussed that the majority of the existing disclosures are requirements laid down in the CIPFA Accounting Code of Practice (ACOP), but there remains some scope within the ‘decluttering’ agenda to rationalise what information is included in the statements.

3.2 In addition, the report discussed the internal level of materiality that members recommended for the preparation of each year’s statement of accounts. The committee approved the application of a de-minimus level of materiality of 1% of total Net Assets/Reserves (measured at the start of the financial year) regarding the preparation of the statement of accounts. For 2017/18 the committee should note this amount is marginally increased to £863,830.

3.3 Members should however note that the materiality threshold may be lower, for example for common transactions and outcomes where materiality judgements are usually particularly sensitive. These include:

- (a) Transactions with related parties
- (b) Sensitive matters, such as fraud and non-compliance with law
- (c) Unusual or non-recurring transactions/balances

4 DISCLOSURE REVIEW

- 4.1 The Finance Accountancy team have reviewed the statement of accounts for 2016/17 for potential disclosure amendments against materiality for the Council, with no amendments identified. The preparations for 2017/18 account disclosure are commencing shortly and will be reviewed against the previous years' disclosures in line with above stated level of materiality.

5 CONCLUSION

- 5.1 This report states the accounting policies, informs members of additional/amended disclosures, the level of internal materiality applied in the statement of accounts for 2017/18.

6 BACKGROUND INFORMATION

See <http://www.cipfa.org/policy-and-guidance/consultations-archive/201718-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment>

And:

<http://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-201718-book>

AMANDA FAHEY

HEAD OF FINANCIAL SERVICES

Minor amendments are presented for the accounting policy stated below in order for it to accommodate changes in reporting practice and style required for the Council's Statement of Accounts for 2017/18

i. Cash and Cash Equivalents (for application to the 2017/18 accounts)

Cash and cash equivalents includes all bank accounts including overdrafts that are an integral part of the Authority's cash management.

Cash is represented by cash in hand and deposits with financial institutions repayable without out penalty on notice of not more than 24 hours.

Cash equivalents are deposits held with financial institutions that mature in no more than one month or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

The above accounting policy was PREVIOUSLY stated as below:

ii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without out penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

iii. Borrowing Costs Eligible for Capitalisation

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset (as defined within IAS 23) had not been made. The Council recognises the accounting requirements of IAS 23 and determines the amount of borrowing costs that are eligible for capitalisation by applying a capitalisation rate to the expenditures on the qualifying asset. The capitalisation rate is the total borrowing costs related to the spend on the specific asset based on the average cost of the Council's total debt.

The Council only applies a process of capitalisation of borrowing costs for qualifying assets, in the following circumstances:

- Scheme capital expenditure exceeds £1m,
- Scheme capital expenditure results in an asset or revenue income stream,
- Duration of scheme creation is more than one financial year.

No PREVIOUS accounting policy stated

Appendix 2

Statement of Accounts 2017/18 - Certification, Approval and Publication

Rushmoor's Statement of Accounts 2017/18 - To be available at 31st May 2018

Certification by the Chief Financial Officer

The CFO must:

- (a) sign and date the Statement of Accounts
- (b) confirm that they are satisfied that the Statement presents a true and fair view of the financial position of the authority at the end of the financial year
- (c) the authority's income and expenditure for the financial year

The certification has to be signed off before the draft Statement of Accounts is made available for public inspection. The effective deadline for 2017/18 is the day before the first working day of June 2018 (i.e. 31st May 2018)

The requirement for the end of May certification effectively establishes an end-point for the drafting of the Statement of Accounts. By this date the Statement will be in such a state of completion and accuracy that the CFO is assured that it presents a true and fair view. Subsequent changes would be related to the correction of misstatements and omissions identified by the auditor or the updating of disclosures for subsequent events.

Public Inspection Period

For 2017/18 there is a formal requirement to publish the unaudited Statement as the focus for the public inspection period. As described above, the CFO will sign, date and certify the unaudited Statement of Accounts for 2017/18 and commence the period for the exercise of public rights. The inspection period must comprise a single period of 30 working days. For the 2017/18 Accounts, the period will start on Friday 1st June 2018 and end on Friday 13th July 2018.

Website publication and additional information that accompanies the Accounts (including the exercise of public rights)

The CFO will publish the unaudited certified Statement of Accounts (which must at least include publication on the authority's website).

The unaudited 2017/18 Statement of Accounts must be accompanied by:

- (a) a CFO signed declaration that the Statement of Accounts are unaudited and may be subject to change
- (b) the Annual Governance Statement
- (c) the Narrative Statement

The CFO must also publish a statement under regulation that sets out:

- (a) the period for the exercise of public rights
- (b) details of how interested parties should give notice of an intention to inspect the accounting records and other documents
- (c) the name and address of the local auditor
- (d) the provisions regarding the rights of public inspection of documents
- (e) right to make objections at audit)

The period for the exercise of public rights then commences on the day after the requirements for the publication of the unaudited Statement of Accounts and the statement of public rights have been satisfied.

The CFO is required to notify the external auditor when the public inspection period has commenced.

Rights of inspection

Any persons interested may:

- (a) inspect the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to them
- (b) make copies of all or any part of those records or documents

On completion of external audit (to be a date in July 2018 prior to the L & GP Committee meeting)

The CFO must re-confirm their view that the Statement of Accounts presents a true and fair view before it is given member approval. This is an absolute requirement, and the CFO cannot rely on the original certification, even if the Statement of Accounts has not changed since the unaudited version was published.

Approval by Members in July 2018

Members are required to approve the Statement of Accounts at the L & GP meeting in July 2018. Members have a duty to:

- (a) consider the Statement of Accounts
- (b) approve the Statement by a resolution
- (c) ensure that the Statement is signed and dated by person presiding at the meeting

Publication

The approved the Statement of Accounts for 2017/18 must then be re-published with

- (a) the Annual Governance Statement (also approved by members in advance of the Statement of Accounts)
- (b) the Narrative Statement

The Regulations state the above as separate documents. This is important for the Statement of Accounts, as this is the document that the CFO and the auditor are

required to certify as true and fair and care needs to be taken that this view is not taken to apply to any other statement.

Once the Statement of Accounts is published, the Council must:

- (a) keep copies of the Statement of Accounts, Annual Governance Statement and Narrative Statement for purchase on payment of a reasonable sum
- (b) ensure that the three Statements remain available for public access for at least five years after the date of publication

The Council must additionally publish a statement as soon as reasonably practicable after the conclusion of the audit. The statement must include

- (a) confirmation that the audit has been concluded and that the Statement of Accounts has been published
- (b) information about electors' rights of to inspect and make copies of the Statement of Accounts, the auditor's certificate of completion, the auditor's opinion on the Statement of Accounts, any public interest report relating to the authority or an entity connected with it, and any recommendation relating to the authority or an entity connected with it
- (c) details of the address and the hours during which inspection rights may be exercised

Electors have a right to inspect the documents at all reasonable times and without payment and a right to be supplied with copies on payment of a reasonable sum.

Annual audit letter

When the annual audit letter is received from the auditor, the L & GP committee will meet to consider its contents as soon as reasonably practicable. The Council then must

- (a) publish the audit letter
- (b) make copies available for purchase on payment of such sum as the authority may reasonably require