

**Cheltenham Borough Council**  
**Audit Committee – 14 June 2017**  
**Review of Draft Accounting Policies 2016/17**

<b>Accountable member</b>	<b>Councillor Rowena Hay, Cabinet Member for Finance</b>
<b>Accountable officer</b>	<b>Sarah Didcote, Deputy Section 151 Officer</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	To update Members on the Council's draft accounting policies included in the 2016/17 draft Statement of Accounts, providing members with the opportunity to review these policies ahead of the approval of the final audited 2016/17 Statement of accounts in September 2017.
<b>Recommendations</b>	<b>That Audit Committee note the content of these draft accounting policies and make any comments as necessary.</b>

<b>Financial implications</b>	As detailed throughout this report.  <b>Contact officer: Sarah Didcote, <a href="mailto:Sarah.Didcote@Cheltenham.gov.uk">Sarah.Didcote@Cheltenham.gov.uk</a>, 01242 264125</b>
<b>Legal implications</b>	None specific directly arising from the recommendations.  <b>Contact officer: Peter Lewis, <a href="mailto:Peter.Lewis@tewkesbury.gov.uk">Peter.Lewis@tewkesbury.gov.uk</a>, 01684 272695</b>
<b>HR implications (including learning and organisational development)</b>	None  <b>Contact officer: Julie McCarthy , <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy @cheltenham.gov.uk</a>, 01242 264355</b>
<b>Key risks</b>	As outlined in Appendix A.
<b>Corporate and community plan Implications</b>	None
<b>Environmental and climate change implications</b>	None.

## **1. Background**

- 1.1** Audit Committee is requested to review the council's accounting policies, as included in the statement of accounts, on an annual basis. The council's auditors, Grant Thornton have recommended that this review is done prior to the review and sign-off of the council's final audited statement of accounts in September of each year. This is to aid the committee's understanding of the policies in place and their application in the statement of accounts.
- 1.2** This report therefore includes the draft accounting policies included in the draft statement of accounts, submitted to External Audit by the statutory deadline of 30th June 2017.

## 2. Accounting Policies

- 2.1** The statement of accounts are prepared in accordance with proper accounting practices and regulations by following the CIPFA Code of Practice on Local Government Accounting ('The Code') and the CIPFA Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS's) and International Accounting Standards (IAS's).
- 2.2** The council's accounting policies outline the relevant accounting principles and methodologies adopted by the council, in order to meet these statutory requirements. They can be used to aid understanding of the statements as well as providing a comparison to other organisations. Any changes to accounting policies from previous financial years are disclosed as a separate note to the accounts.
- 2.3** GO Shared Services have completed a thorough review of the accounting policies for 2017/18 to ensure they are up to date and relevant to the statements, a copy of which is included as Appendix A to this report.

### Presentational Changes:-

- 2.4** The main change in accounting policies from 2015/16 relates to the changes to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the introduction of a new Expenditure and Funding Analysis (EFA) and notes.
- 2.5** The change to the format of the CIES has resulted in a restatement of the segmental section for 2015/16 only, with no change to the Cost of Services, Surplus on the Provision of Services or Total Comprehensive Income and Expenditure. Consequently there is no change to the movement in reserves or balances of the council for the year. The change means reportable segments are now based on those most commonly reported to management for the purposes of resource allocation and performance monitoring (i.e. the council's directorates), rather than on the segment classification determined by the CIPFA Service Reporting Code of Practice (SeRCOP). These amendments have not had a material impact on the financial statements or balances of the council.
- 2.6** The changes to the 2015/16 original published figures are given below. The nature of services provided by each Directorate is detailed in the narrative report to the statement of accounts, to provide clarity to readers.

### 2.7

#### Presentational restatement of 2015/16 cost of services

	Gross expenditure £'000	Gross Income £'000	Net expenditure £'000
<b>As reported in the Comprehensive Income and Expenditure Statement 2015/16:</b>			
Central Services to the public	1,773	(537)	1,236
Cultural and related services	8,753	(940)	7,813
Environment and Regulatory services	8,637	(4,750)	3,887
Planning Services	3,782	(2,064)	1,718
Highways and Transport Services	3,407	(4,154)	(747)
Local Authority housing (HRA)	16,724	(20,888)	(4,164)
Other housing services	33,372	(32,821)	551
Corporate and Democratic Core	4,817	(3,,220)	1,597
Non-Distributed costs	1,053	-	1,053
<b>Cost of Services</b>	<b>82,318</b>	<b>(69,374)</b>	<b>12,944</b>
<b>As restated 2015/16:</b>			

Head of Paid service	13,007	(5,231)	7,776
Environmental and Regulatory Services	14,458	(9,939)	4,519
Resources Directorate	37,969	(33,316)	4,653
Housing Revenue Account (HRA)	16,884	(20,888)	(4,004)
<b>Cost of Services</b>	<b>82,318</b>	<b>(69,374)</b>	<b>12,944</b>

- 2.8** The objective of the new Expenditure and funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those shown in the Comprehensive Income and Expenditure Statement (CIES) in accordance with generally accepted accounting practices.
- 2.9** The Expenditure and Funding analysis is then supplemented by segmental reporting notes in the accounts, which reconcile to the management outturn position included in the narrative report to the statement of accounts, to be reported to Cabinet and Council in July 2017.
- 2.10** A new segmental note for Expenditure and Income analysed by nature in the accounts presents the net cost of services by expenditure type, which supplements the presentation by Council Directorate.

#### **Other changes to accounting policies:-**

- 2.11** Group Accounts, Gloucestershire Airport -The financial statements of the Airport have now been prepared under the historic cost convention (except for certain items that are shown at fair value) in accordance with Financial Reporting Standard 102 (FRS102).

Since Investment Property and Property, Plant and Equipment (PPE) assets held by the airport have been valued at fair value, no adjustments are required to the value of non-current assets on consolidation with the council's accounts. Unlike in the airport accounts, however, where any gains in value over historic cost are credited to the Profit & Loss Account, such gains are credited in the group accounts to the Revaluation Reserve (for PPE assets) and the Capital Adjustment Account via the Group Income and Expenditure Statement (for Investment Property), in line with the council's accounting policies.

- 2.12** Overheads and Support services - Any surplus or deficit on overhead and support service accounts arising at the year-end is no longer reallocated to services, but remains as a support service net expenditure or income within the relevant Directorate. This is consistent with the way financial performance is reported to management, as required by the Code.
- 2.13** Fair Value – An additional paragraph (Appendix A, 1.21) has been included to further explain the council's policy on fair value measurement, although this is for clarification only and is not a change in accounting policy.

### **3. Conclusion**

- 3.1** It should be noted that the draft accounting policies may be updated as part of the final audited statement of accounts. Audit committee will have the opportunity to review the final version as part of the approval of the overall statement of accounts in September 2017.

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<b>Appendices</b>	Appendix A - Draft Accounting Policies 2016/17

<b>Background information</b>	Code of Practice on Local Authority Accounting in the UK 2016/17 Accounts  Accounts and Audit Regulations 2015
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