

North Tyneside Council Report to Audit Committee Date: 30 March 2016

ITEM 7

Title: Accounting Policies to be used in the compilation of 2015/16 Annual Statement of Accounts

Report from Service: Finance

Responsible officer: Janice Gillespie, Head of Finance Tel: 643 5701

Wards affected: All

PART 1

1.1 Executive Summary:

- 1.1.1 In the Annual Statement of Accounts, the Authority is required to disclose how the accounting statements have been prepared. The preparation of the statements should be in accordance with the accounting concepts and policies as per the 'Code of Practice on Local Authority Accounting in the UK 2015/16' (The Code).
- 1.1.2 Under the terms of reference of the Audit Committee, the Committee has the responsibility to review the Accounting Policies that will be used to compile the Annual Statement of Accounts.
- 1.1.3 The purpose of this report is to provide the Audit Committee with details of the proposed Accounting Policies that will be used in the compilation of the 2015/16 Annual Statement of Accounts.

1.2 Recommendations:

- 1.2.1 It is recommended that the Audit Committee endorse the Accounting Policies to be adopted by the Authority and used to compile the Authority's Annual Statement of Accounts for the financial year 1 April 2015 to 31 March 2016.

1.3 Council plan and policy framework.

- 1.3.1 The Accounting Policies cover all the service responsibilities as identified within the Council Plan.

1.4.1 Information - Executive Summary

- 1.4.1 The purpose of the Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts of the

Authority. The Code defines Accounting Policies as “the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements”. The Accounting Policies disclosed are those material policies that are significant to the understanding of the Authority’s Annual Statement of Accounts.

- 1.4.2 The Code requires that a change in Accounting Policies should only be made if the change:
- (a) is required by The Code; or,
 - (b) will result in financial statements providing reliable and more relevant financial information about the effects of transactions, other events or conditions on an authority’s financial position, financial performance and cash flows.
- 1.4.3 Significant changes in Accounting Policies, other than those specified in The Code, will be relatively rare. This is because The Code specifies the Accounting Policies for a high percentage of the typical transactions, items, events or other conditions that are faced by local authorities.
- 1.4.3 The proposed Accounting Policies for 2015/16 are attached as Appendix A. There are a small number of changes recommended to the Authority’s Accounting Policies for 2015/16 as outlined below. The changes are also highlighted in Appendix A:
- (a) Fair Value Measurement (Appendix A pages 24 and 25)
The only significant change introduced by The Code for the 2015/16 Statement of Accounts is in respect of Fair Value Measurement. That is how the Authority measures the value of certain assets and liabilities in its balance sheet, in particular, surplus assets, investment properties and equity shareholdings. Fair Value is the “best market price” that could be obtained for the asset based on the available market for the asset. Further details are set out in pages 24 and 25 of Appendix A;
 - (b) Property, Plant and Equipment (Appendix A pages 10 to 12)
Following the changes to Fair Value Measurement (outlined in 1.4.3(a) above), the Accounting Policy for Property, Plant and Equipment has been updated to reflect the valuation of assets. Council dwellings, council offices and schools will be measured at current value in line with The Code. For surplus assets the measurement will be the fair value, which is the estimated “highest and best use” value for the assets. This may lead to increases in the value of surplus assets, for example, land, where the highest value obtainable may be for housing development;
 - (c) Financial Instruments (Available for Sale Assets) (Appendix A page 20)
This change, again, arises from the new requirements for Fair Value Measurement. Clarification is provided on the method to be used for measuring value; and,
 - (d) Schools (Appendix A page 25)
An accounting policy has been added following confirmation in 2014/15, by CIPFA, of accounting requirements for reporting on Local Authority maintained schools. School assets (land and buildings, equipment etc) and

revenue running costs (teachers, other employees, supplies and services etc) are included within the Authority's Statement of Accounts.

1.5 Decision options:

1.5.1 Audit Committee can agree to endorse the recommendations as set out in Section 1.2 of this report. Alternatively the Audit Committee can decline to endorse the proposals and require further details and amendment.

1.6 Reasons for recommended option:

1.6.1 Audit Committee is recommended to endorse the proposals set out in section 1.2 of this report as the production of the Accounting Policies is a requirement of the Accounts and Audit Regulations 2015.

1.7 Appendices:

Appendix A Accounting Policies Statement

Appendix B Glossary of Terms

1.8 Contact officers:

Janice Gillespie, Head of Finance, Tel 643 5701

Cathy Davison, Principal Accountant Investment (Capital) and Revenue, Tel 643 5727

1.9 Background information:

1.9.1 The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

(a) Code of Practice on Local Authority Accounting in the UK 2015/16.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

2.1.1 There are no financial implications arising from this report.

2.2 Legal

2.2.1 The Authority has a duty to ensure that it produces an Annual Statement of Accounts by 30 June 2016 in accordance with the Accounts and Audit Regulations 2015. Part of this process is the agreeing of the Accounting Policies by the Audit Committee.

2.3 Consultation/community engagement

Internal consultation

2.3.1 Internal consultation has taken place with the Cabinet Member for Finance, Strategic Director of Finance & Resources, Head of Finance, relevant Finance staff and the External Auditor.

2.4 Community engagement

2.4.1 There are no community engagement implications arising from this report.

2.5 Human rights

2.5.1 There are no human rights implications arising from this report.

2.6 Equalities and diversity

2.6.1 There are no equalities and diversity implications arising from this report.

2.7 Risk management

2.7.1 There are no risk management implications arising from this report.

2.8 Crime and disorder

2.8.1 There are no crime and disorder implications arising from this report.

2.9 Environment and sustainability

2.9.1 There are no environmental and sustainability implications arising from this report.