

**HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title:** Accounting Policies  
for the Annual Financial Report 2014/15

**Meeting/Date:** Corporate Governance Panel  
25 March 2015

**Executive Portfolio:** Resources: Councillor J A Gray

**Report by:** Accountancy Manager

**Ward(s) affected:** All Wards

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**Executive Summary:**

Accounting Policies are the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements.

Best practice requires the council to regularly review the adopted accounting policies to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods. Such review and approval should occur prior to the financial year-end, thus allowing officers to produce the statement of accounts based on the approved accounting policies.

As noted in paragraph 3.1, there are only two minor and two significant changes in accounting policies; none of which will have an impact on the Councils general fund balance.

**Recommendation(s):**

It is recommended that the Panel approves the amendments to the accounting policies noted within Annex A.

## 1. PURPOSE

- 1.1 Each year the council is required to produce a statement of account, the Annual Financial Report, which has to be approved by the Council's Responsible Financial Officer by the 30<sup>th</sup> June and then approved by members and published by the 30<sup>th</sup> September. The accounts are required to be produced based on regulations prescribed by statute and relevant accounting standards.

## 2. BACKGROUND

- 2.1 Accounting policies are the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements.
- 2.2 Except where specified in the "Code of Practice on Local Authority Accounting in the United Kingdom 2014/15" or in specific legislative requirements, it is for an authority to select the accounting policies that are most appropriate to its particular circumstances.
- 2.3 Best practice requires the council to regularly review the adopted accounting policies to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods. Such review and approval should occur prior to the financial year-end, thus allowing officers to produce the Annual Financial Report based on the approved accounting policies.
- 2.4 Consequently, the Panel are asked to approve the accounting policies for 2014/15; taking the 2013/14 accounting policies as the base.

## 3. ACCOUNTING POLICIES FOR 2014/15

- 3.1 Of the 27 accounting policies that were approved for 2013/14 (please refer to the final copy of the Annual Financial Report approved by the Panel last September), Table 1 below shows that for 2014/15 three policies require amendment with two of these being considered significant.

Reason for change in the accounting policy	Number of Accounting Policies categorised under the reason for change	Accounting Policy Affected
No change	25	n/a
Minor update for formatting or a change that does not have a significant impact e.g. change in references to financial year	2	<ul style="list-style-type: none"><li>• General Principles</li><li>• Changes in Accounting Policies, Prior Period Adjustments, Estimates and Errors</li></ul>
Significant change in accounting policy e.g. change in amounts (£)	0	
New accounting policy	1	<ul style="list-style-type: none"><li>• Disclosure of Interests in Other Entities</li></ul>

3.2 It is envisaged that the changes to the accounting policies that are proposed will not have any direct financial implications; the changes are for clarification, transparency and to ensure compliance with IFRS accounting arrangements. However, the new accounting policy is in respect of “Disclosure of Interests in Other Entities” (IFRS 12) following the creation of the CCTV shared service with Cambridge City Council. The disclosure requirement will be to detail the nature and extent of the relationship.

It is anticipated at this time that the implementation of IFRS 12 Disclosure of Interests in Other Entities would not require a prior year restatement.

3.3 If during the closure process it transpires that further changes to the accounting policies are required; where the change:

- Does result in a movement in the council’s “cash reserves” or balances, then this will be brought to the attention of the Responsible Financial Officer, Portfolio Holder for Resources and the Chair of this Panel at the earliest opportunity and then presented to members when the accounts are presented for approval in September 2015.
- Does not result in a movement in the council’s “cash” reserves or balances, this will be reported to the Responsible Financial Officer and then to members when the accounts are presented for approval in September 2015.

#### **4. LEGAL IMPLICATIONS**

4.1 There are no direct legal implications arising from this report.

#### **5. RESOURCE IMPLICATIONS**

5.1 There are no direct financial implications arising from this report.

#### **LIST OF APPENDICES INCLUDED**


Annex A – Changes to accounting policies

#### **BACKGROUND PAPERS**


Working papers in Financial Services.

#### **CONTACT OFFICER**

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Rebecca Maxwell, Accountancy Manager

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<b>Accounting Policies Used within 2013/14 Annual Financial Report</b>  <i>Based on the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14</i>	<b>Proposed Accounting Policies for 2014/15 Annual Financial Report</b>  <i>Code of Practice on Local Authority Accounting in the United Kingdom 2014/15</i>	<b>Reasons for change in accounting policy (see key at the end of annex)</b>
<p><b>General Principles</b> The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).</p> <p>The underlying concepts of the accounts include the:</p> <ul style="list-style-type: none"> <li>• Council being a 'going concern' – all operations continuing</li> <li>• Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place</li> <li>• Primacy of legislative requirements – legislation overrides standard accounting practice</li> </ul> <p>The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.</p> <p>The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets</p>	<p><b>General Principles</b> The Statement of Accounts summarises the Council's transactions for the <b>2014/15</b> financial year and its position at the year-end of 31 March <b>2015</b>. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom <b>2014/15</b> and the Service Reporting Code of Practice <b>2014/15</b>, supported by International Financial Reporting Standards (IFRS).</p> <p>The underlying concepts of the accounts include the:</p> <ul style="list-style-type: none"> <li>• Council being a 'going concern' – all operations continuing</li> <li>• Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place</li> <li>• Primacy of legislative requirements – legislation overrides standard accounting practice</li> </ul> <p>The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.</p> <p>The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets</p>	<p><b>B</b></p>

<p>and financial instruments.</p> <p>The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.</p>	<p>and financial instruments.</p> <p>The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.</p>	
<p><b>Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors</b></p> <p>Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2013/14, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.</p> <p>Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.</p> <p>Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.</p>	<p><b>Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors</b></p> <p>Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For <b>2014/15</b>, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.</p> <p>Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.</p> <p>Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.</p>	<p><b>B</b></p>

<p><b>No IFRS 12 accounting policy used in 2013/14</b></p>	<p><b>Disclosure of Interests in Other Entities (IFRS 12)</b></p> <p>This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.</p> <p>The Council has a number of arrangements with other entities.</p>	<p><b>D</b></p>
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**Clarifications for Reasons for Changes to/New Accounting Policies**

**Key:**

**A:** No change.

**B:** Minor update for dates, formatting or changes in accounting policy that do not have a significant impact on financial reporting.

**C:** Significant change in accounting policy.

**D:** New accounting policy.