

Chichester District Council

Corporate Governance and Audit Committee

22 March 2021

2020-21 Accounting Policies

1. Contacts

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2. Recommendation

The committee is requested to consider this report and approve the continued application of existing accounting policies in the preparation of the Council's 2020-21 financial statements.

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 2020-21 Code has been developed by the CIPFA/LASAAC Local Authority Code Board and has effect for financial years commencing on or after 1 April 2020.

4. Changes to the Council's 2020-21 financial statements and accounting policies

- 4.1. In common with 2019-20, no material new or amended standards have been introduced into the 2020-21 Code although there are a number of routine updates which are listed in Appendix 1.
- 4.2. The Council's existing accounting policies, last approved by the Committee in July 2020, continue to be a suitable basis for preparing the 2020-21 financial statements.

4.3. The only update proposed is to the Council's definition of materiality, which is presently

“An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.”

4.4. It is proposed this is updated to be:

“An item would be considered material to the financial statements if, through its omission, misstatement, obscuring or non-disclosure, it could reasonably be expected to influence the decisions of the users of these financial statements and therefore no longer show a true and fair view”

The update reflects latest guidance on the risk of masking key financial information, for example by presenting linked information in separate parts of the financial statements or including excessive detail.

4.5. Continuing established practice, the accounting policies and disclosure notes presented in the Council's Financial Statements will focus on avoiding excessive detail to prevent obscuring key messages. 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 (see paragraph 4.6 or required by statute, the note will not be prepared or will be replaced by a shorter text disclosure

4.6. In determining if a disclosure note contains material information or not, both qualitative and quantitative aspects of materiality will be considered. There appears to be no reason to alter the Council's present quantitative materiality level of £1,000,000 for the total of any income, expenditure, assets or liabilities disclosed in a single note.

4.7. Similarly, there continue to be a number of disclosures that, even though they involve relatively small sums, are considered to be of heightened interest to readers and therefore will 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 for Financial Instruments

(g) Investment property income and expenditure

4.8. This year, reflecting an emphasis in the Code on presenting information clearly, similar items and information will be presented together as far as possible in the financial statements, helping users understand the entire financial picture presented without having to search through multiple pages.

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. Consultation

6.1. Not applicable

7. Community Impact and Corporate Risks

7.1. None

8. Other Implications

Are there any implications for the following?		
	Yes	No
Crime and Disorder		X
Climate Change and Biodiversity		X
Human Rights and Equality Impact		X
Safeguarding and Early Help		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X
Other		X

9. Appendices

9.1. Key accounting changes to the 2020-21 Code

10. Background Papers

10.1. None.

Appendix 1

Key changes to the 2020-21 Code

The key accounting changes affecting the Council's financial statements are:

- Amendments to implement and emphasise the application of Amendments to IAS 1 and IAS 8: Definition of Material. This emphasises the importance of ensuring that material information is not obscured for users
- Implementation of Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement, including reference to materiality requirements
- Reference to arrangements for the application of accounting standards arising as a consequence of the United Kingdom's withdrawal from the European Union
- Legislative amendments including those relating to investments in specified pooled investment funds that are measured at fair value through profit or loss (FVPL)
- Clarification and minor amendments relating to financial instrument disclosures