

AUDIT AND RISK COMMITTEE

29 January 2019

ACCOUNTS CLOSURE PLANNING 2018/19

Report of the Director for Resources

Strategic Aim:	Sound Financial and Workforce Planning	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
Contact Officer(s):	Saverio Della Rocca, Director for Resources	01572 758159 sdrocca@rutland.gov.uk
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Ward Councillors	Not Applicable	

DECISION RECOMMENDATIONS

That the Committee notes the contents of the report including the changes that impact the Statement of Accounts for 2018/19.

1 PURPOSE OF THE REPORT

- 1.1 To inform the Committee of the emerging changes that will have an impact on the production of the Statement of Accounts (SOA) for 2018/19 and how the Council is planning on meeting the new requirements.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The Code of Practice on Local Authority Accounting (The Code) is reviewed annually by CIPFA. As a result of this review CIPFA have made a number of changes to The Code for 2018/19. These are addressed below with a commentary on whether they impact the Council.

2.2 Significant change to the Code of Practice on Local Authority Accounting 2018/19

- 2.2.1 There has been significant change with the adoption of IFRS 9 Financial Instruments. This standard relates to how the Council should account for any

investments/loans it undertakes.

- 2.2.2 The key change is around how to account for losses on pooled investments (e.g. property funds). The change would have resulted in losses being measured at the 31st March each year and then processing these through to the General Fund, whereas previously this was merely done as an accounting adjustment.
- 2.2.3 The Government consulted on the impact of adopting this accounting standard and the result was that there is a time limited statutory override which enables Councils not to take losses to the General Fund. The Council does not have any investments that would have been affected by this change.
- 2.2.4 As a result of adopting IFRS 9 there have been presentational changes to the disclosure requirements within the SOA. The Council has reviewed these changes and understands what is required in respect of how the information is displayed.

2.3 Minor Changes to the Code of Practice on Local Authority Accounting 2018/19

Code Change	RCC Impact	Progress
<p>Adoption of IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time (e.g. when we let a commercial property with a rent free period, the income should be recognised over the life of the lease and not when rent is paid) and introduces five steps for revenue recognition This change affects</p> <ul style="list-style-type: none"> a) Inventories b) Work In Progress (Construction Contract) c) Debtors d) Creditors 	<p>Review current contracts to identify any applicable contracts under IFRS 15 and ensure the new accounting standard is applied. The Majority of the income collected by the authority is taxation or grant, which fall outside the scope of IFRS 15. As a result the Council is expecting that the introduction of IFRS 15 will not have a material impact on the SOA.</p>	<p>Work will begin early 2019, to identify any material contracts that may be affected.</p>
<p>Updates to section 3.4 covering the presentation of financial statements to clarify the reporting requirements for the removal of reporting on</p>	<p>Finance Team review the accounts</p>	<p>Finance Team have reviewed the accounts and we are already compliant in this area.</p>

Code Change	RCC Impact	Progress
debtors and creditors across public sector organisations.		

2.4 Proposed Changes to the Code of Practice on Local Authority Accounting in future years.

- 2.4.1 IFRS 16 Leases – this was meant to be introduced in 2019/20. Introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The implication for the Council would have been that we would have more leases (assets and liabilities) on the Balance Sheet e.g photocopiers.
- 2.4.2 CIPFA has considered the effective date of implementation of IFRS 16 in local authority financial statements and has made the decision to defer implementation until 1 April 2020. The Council had already begun preparations for the implementation and will revise timelines to take account of the delay.

3 CONSULTATION

- 3.1 Formal external consultation is not required for any decisions being sought in this report.

4 ALTERNATIVE OPTIONS

- 4.1 The Council could choose not to apply relevant accounting practice, however, in doing so the Council would be in breach of the Code of Practice and could potentially have the accounts qualified by the external auditors.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Council must adhere to the code of practice setting out the proper accounting practices required by section 21(2) of the Local Government Act 2003.
- 6.2 The Audit and Risk committee are responsible for ensuring that the Council meets statutory reporting deadlines.

7 DATA PROTECTION IMPLICATIONS

- 7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 An Equality Impact Assessment (EqIA) has not been completed because the

report does not represent the introduction of a new policy or service or a change / review to an existing policy or service.

9 COMMUNITY SAFETY IMPLICATIONS

9.1 There are no community safety implications.

10 HEALTH AND WELLBEING IMPLICATIONS

10.1 There are no health and wellbeing implications.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

11.1 To ensure the Committee is aware of plans in place to ensure effective and timely closure of accounts.

12 BACKGROUND PAPERS

12.1 There are no background papers.

13 APPENDICES

13.1 No appendices.

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