

By: Deputy Leader and Cabinet Member for Finance & Procurement – John Simmonds
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To: Governance and Audit Committee – 27 April 2016

Subject: Changes in Closedown process and Revised Accounting Policies

Classification: Unrestricted

Summary: This report asks Members to note the changes that have been made to the closedown process and approve the revised accounting policies.

FOR INFORMATION AND DECISION

1. The Accounts and Audit Regulations 2015 set out the statutory requirements that local authorities must adhere to.

The key changes from the previous regulations are:

- Draft accounts completed no later than 31 May;
- Annual accounts (including the Annual Governance Statement) must be published with the audit opinion and certificate no later than 31 July;
- The public notice period is 30 working days and must include the first 10 working days of June.

There is a transitional period to allow authorities to achieve the new deadlines by 2017-18. The transition dates are:

- Draft accounts completed no later than 30 June;
- Annual accounts (including the Annual Governance Statement) must be published with the audit opinion and certificate no later than 30 September;
- The public notice period is 30 working days and must include the first 10 working days of July.

- 1.1 The draft accounts for 2015-16 will be produced by the 3 June, which is one week earlier than the 2014-15 accounts; and will be available for public inspection from 6 June.

- 1.2 To achieve the earlier date the following changes to our processes have been put in place:

- Accounts Payable and Accounts Receivable will no longer process invoices in period 13. The consequence of this change may lead to more manual debtors and creditors.

- The de minimus value for debtors and creditors has been increased from £500 to £1,000 for revenue and from £500 to £10,000 for capital.
- Purchase Cards and Imprest Accounts – the March transactions which have previously been processed in Period 13 will now be processed in April 2016. The impact of this change is that there will be 11 months' worth of transactions in 2015-16 but from 2016-17 onwards there will be 12 months. The average monthly amount for purchase cards and imprest accounts is £167k and £124k respectively.
- Rental income and payments which have been processed in 2015-16 and relate to the first quarter of 2016-17 will not be adjusted for. The impact of this change is that there will be five quarters in 2015-16 but from 2016-17 onwards there will be four quarters. The estimated value of the income and payments for the quarter is £141k and £225k respectively, an estimated net amount of £84k.
- Reduction in the level of review and checking of debtor and creditor requests.

The sum total of these changes are not material in terms of the accounts and the outturn forecast and have been discussed and agreed with our external auditors.

2. The CIPFA Code of Practice requires authorities to follow International Accounting Standard 8 (IAS 8) - *Accounting Policies, Changes in Accounting Estimates and Errors*. Accounting policies are defined as "... the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements".
3. This year, amendments and revisions are needed in respect of the adoption of IFRS 13 – Fair Value and Joint Operations.

i) IFRS 13 – Fair Value

The adoption of this standard requires a new accounting policy for fair value and amendments to the accounting policies for Property, Plant and Equipment and Financial Instruments. This is a new requirement for the 2015-16 statement of accounts and therefore new accounting policies have been drafted, derived from the Code of Practice Guidance Notes prepared by the Chartered Institute of Public Finance Accountants (CIPFA).

For the full accounting policy see Appendix 1.

ii) Joint Operations

IFRS 11 – Joint Arrangements was adopted in 2014-15. The accounting policy is amended to provide clarification on the accounting for joint operations that the Council has an interest in. The amendment is derived from the Code of Practice Guidance Notes prepared by the CIPFA.

For the full accounting policy see Appendix 2.

4. Recommendation

Members are asked to:

- 4.1 Note the changes made to the 2015-16 closedown process.
- 4.2 Members are asked to approve the additions and amendments to the accounting policies as presented.

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