

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	19 March 2014
<b>Subject:</b>	Statement of Accounting Policies
<b>Report of:</b>	Simon Dix, Finance and Asset Management Group Manager
<b>Corporate Lead:</b>	Rachel North, Deputy Chief Executive
<b>Lead Member:</b>	Councillor A L Keyte
<b>Number of Appendices:</b>	One

## **Executive Summary:**

This report sets out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by International Financial Reporting Standards (IFRS) from UK GAAP (Generally Accepted Accounting Practice). These policies outline the specific principles, bases, conventions, rules and practices applied when preparing and presenting the financial statements.

## **Recommendation:**

**The Committee is asked to APPROVE the accounting policies to be used during the 2013/14 closedown.**

## **Reasons for Recommendation:**

The accounting policies govern the accounting treatment used to close the final accounts which this Committee is asked to approve in September after the audit has been completed.

## **Resource Implications:**

There are no direct financial implications arising from the approval of accounting policies.

## **Legal Implications:**

There are no direct legal implications arising from the approval of accounting policies, however, Section 21 of the Local Government Act 2003 enables the Secretary of State to make regulations requiring accounting practices including the Statement of Accounts to be undertaken in accordance with proper accounting practices (i.e. the current Code of Practice).

## **Risk Management Implications:**

There is a risk of the accounts being qualified if the proper accounting practices are not followed or if they deviate substantially from the Code of Practice on Local Authority Accounting.

**Performance Management Follow-up:**

The Audit Commission will audit this as part of the year end audit and will issue an opinion in September 2014.

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

**1.1** The Council is required to produce an annual statement of accounts prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. In order to do this the Council has to review all its accounting policies to ensure it complies with the Code as the policies outline the principles applied when preparing the accounts.

**2.0 MAIN CHANGES IN ACCOUNTING POLICIES**

**2.1** The main changes are outlined below but the full list of accounting policies can be found as Appendix A.

**2.1.1 Post-Employment Benefits**

Extensive revisions to reflect the 2013/14 Code changes to the classification, recognition, measurement and disclosure requirements introduced by the June 2011 amendments to IAS 19.

The revision introduces a requirement to fully recognise changes in the net defined benefit liability including immediate recognition of defined benefit costs, and require disaggregation of the overall defined benefit cost into components and requiring the recognition of re-measurements in other comprehensive income.

The overall effect on the Council remains the same but the accounting treatment differs at the year end.

**2.1.2 Termination Benefits**

The change in recognising a termination benefit from when there was a 'demonstrable commitment' to when there is a more certainty that it will take place.

The Code states that a liability for a termination benefit is recognised at the *earlier* of the following dates:

- when the authority can no longer withdraw the offer of those benefits, and
- when the authority recognises costs for a restructuring that involves the payment of termination benefits.

Where the employee makes the decision, the liability must be recognised at the *earlier* of:

- when the employee accepts the offer, and
- when a restriction (e.g. a legal, regulatory or contractual requirement or other restriction) on the authority's ability to withdraw the offer takes effect. This would be when the offer is made, if the restriction existed at the time of the offer.

This may result in the benefit being recognised at a later date than previously.

### **2.1.3 Property, Plant and Equipment (PPE)**

Clarification was given by the Code as to the frequency of revaluation of PPE and that just having a rolling programme over five years was insufficient to assure the carrying value does not differ materially from fair value at the year end. The policy has been written to reflect this and also to add in the Code's requirement that revaluations are carried out in classes so as not to report a mix of amounts at different valuation dates.

### **2.1.4 Council Tax and Business Rates**

A new policy has been included clarifying the accounting treatment of Council Tax and Business Rates and how it differs from the statutory treatment involving the Collection Fund.

## **3.0 OTHER OPTIONS CONSIDERED**

3.1 None.

## **4.0 CONSULTATION**

4.1 None.

## **5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

5.1 None.

## **6.0 RELEVANT GOVERNMENT POLICIES**

6.1 Local Government Act 2003  
Accounts and Audit Regulations 2011

## **7.0 RESOURCE IMPLICATIONS (Human/Property)**

7.1 None.

## **8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

8.1 None.

## **9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**

9.1 None.

## **10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

10.1 None.

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**Background Papers:** None.

**Contact Officer:** Emma Harley, Finance Manager  
01684 272006 [emma.harley@teWKesbury.gov.uk](mailto:emma.harley@teWKesbury.gov.uk)

**Appendices:** Appendix A - Statement of Accounting Policies – 2013/14