

<b>Report To:</b>	<b>AUDIT COMMITTEE</b>
<b>Date:</b>	<b>28<sup>TH</sup> MARCH 2022</b>
<b>Heading:</b>	<b>ACCOUNTING POLICIES FOR 2021/22 AND OTHER STATEMENT OF ACCOUNTS MATTERS</b>
<b>Portfolio Holder:</b>	<b>PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN</b>
<b>Ward/s:</b>	<b>ALL</b>
<b>Key Decision:</b>	<b>NO</b>
<b>Subject to Call-In:</b>	<b>NO</b>

### **Purpose of Report**

This report requests approval by the Audit Committee of the accounting policies that the Council proposes to adopt for the current financial year in the preparation of the Statement of Accounts 2021/22.

The report also outlines the impact of changes to the Code of Practice on Local Government Accounting on the production of the 2021/22 Statement of Accounts process.

### **Recommendation(s)**

- 1) Audit Committee approve the Accounting Policies detailed at Appendix A to this report.
- 2) Audit Committee note that any subsequent amendments or changes to these policies and the associated financial implications will be reported back to this Committee.

### **Reasons for Recommendation(s)**

Part 3 of the Annual Accounts and Audit Regulations 2015 (the Regulations) requires the Council to produce an annual Statement of Accounts. In accordance with International Financial Reporting Standards (IFRS), the Statement of Accounts must include a statement of accounting policies.

The Regulations require a draft of the Statement of Accounts to be prepared and certified by the responsible financial officer by 31 May under normal circumstances, the Accounts and Audit (Amendment) Regulations 2021 have extended this to the 31 July for the financial year beginning

2021. In accordance with best practice for local authorities, the draft accounting policies should be reviewed by Audit Committee before the draft 2021/22 Statement of Accounts is produced.

In addition, where IFRS allows a degree of choice, Audit Committee should be aware of and confirm the choices made.

### **Alternative Options Considered**

None as it is best practice for the Audit Committee to review the accounting policies.

### **Detailed Information**

- 1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year-end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies are published within the Statement of Accounts in accordance with the Chartered Institutes of Public Finance and Accountancy (CIPFA) Code of Practice on Local Government Accounting (the Code of Practice) and incorporate the requirements of International Financial Reporting Standards (IFRS).
- 1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration has been given to the policies to adopt and apply and that those charged with corporate governance are fully informed prior to the commencement of the Statement of Accounts preparation.

#### **Accounting Policies**

- 1.3 The accounting policies are reviewed each year by officers to ensure all accounting policies previously approved are still relevant and are in accordance with the latest version of the Code of Practice and IFRS requirements. Any new requirements are added to the policies and any policies, which are no longer relevant or have no material effect to the Statement of Accounts, are removed.
- 1.4 The following accounting standards have been amended by the Code of Practice in 2021/22:
  - IFRS 3 Business Combinations
  - Interest rate benchmark reform changes to:
    - IFRS 9 Financial Instruments
    - IAS 39 Financial Instruments: Recognition and Measurement
    - IFRS 7 Financial Instruments: Disclosures
    - IFRS 4 Insurance Contracts
    - IFRS 16 Leases
- 1.5 The application date of the above amendments is the 1 April 2021.
- 1.6 The amendments make changes to the wording of existing accounting standards to add clarity to interpretation and understanding of the standards. They are not new accounting standards. They do not have any material effect and have not resulted in any changes to Ashfield District Council's accounting policies.
- 1.7 The proposed accounting policies for 2021/22 are included at Appendix A.

1.8 CIPFA LASAAC has issued an exceptional consultation on time limited changes to the Code of Practice on Local Government Accounting to help alleviate delays to the publication of audited financial statements. This was at the request of the Department of Levelling-up Housing and Communities.

1.9 The two possible changes considered as part of the consultation are:

- adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- deferring the implementation of IFRS 16 *Leases* for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

1.10 The consultation closed on the 3 March 2022 and no further information has been received to date. If subsequent changes are made to the Code of Practice on Local Government Accounting and the changes result in changes to the adopted accounting policies, the changes will be reported back to the Audit Committee.

## **Implications**

### **Corporate Plan:**

Production of timely and accurate Statement of Accounts is a statutory requirement. Achievement of this reflects sound financial management supporting the Corporate Plan.

### **Legal:**

The agreement of appropriate Accounting Policies is part of the process of ensuring that the Council satisfies its legal obligation to prepare a Statement of Accounts. The report also demonstrates how compliance with the Accounts and Audit Regulations is to be achieved. [RLD 17/03/2022]

### **Finance:**

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	There are no direct financial implications. The report outlines the policies to be adopted for production of timely and accurate accounts and demonstrates consideration of other legal and accounting issues attributable to their production.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

### **Risk:**

<b>Risk</b>	<b>Mitigation</b>

The accounting policies adopted are not updated and in accordance with Code of Practice on Local Government Accounting Code .	The changes to the Code of Practice on Local Government Accounting Code are reviewed annually and the impact is considered and any updates to the accounting policies are reported to Audit Committee.
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### **Human Resources:**

*There are no human resource implications*

### **Environmental/Sustainability**

*There are no environmental or sustainability implications*

### **Equalities:**

*There are no equality implications*

### **Background Papers**

Appendix A – Statement of Accounting Policies.

### **Report Author and Contact Officer**

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