APPENDIX B

Materiality

1. The following materiality levels are proposed for 2020/21 financial statements preparation:

    a. *Balance sheet*

    Using the same method as in previous years, we firstly calculate a materiality of 10% of the 2019/20 balance. We then consider the external auditors advised materiality, where this is less than the calculated materiality, the level is set at 90% of the external audit materiality. This process is shown in the table below.

    As the external auditors have not yet provided materiality this year, their previous years materiality has been used in the calculation. This is likely to result in materiality being set at a lower level as their actual materiality is considered more likely to increase than decrease, thus the level of materiality set will still be prudent and will not be changed. However, in the unlikely event the auditors materiality is lower then materiality will be revised.

    Some areas are material by nature so this also needs to be taken into account during the preparation of the financial statements.

    The previous year (in this case 2019/20) balances are deemed to be the best consistent point to assess materiality on as although the majority of the balance is reconciled and updated regularly throughout the year, some areas, the pension scheme liability for example is only updated at the end of the financial year.

Balance sheet area	***2019/20 Balance***	***Materiality Level at 10%***	***External Audit Materiality***	***90% of External Audit Materiality***	***Internal Materiality Value***
Plant, property & equipment	52,910	5,291	609	548.1	548
Debtors	3,246	325	609	548.1	325
Short term creditors	- 14,311	- 1,431	609	548.1	-548
Provisions	- 2,604	- 260	609	548.1	-260
Pensions Liability	- 27,608	- 2,761	609	548.1	-548

APPENDIX B

b. CIES Variances:

All variances over 5% explained
All variances over £380k explained in detail.

2. The CIPFA Code of Accounting Practice for Local Authority only requires local authority financial statements to disclose information which is material.

   This includes disclosures that are material to the presentation of a 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users of the financial statements.

   Section 2.1.2.14 of the 2020/21 Code provides the following definition of the term materiality:

   "Materiality *– information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting authority. In other words, materiality is an authority-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual authority's financial statements. Consequently, the Code cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation. Materiality is an important concept for preparers of financial statements because, although decisions on the type of information which is useful are generally made by standard setter, judgements on whether matters are material are necessarily a matter for preparers. An authority can comply with the Code, while not complying with specific disclosure and accounting requirements in the Code, if the information is not material to the 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users."*

   Materiality also depends on the nature or size of the omission or misstatement judges in the surrounding circumstances. The nature or size of an item, or a combination of both, could be the determining factor.