

Cheltenham Borough Council
Audit Committee – 24th April 2019
Review of Draft Accounting Policies 2018/19

Accountable member	Councillor Rowena Hay, Cabinet Member for Finance
Accountable officer	Sarah Didcote, Deputy Section 151 Officer
Ward(s) affected	All
Key Decision	Yes
Executive summary	To update Members on the Council’s draft accounting policies included in the 2018/19 draft Statement of Accounts, providing members with the opportunity to review these policies ahead of the approval of the final audited 2018/19 Statement of accounts in July 2019.
Recommendations	That Audit Committee note the content of these draft accounting policies and make any comments as necessary.

Financial implications	As detailed throughout this report. Contact officer: Sarah Didcote, Sarah.Didcote@publicagroup.uk, 01242 264125
Legal implications	<i>None specific directly arising from the recommendations.</i> Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272695
HR implications (including learning and organisational development)	<i>None arising directly from this report.</i> Contact officer: Julie McCarthy , HR Manager, Publica Group Limited julie.mccarthy@publicagroup.uk, 01242 264355
Key risks	As outlined in Appendix A.
Corporate and community plan Implications	None
Environmental and climate change implications	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 July 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. It should be noted that this report to Audit Committee has been prepared relatively early in the year end closedown timetable, due to the earlier statutory deadline for the completion of the draft statement of accounts of 31st May 2019. These draft accounting policies may be updated during the closedown process, although the final accounting policies will be reviewed as part of the final audited statement of accounts, to be presented to the Committee on 24th July 2019.

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'), 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 Publica Financial Services have completed a thorough review of the accounting policies for 2018/19 to ensure they are up to date and relevant to the statements, a copy of which is included as Appendix A to this report.

3. Changes to accounting policies in 2018/19

- 3.1 There are no material changes to the accounting policies in 2018/19. However the draft accounting policies have been updated for changes in accordance with IFRS 9 and IFRS 15.
- 3.2 IFRS 9 Classification and subsequent measurement of financial assets (draft accounting policy 1.18):

Under IFRS 9 applicable from 2018/19, the authority's financial assets are classified into three types:

- Financial assets at amortised cost – where payments consist solely of principal and interest and the reason for holding is to collect cash flows.
(previously classified as Financial Instruments, Loans & Receivables)
- Fair value through Other Comprehensive Income (OCI) – where payments consist solely of principal and interest and the reason for holding is to collect cash flows and sell *and* where payments do not consist solely of principal and interest but where the authority has designated the instrument as Fair value through OCI.

- Fair value through Profit and Loss (P&L) - where payments do not consist solely of principal and interest.

(The previous category of Available for sale assets has now been removed and are now disclosed as either Fair Value through OCI or Fair Value through P&L categories, whichever is applicable)

- 3.3** IFRS 15 – This requires the disclosure of any material contracts provided by the council. Under the accrual concept (draft accounting policy 1.2) Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services, in accordance with the performance obligations in the contract.

An assessment will be made during the preparation of the 2018/19 statement of accounts as to whether there are any material contracts to be disclosed.

4. Conclusion

- 4.1** 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 July 2019.

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Appendices	Appendix A - Draft Accounting Policies 2018/19
Background information	Code of Practice on Local Authority Accounting in the UK 2018/19 Accounts Accounts and Audit Regulations 2015