

WELWYN HATFIELD BOROUGH COUNCIL
AUDIT COMMITTEE – 3rd APRIL 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

ACCOUNTING POLICIES AND FINANCIAL STATEMENT UPDATE – 2016/17
STATEMENT OF ACCOUNTS

1. Executive Summary

- 1.1. Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. For local authorities, these policies are developed in accordance with the Code of Practice on Local Authority Accounting (The Code).
- 1.2. The Council is required to disclose a summary of significant accounting policies in the Statement of Accounts. Unless there are major changes to accounting rules and regulations or there is a significant change in the financial activities of the Council, accounting policies do not change radically between years. The Council's accounting policies are determined by the S151 Officer and it is considered to be best practice for the Audit Committee to be kept informed of any key changes.
- 1.3. The purpose of this report is to notify the Committee of the accounting policies adopted for 2016/17 and the changes to the presentation of the Financial Statements (see appendix A-D for details) and how the council publishes the public rights notice.

2. Recommendation(s)

- 2.1. The Audit Committee is asked to note the accounting policies at Appendix A and changes to the Financial Statements at Appendix B-D for the 2016/17 Statement of Accounts.
- 2.2. The Audit Committee is asked to note that the Council will no longer publish the notice of the Statement of Accounts exercise of public rights period in the local paper.

3. Changes to Accounting Policies and Presentation of the Financial Statements for 2016/17

- 3.1. The 16/17 Code, has introduced the following changes which are relevant to the Council:
- 3.2. Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
 - 3.2.1. This amendment changes the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis. The format of the 2015/16 statements will need restating for these changes.
 - 3.2.2. In 2015/16 the Comprehensive Income and Expenditure Statement (CIES) was produced according the Service Reporting Code of Practice (SERCOP). The changes require reporting according to the Council's management structure in the top part of the CIES. See appendix B for the revised CIES.
 - 3.2.3. The move to the CIES being reported on our management structure, means the council no longer has to report its gross income and expenditure on 'Corporate and Democratic Core' or 'Non Distributed Costs'. The accounting policies have therefore been updated to reflect this. Support Services recharges are no longer mandatory but still required for the Housing Revenue Account. The accounting policy has been updated.
 - 3.2.4. There are minor changes in the format of the Movement in Reserves Statement. The statement is no longer as detailed as some of the headings have been aggregated. Earmarked Reserves are no longer required to be shown separately from the General Fund balance as the earmarking of reserves has no formal status in financial reporting or statute for local government. However so it is clear what amounts are held for a specific purpose, the Council will continue to separate the General Fund balance and the Earmarked Reserves balances.
 - 3.2.5. For 2016/17 there is a new Financial Statement, the Expenditure and Funding Analysis. The Expenditure and Funding Analysis shows how the funding available for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. This change will also mean that the segmental reporting note (note 23 in the 2015/16 accounts) is no longer required. See appendix C for the Expenditure and Funding Analysis. There is also a note to the Expenditure and Funding Analysis. This provides a more detailed breakdown of the adjustments between accounting and funding basis. See appendix D.

3.3. Amendments to IAS 24 Related Parties Disclosures

- 3.4. There has been a minor addition to the definition of a related party. The amendment clarifies that a management entity that provides key management services to the council is deemed to be a related party.
- 3.5. The Council will review the amendment to this definition when preparing the related party notes in the accounts. However it is not expected to have an impact on the disclosure.

4. Key updates to the Accounting Policies.

- 4.1. The Accounting Policies have been reviewed to ensure compliance with The Code and Code Guidance and to reflect changes within the Council. The following changes have been made:
- 4.2. References to the Comprehensive Income and Expenditure Account have been changed to the Comprehensive Income and Expenditure Statement to reflect current terminology.
- 4.3. The accounting policy on Interests in Companies and other entities (Note xi) has been updated as during 2016/17 the Housing Trust was reintegrated with the Council.
- 4.4. The Property, Plant and Equipment note has been updated for the change in the Social Housing Adjustment Factor as set by the Department of Communities and Local Government. The Social Housing Adjustment Factor has reduced from 39% to 38%. The adjustment factor is determined with reference to the relationship between rents and yield in the private residential sector and the public / socially rented sector. This change in rates will reduce the value of Council House Dwellings in the balance sheet.
- 4.5. The detailed description of fair value has been removed from the Property, Plant and Equipment section as it duplicated and the same information as in the separate fair value note.

5. Notice of the Public Rights

- 5.1. The Accounts and Audit Regulations 2015 came into effect on 1 April 2015. This includes the exercise of public rights regulations. Public rights are the rights to object and inspect the Statement of Accounts and questioning of the local auditor. The new regulations require the period of exercise of public rights to be published on the Council's website only. Therefore for 2016/17, the Council will only be advertising this notice on the Council's website. In previous years, the local newspaper has been used.

Implications

6. Legal Implication(s)

6.1. There are no legal implications arising as a result of this report.

7. Financial Implication(s)

7.1. By no longer advertising the notice of public rights in the local newspaper, the council will save around £227 based on the cost of advertising in 2016/17.

8. Risk Management Implications

8.1. There is a risk that the Statement of Accounts fails to meet regulatory and professional standards or timetables. The potential impacts include qualification on Statement of Accounts and/or incorrect balances. Members should note that effective controls have been put in place (e.g. staff training) to minimise the likelihood of occurrence, and this review forms part of the mitigation.

9. Security & Terrorism Implication(s)

9.1. There are no security and terrorism implications arising from this report.

10. Procurement Implication(s)

10.1. There are no procurement implications arising from this report.

11. Climate Change Implication(s)

11.1. There are no climate change implications arising from this report.

12. Link to Corporate Priorities

12.1. The subject of this report is linked to the Council's Corporate Priority "Engage with our communities and provide value for money", and specifically to the achievement of "Demonstrate Value for Money".

13. Equality and Diversity

13.1. As this report is for information purposes only, a formal Equality Impact Assessment on its proposals has not been necessary.

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