AUDIT COMMITTEE – 26 MARCH 2019

PART 1 - DELEGATED

7. ACCOUNTING POLICIES 2018-19
(DoF)

1 Summary

1.1 There are several changes proposed to accounting policies for the 2018/19 accounts, driven by the adoption of two new standards

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

2 Detail

2.1 The key changes under IFRS 9 for local authorities are outlined below.

2.2 IFRS 9 has introduced a new classification model based on the business model for holding the financial assets and on the nature of the cash flows that might flow from them. Local authorities will therefore need to identify their financial assets, consider them against the new tests in IFRS 9, re-measure any that have changed classification and prepare the relevant adjustments to opening balances and consider the possible impact of statutory reversals.

2.3 IFRS 9 has also introduced a new expected credit loss model for impairment in contrast to the incurred loss model in IAS 39. This model will require local authorities to assess the risk of default on the relevant financial assets rather than an assessment based on evidence that the default has already taken place. Local authorities will need to calculate their loss allowances based on this new model and adjust the General Fund Balance for these re-measurements.

2.4 In addition, there are substantial new disclosures to support the objective of the standard to assist users in assessing the amounts timing and uncertainty of cash flows. More detail is included in relation to the disclosure of the carrying amounts and the gains and losses on financial instruments held. The expected credit loss model requires information on the credit losses of local authorities including a new disclosure providing a reconciliation of the loss allowances and details of the decisions authorities are likely to make in relation to the estimation and measurement of loss.

2.5 IFRS 15 introduces a five-step model for assessing the performance obligations in a contract for the provision of goods or services and how much of the transaction price is to be taken as each obligation is satisfied. In most cases, this will not change the way revenue is currently recognised within the accounts.

2.6 However, IFRS 15 might require some reconsideration of contracts where there is a significant timing difference between the authority providing goods and/or services and receiving payment. Payments in advance will bring a particular risk that the recognition point for income might have to be pushed back.

2.7 Revenue relating to such things as council tax, business rates, and housing rents shall be measured at the full amount receivable as these are statutory duties of the Council and there can be no difference between the delivery and payment dates

2.8 The appended Accounting Policies for 2018/19 incorporate the above changes. Due to the nature of the financial activities with the authority the change is not expected to have a material impact to the 2018/19 accounts.

3 Recommendations

3.1 Audit Committee are asked to review and comment upon the accounting policies.

4 Policy/Budget Reference and Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets.

5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

5.1 None specific.

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Data Quality

Data sources:

SIAS Audit Update Report

SIAS

Data checked by:

Client Audit Manager (PSIAS).

Data rating:

1	**Poor**	
2	**Sufficient**	
3	**High**	√

Appendices

- Extract of Accounting Policies

Background papers

No papers were used in the preparation of this report.