

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

Report No. 12

Date of Meeting	7 April 2008
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 2007/08.

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 Annex to this report are approved for the financial year 2007/08.

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

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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. The opportunity has been taken therefore to prepare a new policy statement. This is attached as an Appendix. 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 example, historic cost for assessment of community asset values.
 - Estimation techniques. For example, 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
 - The Fixed Asset Restatement Account has been replaced by the Revaluation Reserve. This reserve records the accumulated gains on fixed assets arising from changes in value or other factors, but excluding depreciation.
 - The Capital Adjustment Account replaces the Capital Financing Account and this is used to accumulate the write down of the historical cost of fixed assets as they are consumed by depreciation.

3 Policies

- 3.1 The statement includes policies on all the key 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 1st April 2007 and 31st March 2008. It is important to ensure the accounts "present fairly" what the Council has spent in the year on the various services it provides. 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.
- 3.4 The "de minimis" (minimum) figure of £1K has previously been used to determine what is regarded as capital. However in conjunction with WCC and the District Auditor, this may be increased during 2007/08 closure to allow for a step change to alignment with WCC and the new council level of £10K.
- 3.5 The Council's assets have been split between land, buildings and plant and equipment in accordance with the Statement of Recommended Practice. Each asset type has a different useful life and this is reflected in the manner and period for depreciation. Land is not depreciated.

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 and 2006/07. 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 2007/08.

7. Risk Analysis

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

Appendices:	<ul style="list-style-type: none"> • Statement of Accounting Policies
Background Documents Used in the Preparation of this Report:	<ul style="list-style-type: none"> • Statement of Recommended Practice for local authority accounting. • External auditors report 2006/07 accounts • Accounting policies 2006/07

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
Report 9 Accounting Policies	Final Accounts and Audit Committee 16 April 2007	FA 61