

Audit, Risk and Governance Committee
Meeting to be held on Monday, 28 January 2019

Electoral Division affected:
(All Divisions);

**Accounting Policies used in the Preparation of the Statement of Accounts
2018/19**

(Appendix 'A' refers)

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Executive Summary

The accounting policies to be used in preparing the council's 2018/19 statement of accounts are set out in Appendix 'A'.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) has adopted International Financial Reporting Standard (IFRS) 15 – 'revenue from contracts with customers' and IFRS 9 – 'financial instruments' with effect from 2018/19. The accounting policies have been amended to reflect these changes to the Code.

The specific changes relate to the accruals of income (page 2) and financial instruments sections (pages 12-16). To highlight the changes for the purposes of this report, additions to the accounting policies from the previous year are shown in italics and deletions are shown with a strike-through at Appendix 'A'.

Recommendation

The Audit, Risk and Governance Committee is asked to approve the accounting policies, as set out in Appendix 'A', incorporating the identified changes.

Background and Advice

The chief finance officer is responsible for the preparation of the council's statement of accounts in accordance with proper accounting practices, for each financial year ending 31 March. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA and The Local Authority (Scotland) Accounts Advisory Committee (LASAAC)) supported by International Financial Reporting Standards.

In preparing the statement of accounts, the chief finance officer is responsible for selecting suitable accounting policies and ensuring that they are applied consistently.

Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting the financial statements.

IFRS 15

International Financial Reporting Standard (IFRS) 15 – 'revenue from contracts with customers' replaces International Accounting Standard (IAS) 11 – 'construction contracts' and IAS 18 – 'revenue and related interpretations'.

The objective is to provide useful information to users of the financial statements regarding the nature, amount, timing and uncertainty of revenue from contracts, as revenue is only recognised as and when the performance obligations of the contract are satisfied.

The principle in IFRS 15 for local authorities is that they should recognise revenue from contracts to reflect the transfer of goods or services to customers and the amount to which the authority expects to be entitled for that transfer. It excludes leases, financial instruments, insurance contracts, council tax and non-domestic rates income.

This standard is anticipated to have a limited impact on the council's accounts.

IFRS 9

IFRS 9 - 'financial instruments' replaces IAS 39 – 'financial instruments: recognition and measurement'. It includes changes to the classification of financial assets and a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39.

The change may potentially result in more investments classified as 'fair value through profit and loss' where any gains or losses will impact on the general fund reserves of the council as they arise. Previously any changes in the fair value of these investments were only recognised in the general fund when the asset was sold. Additionally, any potential losses on investments are also to be charged to the revenue account in case actual losses are incurred in the future.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Failure to complete the statement of accounts in line with the CIPFA Code of Practice may result in an adverse opinion from the council's external auditors.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A