

Chichester District Council

Corporate Governance and Audit Committee

29 March 2018

2017-18 Accounting Policies

1. Contacts

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2. Recommendation

The committee is requested to:

- (a) **Consider this report and approve the council's current accounting policies at Appendix A as an appropriate basis to prepare the Council's 2017-18 financial statements.**
- (b) **Approve the principles set out in this report to review and refocus financial disclosures for 2017-18 to improve readability and increase impact.**

3. Background

- 3.1. In following the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code), the Council complies with the requirements of International Financial Reporting Standards (IFRS) except where CIPFA has agreed that departures from these standards are necessary and permissible in the context of local government, or to comply with the statutory framework that the sector is subject to.
- 3.2. The Code specifies the principles and practices required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority.
- 3.3. The Code is reviewed continuously and is normally updated annually. The 2017/18 Code has been developed by the CIPFA/LASAAC Local Authority Code Board and has effect for financial years commencing on or after 1 April 2017.

4. Changes to the Council's 2017-18 financial statements and accounting policies

- 4.1. CIPFA/LASAAC has made no significant changes to the Code for 2017-18 and, as a result, the existing accounting policies, subject to this Committee's

approval, remain unchanged.

- 4.2. Following last year's report by CIPFA 'Telling the Story', there is a continued effort on focussing the presentation of Local Authority accounting statements to improve their readability and impact.
- 4.3. CIPFA confirms at paragraph 2.1.2.11 of the Code that, if information is not material to the true and fair view of the financial position, financial performance and cash flows of the Council and to the understanding of users it need not be disclosed. With this in mind, officers have reviewed the accounting policies and disclosure notes in the Council's Financial Statements to ensure they are focussed on information that is important to the presenting of a 'true and fair' view to service users and stakeholders.
- 4.4. In practice this means that;
 - (a) For accounting policies, only those that are material to a reader's interpretation of the accounts will be included.
 - (b) For disclosure notes, unless the note is qualitatively material (paragraph 4.6) or required by statute, the note will not be prepared or will be replaced by a shorter text disclosure

The Council's draft accounting policies prepared on these principles are included in Appendix A, which the main changes marked.

- 4.5. In determining if a disclosure note contains material information or not, both qualitative and quantitative aspects of materiality will be considered.
- 4.6. This report proposes to set a quantitative materiality level of £1,000,000 for the total of any income, expenditure, assets or liabilities disclosed in a single note.
- 4.7. To help the Committee gauge the impact of this, if this is applied for 2016-17, the following notes would not have been prepared, or would have been replaced by a shorter text summary:
 - (a) Assets held for sale:
 - (b) Intangible Assets:
 - (c) Available for sale Financial Instruments Reserve
 - (d) Deferred capital receipts reserve
 - (e) Grant receipts in advance
 - (f) Finance lease – Council as lessee
 - (g) Operating leases –Council as lessee
 - (h) Contingent Liabilities
 - (i) Contingent Assets
 - (j) Credit risk exposure to Financial Instruments
- 4.8. There are a number of disclosures that, even though they involve relatively small sums, are considered to be of particular interest to users and stakeholders and therefore would be retained. These disclosures are considered to be qualitatively material and are proposed as:

- (a) Members' allowances
- (b) Officers' remuneration
- (c) External Audit Costs
- (d) Related Parties
- (e) Termination benefits
- (f) Market risk exposure to Financial Instruments
- (g) Investment property income and expenditure

4.9. Officers also intend to reduce the disclosure of accounting policies where they are felt not to be material or are clearly covered by the overriding statement applying the Code. Applying these principles reduces the total length of the Council's disclosed accounting policies from 22 pages to 10, shown in Appendices A and B

4.10. To aid readers of the accounts, a summary of the approach and limits used in determining which notes and Accounting Policies to disclose has also been included in the draft accounting policies.

4.11. Officers have prepared a draft skeleton of the statement of accounts based on these principles for discussion with the Council's External Auditor. This document was shared with Ernst & Young on 22 February and a verbal update will be provided as to their comments to aid the Committee's deliberations.

5. Resource and legal implications

5.1. The Council is required by the Accounts and Audit Regulations to comply with CIPFA's Code of Practice for Local Authority Accounting in preparing its accounts.

6. Appendices

6.1. Appendix A – Draft accounting policies 2017-18

6.2. Appendix B – Presentational changes in accounting policies between 2016-17 and 2017-18

7. Background Papers

7.1. None.