TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

23 January 2017

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 ACCOUNTING POLICIES

This report presents the Accounting Policies proposed for the 2016/17 Financial Statements for consideration and endorsement.

1.1 Introduction

1.1.1 The Accounting Policies to be used in the preparation of the Financial Statements are attached at **[Annex 1]** for Members' consideration and endorsement.

1.1.2 A change proposed to be made to the current Accounting Policies is a more explicit policy to clarify the basis on which revenue is recognised in the financial statements recommended by our external auditors following the audit of the 2015/16 Accounts. For ease of reference the proposed change is detailed below.

Accruals and Revenue Recognition

Income and expenditure is accrued to ensure that it is accounted for in the year to which it relates, not when cash payments are made or received. In particular:

- *Revenue from the sale or provision of goods and services is recognised when it is probable that the economic benefit will flow to the Council.*
- *Supplies are recorded as expenditure when they are consumed, where supplies remain unconsumed as at the balance sheet date they are carried as inventories on the Balance Sheet.*
- *Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.*
- *Revenue relating to council tax and business rates will be recorded at the full amount receivable, net of any impairment losses. These transactions are deemed to be of a non-contractual, non-exchange nature in that there is no difference between the delivery of services and the payment of the debt raised.*

- *Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant investment rather than the cash flows for the redemption of the investment or interest due dates.*

Where income or expenditure has been recognised within the income and expenditure account, but cash has not been received or paid, a debtor or creditor for the amount stated will be recorded on the Balance Sheet. Where debts raised may not be settled, the balance of debtors will be adjusted by an impairment adjustment charged to the revenue account.

Exceptions to these principles are electricity, gas and similar periodical payments which are charged at the date of meter reading rather than being apportioned between financial years; and penalty charge notices and licensing fees which are accounted for on the day of receipt. This policy is consistently applied each year and its effect on the Accounts is not considered to be material.

1.1.3 There have also been a small number of technical or textual changes made including the de-Minimis level has been increased to £10,000 for the purposes of capital expenditure.

1.2 Legal Implications

1.2.1 The Accounts are to be prepared in accordance with the Code of Practice on Local Authority Accounting of which the Accounting Policies form an integral part.

1.3 Financial and Value for Money Considerations

1.3.1 None.

1.4 Risk Assessment

1.4.1 Failure to adequately follow Accounting Policies could result in misrepresentation and ultimately qualification of the Accounts.

1.5 Equality Impact Assessment

1.5.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.6 Recommendations

1.6.1 Members are asked to **consider** and **endorse** the Accounting Policies to be used in the preparation of the 2016/17 Financial Statements as set out at **[Annex 1]**.

Background papers: contact: Paul Worden

Nil

Sharon Shelton
Director of Finance and Transformation