

**REPORT TO THE FINAL ACCOUNTS AND  
AUDIT COMMITTEE**

Report No. 9

Date of Meeting	16 April 2007
Title of Report	Accounting Policies
Link to Corporate Priorities	
Public Report	Yes

**Summary of Report**

**This report seeks approval for Accounting Policies adopted for the financial year 2006/07.**

**The Committee is also requested to recommend that the Executive delegate to the Section 151 Officer the power to make accounting policies subject to any financial implication arising from a change of policy being considered first by the Committee.**

**Officer Recommendations**

That the policies set out in the Annexe to this report are approved for the financial year 2006/07.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	None	None	None	None

<b>Contact Officer</b>	Peter Timmins S151 Officer, Interim
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## **1. Introduction**

- 1.1 The Statement of Recommended Accounting Practice (SORP) for local authorities requires each local authority to adopt accounting policies that set principles for recording financial transactions within the Council's accounts.
- 1.2 The SORP is, in effect, a legal requirement as it is recognised in Government legislation as "Proper accounting practice".
- 1.3 The SORP requires that policies are set within UK accounting standards but otherwise they may reflect matters appropriate to an authority's circumstances.
- 1.4 The policies proposed for North Wiltshire are based upon guidance issued by the Chartered Institute of Public Finance and Accountancy and take account of local circumstances.
- 1.5 It is also a requirement that accounting policies are reviewed each year. Following a review for 2006/07, it is clear that policies in operation prior to 2006/07 were not fully reflected in the policy statement published in the Statements of Accounts. The opportunity has been taken therefore to prepare a new policy statement. This is attached as an Annexe. The new policy statement does not propose significant changes to existing policies. It is largely a reflection of policies that have been in existence for some years but have not been fully stated.

## **2. Contents of the Policy Statement**

- 2.1 The SORP requires that the following information is included in a policy statement.
  - Any departures from fundamental accounting principles
  - Accounting conventions adopted, for instance historic cost for assessment of community asset values.
  - Estimation techniques, for instance when assessing the value of a purchase that has been fulfilled but where the invoice has not been received and the charge is not certain.
  - Any changes to previous accounting policies.
- 2.2 The disclosed policies are those which are fundamental to the understanding of the Statement of Accounts. The matters covered in the proposed policy statement have a significant impact on the way the accounts are prepared and are those commonly adopted by other local authorities.
- 2.3 There are no departures from fundamental accounting principles in the North Wiltshire accounts.
- 2.4 The following changes have been made to accounting policies adopted last year
  - Capital financing charges to public services with capital assets are no longer being made for the use of capital. This is a national change set out in the SORP and has been introduced to move local authority accounting more into line with commercial accounting standards.
  - The Council has adopted a policy of borrowing to finance capital expenditure. This is a sensible approach as it extends flexibility and improves interest earnings.
  - The General reserve has been reviewed and measured against assessed business risks. A decision has been made that any excess may only be used for Spend to Save schemes.

### **3 Policies**

- 3.1 The statement includes policies on all the keys accounting matters that affect the figures and disclosures in the statements.
- 3.2 Under the heading “Accruals” the policies set out the approach to the main heads of expenditure and income to ensure all costs and income are taken into account that relate to the twelve month period between 1<sup>st</sup> April 2006 and 31<sup>st</sup> March 2007. It is important to ensure the accounts “present fairly” what the Council has spent in the year on the various services it provides. There is no requirement for the accounts to be accurate to the last £1. Some estimation is acceptable so long as the outcome does not distort the statements for each service.
- 3.3 Support and departmental service overheads have to be apportioned across services to reflect the true cost of services. It is a requirement that such charges are “transparent”, in other words they provide sufficient information for users to take a view about their acceptability. Present arrangements are not satisfactory and do not meet this requirement. A review has been commenced and this will have an impact on future accounting policy in this area.
- 3.4 A number of matters relate to the Council’s assets. A new policy has been determined for intangible assets. Such assets (software licenses) have not been included in the Council’s balance sheet previously. In addition, a new “de minimis” (minimum) figure of £1K has been determined for expenditure regarded as capital.
- 3.5 The fixed assets figures in the balance sheet will change significantly this year. It has become clear the approach to valuing the leisure centres has been flawed for some time. A review by the Council’s property valuer has indicated the centres are overvalued because their useful life has been significantly overstated in previous years. Although this is not directly a policy matter it will result in the need for restatement of the opening balances from 2005/06.
- 3.6 The Council’s approach to valuing assets also needs to be reviewed. Many of the assets have not been split between land, buildings and plant and equipment. Each asset type has a different useful life and this should be reflected in depreciation. Land should not be depreciated. No change can be made at this stage for the 2006/7 accounts but once the accounts have been completed a thorough review will be undertaken to correct the position.

### **4. Delegated Powers**

- 4.1 The power to determine appropriate policies involves technical rather than policy judgements although accounting policies can have important financial implications. Examples are the fixing of depreciation periods on the property revaluation reserve and interest rates used for interest earnings on balances held.
- 4.2 It is requested that the power to make and approve accounting policies be delegated to the Section 151 Officer with a requirement that any proposed new policies that have financial implications be reported to the Final Accounts and Audit Committee for approval.

## 5. Background Information

- 5.1. The policies have been reviewed taking account of the comments of the external auditor in his report on the accounts for 2005/06. The review has also considered the policies adopted by other local authorities to help determine the appropriate policies for North Wiltshire taking account of local circumstances.

## 6. Implications

- 6.1. Adoption of the policies set out will set the scene for the production of the Council's accounts for 2006/07.

## 7. Risk Analysis

- 7.1. The Council cannot complete its accounts satisfactorily for audit and publication without approved accounting policies.

<b>Appendices:</b>	<ul style="list-style-type: none"><li>• <b>Statement of Accounting Policies</b></li></ul>
<b>Background Documents Used in the Preparation of this Report:</b>	<ul style="list-style-type: none"><li>• Statement of Recommended Practice for local authority accounting.</li><li>• External auditors report 2005/6 accounts</li><li>• Accounting policies 2005/6.</li><li>• Statements of account from various other local authorities.</li></ul>

### Previous Decisions Connected with this Report

<b>Report</b>	<b>Committee &amp; Date</b>	<b>Minute Reference</b>