

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	22 March 2017
Subject:	Critical Judgements and Assumptions Made During the Preparation of the Statement of Accounts
Report of:	Simon Dix, Head of Finance and Asset Management
Corporate Lead:	Robert Weaver, Deputy Chief Executive
Lead Member:	Dave Waters, Lead Member for Finance and Asset Management
Number of Appendices:	Two

Executive Summary:

The purpose of this report is to explain to the Audit Committee the critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2016/17 accounts.

Recommendation:

To APPROVE the critical accounting judgements that will be used in completing the 2016/17 annual accounts and to note the key sources of estimation uncertainty.

Reasons for Recommendation:

The Code of Practice on Local Authority Accounting in the United Kingdom requires disclosure of the judgements that management have made in the process of applying the authority's accounting policies that have the most significant effect on the amounts recognised in the financial statements. Also it requires disclosure about major sources of estimation uncertainty at the end of the reporting period.

Resource Implications:

There are no direct financial implications arising from the approval of the critical judgements although should members not approve them it may impact on the final outturn.

Legal Implications:

There are no direct legal implications arising from the approval of the critical judgements. However, Section 21 of the Local Government Act 2003 enables the Secretary of State to make regulations concerning the accounting practices to be followed by local authorities. The relevant regulations in this case are the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 which provides that the accounting practices contained in the Code of Practice of Local Authority Accounting in the United Kingdom are proper practices. Any requirements of the Code should therefore be followed.

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:

Grant Thornton will audit this as part of the year-end audit and will issue an opinion in July 2017.

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 2016/17. In order to do this the Council has to apply its accounting policies to produce them.

2.0 CRITICAL ACCOUNTING JUDGEMENTS

2.1 In applying the Authority's accounting policies the Council has to make certain judgements about complex transaction or those involving uncertainty about future events. The relevant judgements are those that have the most significant effect on amounts recognised in the financial statements. Judgements made in arriving at estimates are excluded.

2.2 The disclosure of critical judgements should enable users of the financial statements to better understand how the accounting policies are applied and to use these in making comparisons between authorities regarding the basis on which management make these judgements.

2.3 We have entered in a few leases this year which we have had to look at in detail to identify whether they should be classed as an operating or finance lease. These can be seen in Appendix A.

2.4 The accounting code says that we have to recognise the cost of redundancies when it is communicated to relevant staff and there is an expectation that future redundancies will take place. A confidential report was approved by Council on 21 February 2017 regarding an internal restructure and all staff affected have been notified and consulted so an estimation of the potential cost of this had been provided for within the accounts.

2.5 With a new leisure centre built, Challenge House purchased and the land where Cascades stood freed up, the decision as to what class of property they are is an area of judgement. The decisions are detailed in Appendix A.

3.0 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

3.0 In preparing the annual accounts there are areas where estimates are made. These include useful lives and valuations of properties which are estimated by qualified valuers, the amount of arrears that will not be collected (which is estimated based on past

experience of collection of different types of debt) and the liability for future pension payments, which is estimated by qualified actuaries. Details of these are shown in Appendix B although the exact figures won't be known until the accounts are completed.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 None.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 None.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 Local Government Act 2003 and Accounts and Audit Regulations 2015.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

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

10.1 None.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

Background Papers: Statement of Accounting Policies – 2015/16 – Audit Committee
23 March 2016.

Contact Officer: Emma Harley, Finance Manager
01684 272006 emma.harley@teWKesbury.gov.uk

Appendices: Appendix A – Critical Judgements in Applying Accounting Policy
Appendix B – Assumptions Made About the Future and Other
Major Sources of Estimation Uncertainty