

Chichester District Council

Corporate Governance and Audit Committee

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2016-17 Accounting Policies

1. Contacts

Report Author:

Mark Catlow, Group Accountant

Tel: 01243 521076 E-mail: mcatlow@chichester.gov.uk

2. Recommendation

- 2.1. That the committee considers this report and approves the Council's existing accounting policies as an appropriate basis to prepare the Council's 2016-17 financial statements.**
- 2.2. That the committee notes the impact of the implementation of a revised Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MIRS) and the new Expenditure and Funding Analysis (EFA).**
- 2.3. That the committee notes the revised presentation of the Council's expenditure of its services within the Comprehensive Income and Expenditure Statement.**
- 2.4. That the committee considers if the proposed placement of the new EFA note gives sufficient prominence to this new information within the Council's statement of accounts.**

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 2016/17 Code has been developed by the CIPFA/LASAAC Local Authority Code Board and has effect for financial years commencing on or after 1 April 2016. The most noteworthy changes within the 2016/17 Code (included in this report for consideration) relates to changes intended to improve the presentation and

readability of Local Authority Financial Statements.

4. Changes to the Council's 2016-17 financial statements and accounting policies

- 4.1. CIPFA/LASAAC has been working on a project for the last couple of years to both streamline the financial statements and improve their accessibility to the user. To support the simplification of Local Authority Financial Reporting they have published a Good Practice Guide ("Telling the Story") for Local Authorities to assist CFOs in removing clutter and explaining the IFRS based accounts.
- 4.2. The 2016/17 Code includes changes resulting from the "Telling the Story review" on improving the presentation of local authority financial statements. These include new formats and reporting requirements for the CIES and MIRS and the introduction of the new EFA.
- 4.3. The 2016/17 Code now requires the service segments section of the CIES to be provided in the way in which local authorities organise themselves and manage financial performance. It is no longer based on the full Service Reporting Code of Practice (SeRCOP) definition of total cost.
- 4.4. For Chichester, the following segments will therefore form the basis of reporting the costs of service provision for 2016-17:
 - Business and Improvement Services
 - Commercial Services
 - Community Services
 - Contract Services
 - Finance and Governance
 - Housing and Environment Services
 - Planning Services
 - Corporate and Central Services.
- 4.5. The 2016/17 Code has removed the lines for earmarked reserves and their transfers from the MIRS. This is because the earmarking of reserves has no formal status in financial reporting or statute for local government and as such the earmarking process does not take funds out of the General Fund. An analysis of the Council's earmarked reserves, and their movements during the year will still be provided as a note to the main financial statements.
- 4.6. The disclosure of the Surplus or Deficit on the Provision of Services has been removed from the MIRS and this is now incorporated in the Total Comprehensive Income and Expenditure line.
- 4.7. The 2016/17 Code has introduced the new EFA statement which takes the net expenditure that is chargeable to the Council's General Fund and reconciles it to net expenditure disclosed on the CIES.
- 4.8. The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

- 4.9. The proposed presentation of the EFA for the Council is shown at Appendix 1.
- 4.10. The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. Officers have carefully considered this and recommend that it is placed at Note 5, immediately after the Council's accounting policies, critical judgements and descriptions of estimation uncertainties in the figures in the accounts. This allows readers of the accounts to assess the information contained in this new statement whilst fully aware of the framework within which the figures in the EFA have been prepared.
- 4.11. The Council's remaining accounting policies are considered to be adequate to deal with all material transactions and balances, including all material sources of income and no further changes are recommended.

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 1: Draft format of the Council's Expenditure and Funding Analysis

7. Background Papers

- 7.1. None.