



**Audit and Standards Advisory
Committee**
5 February 2019

**Report from the Chief Finance
Officer**

Accounting Policies

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One: <ul style="list-style-type: none"> • Draft Statement of Accounting Policies
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Conrad Hall Chief Finance Officer Email: conrad.hall@brent.gov.uk Tel: 020 8937 6528

1.0 Purpose of the Report

1.1 The council is required to adopt accounting policies each year to set out how the Statement of Accounts will be produced. The Accounting Policies are based on the previous year's accounting policies with some minor changes to cover new accounting standards and clarify the existing accounting policies.

2.0 Recommendations

2.1 The proposed Accounting Policies at Appendix A are reviewed as the basis for the production of this year's Statement of Accounts.

3.0 Detail

3.1 The Chartered Institute of Public Finance Accountants (CIPFA) annually issues the Code of Practice on Local Authority Accounting in the United Kingdom (henceforth referred to as the "Code of Practice") which sets out how local authorities should account for their transactions and financial position in their Statement of Accounts. One of the requirements of the Code of Practice is for local authorities to set out their Accounting Policies within the Statement of

Accounts. The Accounting Policies explain how the Code of Practice has been interpreted and applied to the authority.

- 3.2 The key element of Brent Council's approach to the Accounting Policies is that it follows and applies the Code of Practice unless otherwise stated in its Accounting Policies.
- 3.3 Accounting Policies can only be updated in certain circumstances: only if the change is required by the Code or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the authority's financial position, financial performance or cash flows.
- 3.4 If an authority does change its accounting policies then it is required to retrospectively apply the changes to its Statement of Accounts, and issue a third balance sheet to aid readers of the accounts in comparing the accounts to previous years, unless the Code of Practice contains transitional arrangements that do not require such a disclosure.
- 3.5 The updates to the councils accounting policies this year fall into three categories:
 - 3.5.1 Removal of extraneous detail to produce a more focused set of accounting policies, for example, the paragraph on accounting for the Carbon Commitment has been removed as this is covered by both the Code of Practice itself, and the application of the accrual principle within the Accounting Policies. None of these changes will change the council's accounting, so do not require a restatement of prior years.
 - 3.5.2 Clarification of existing accounting policies: upon review of the accounting policies in previous years were not as clear as they could be. These items have been clarified to make the council's accounting policies clearer. An example is the update of references to Fixed Assets to Non-Current Assets. None of these changes affect how the council accounts for transactions, so a prior year restatement is not necessary.
 - 3.5.3 Update for the latest version of the Code of Practice, and underlying financial standards. The Accounting Policies have been updated to bring them into line with the current Code of Practice. An example is that IAS 18 on Revenue (i.e. Income) has been replaced by IFRS 15. IFRS 15 does change the recognition of income for some complex cases, but these cases have not been found at Brent Council, so adoption of IFRS 15 is not expected to change accounting for revenue in the council's Statement of Accounts.

4.0 Financial Implications

- 4.1 This entire document is focused on Accounting Policies, but there are no specific financial implications of this proposal.

5.0 Legal Implications

- 5.1 It is necessary for the council to adopt Accounting Policies under the Code of Practice. The Code of Practice sets out the proper accounting practices defined by Section 21(2) of the Local Government Act 2003. These proper practices apply to Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015.

6.0 Equality Implications

- 6.1 There are no equality implications of this report.

Report sign off:

CONRAD HALL
Chief Finance Officer