

**South Lakeland District Council**  
**Audit Committee**  
**Wednesday, 5 December 2018**  
**Accounting Policies 2018/19**

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<b>Portfolio:</b>	Finance Portfolio Holder
<b>Report from:</b>	Assistant Director Resources (Section 151 Officer)
<b>Report Author:</b>	Lee Hurst – Chief Accountant
<b>Wards:</b>	(All Wards);
<b>Forward Plan:</b>	Not applicable

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**1.0 Expected Outcome**

- 1.1 This report presents the proposed accounting policies to be adopted for the 2018/19 financial year and to be used in the preparation of the Statement of Accounts for the financial year ending 31<sup>st</sup> March 2019. These are prepared in line with CIPFA's Code of Practice on Local Authority Accounting in the UK 2018/19 (the Code). Adopting the proposed policies will support timely production of a high quality set of annual accounts.

**2.0 Recommendation**

- 2.1 It is recommended that Audit Committee approves the accounting policies at Appendix 1 for the 2018/19 financial year to be used in the preparation of the Statement of Accounts for the financial year ending 31st March 2019.**

**3.0 Background and Proposals**

- 3.1 As part of its statement of accounts, the Council needs to disclose the accounting policies it has applied to all material balances and transactions. There is little discretion to the Council as the proper accounting practices, that all local authorities follow, are set down in the Code.
- 3.2 There have been substantial changes to the 2018/19 CIPFA Code of Practice on Local Authority Accounting which came into effect for financial years beginning 1<sup>st</sup> April 2018. These changes are in the areas of Revenue recognition and Financial Instruments due to the adoption, by the Code, of International Financial Reporting Standard (IFRS) 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments. The adoption of these new IFRS in the 2018/19 Code does constitute a change in accounting policy which would normally require restatement of the previous year's accounts, but the Code contains provisions for transitional arrangements which only require adjustments to 1<sup>st</sup> April 2018 opening balances rather than full prior-year restatement. The guidance around these transitional provisions is currently being reviewed and any significant financial reporting or presentational issues will be reported to a future Audit Committee.
- 3.3 As a result of the adoption of IFRS 15 and 9 in the 2018/19 Code the Council's own Accounting Policies for 2018/19, presented at Appendix 1, have been updated to

ensure they remain in line with the 2018/19 Code requirements. The changes are as follows:

1. The Going Concern assumption under Accounting Policy 1. has been updated to clarify that the going concern principle is still relevant in the case of local government re-organisation.
2. Accounting Policy 3. 'Accruals of Income and Expenditure' has been retitled 'Revenue and Expenditure Recognition' and rewritten to reflect the requirements of IFRS 15.
3. Accounting Policy 7, 'Cost of Support Services' has been amended to reflect the requirements of the 2018/19 Code which prohibits recharging of support services between reporting segments in the financial statements.
4. Accounting Policies 25. 'Financial Assets' and 26. 'Financial Liabilities' have been substantially rewritten to reflect the requirements of IFRS 9.

Any departure in our Accounting Policies from the provisions of the Code would have to be reported along with an explanation of the reasons for the departure, but as a result of these outlined changes, the proposed Accounting Policies presented at Appendix 1 do not depart from the provisions of the 2018/19 Code.

- 3.4 At the time of writing this report the Ministry for Housing, Communities and Local Government had just published the results of a consultation on a statutory override for Local Government in relation to accounting for IFRS 9. This means that some charges to the accounts as a result of adopting IFRS 9 should be statutorily reversed. Because of this consultation outcome, CIPFA has delayed publication of the CIPFA's Code of Practice on Local Authority Accounting in the UK 2018/19 Guidance Notes for Practitioners. Therefore our current accounting policy is based on the original legislation and draft guidance. Once published, should the new legislation and guidance require any change to our accounting policies, a further report will be brought to a future Audit Committee.
- 3.5 It is good practice to consider and adopt the accounting policies in advance of the production and approval of the draft accounts. By statute, preparation of draft accounts has come forward to 31 May following the relevant year end, for financial years 2017/18 onwards. At the same time, the audited statements need to be published by 31 July following the relevant financial year end: the Council successfully prepared the 2017/18 accounts to the new timetable.

#### **4.0 Consultation**

- 4.1 All local Authorities are consulted as part of CIPFA's preparation of the Code.

#### **5.0 Alternative Options**

- 5.1 No alternative options are proposed, the Council has no circumstances that would justify a material departure from the Code.

#### **6.0 Links to Council Priorities**

- 6.1 Robust and efficient reporting of financial performance and position supports all Council priorities.

#### **7.0 Implications**

#### **Financial, Resources and Procurement**

- 7.1 The policies in Appendix 1 underpin the Council's reporting on its financial performance and position. There is little discretion to depart from the policies set down by the Code.

## Human Resources

7.2 There are no human resources implications of this report.

## Legal

7.3 The Code constitutes 'proper accounting practices' to be followed by a local authority under the terms of section 21 of the Local Government Act 2003.

## Health, Social, Economic and Environmental

7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No

7.5 If you have not completed an Impact Assessment, please explain your reasons: The accounting policies presented are in line with statutory guidance; there are no direct HSEE implications.

7.6 Summary of health, social, economic and environmental impacts: N/A

## Equality and Diversity

7.7 Have you completed an Equality Impact Analysis? No

7.8 If you have not completed an Impact Assessment, please explain your reasons: The accounting policies presented are in line with statutory guidance; there are no direct equality and diversity implications.

7.9 Summary of equality and diversity impacts: N/A

## Risk

Risk	Consequence	Controls required
The Council reports its financial performance and position on the basis of accounting policies that materially depart from the Code.	Material errors are included in the draft statements or the accounts may be qualified.	Officers review the Code annually and Committee adopt the updated Polices.

## Contact Officers

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## Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Accounting Policies 2018/19

## Background Documents Available

Name of Background document	Where it is available
2017/18 Statement of Accounts	<a href="https://tinyurl.com/yapdgozh">https://tinyurl.com/yapdgozh</a>

## Tracking Information

Signed off by	Date sent
Legal Services	16/11/2018
Section 151 Officer	16/11/2018
Monitoring Officer	16/11/2018

<b>Signed off by</b>	<b>Date sent</b>
SMT	N/A

<b>Circulated to</b>	<b>Date sent</b>
Assistant Director	16/11/2018
Human Resources Manager	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	16/11/2018
Ward Councillor(s)	N/A
Committee	05/12/2018
Executive (Cabinet)	N/A
Council	N/A