

AUDIT COMMITTEE

24 March 2021

Proposed Accounting Policies to be used in the Preparation of the Statement of Accounts 2020/21

Report of Chief Finance Officer

PURPOSE OF REPORT

This report seeks approval from Members in respect of the changes to the Council's Accounting Policies for the 2020/21 financial year.

This report is public

RECOMMENDATIONS

It is recommended that the Audit Committee:

- 1. Approves the accounting policies, as set out in Appendix 1**

1.0 Introduction

- 1.1** This report presents the significant accounting policies that will be used in the preparation of the 2020/21 Statement of Accounts and summarises the changes from 2019/20 that have been introduced because of amendments to the Code of Practice on Local Authority Accounting 2020/21 (the Code), or as part of the Council's annual review process. They should contain only policies that are relevant to the circumstances of the Council and address material transactions. They should be subject to annual review and agreement by those charged with governance

2.0 Accounting Policies

- 2.1** In preparing the statement of accounts, the Chief Finance Officer is responsible for selecting suitable accounting policies and ensuring that they are applied consistently. The Council's accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies must be disclosed as a note to the annual accounts, and a copy of the policies can be found at Appendix 1. There have been no changes from the policies used to prepare the 2019/20 Statement of Accounts.

3.0 International Financial Reporting Standard (IFRS) 16

- 3.1** IFRS 16 was meant to have been introduced for Local Authorities from 1 April 2020 which means that the annual accounts for 2020/21 should have been the first set of accounts produced in accordance with this standard. However, due to COVID-19 and the additional pressure Local Authorities are facing in these unprecedented times, the Financial Reporting Advisory Board (FRAB), announced the deferral of IFRS 16 implementation to 2022/23.
- 3.2** The currently International Accounting Standard 17 Leases (IAS17) draws a distinction between finance leases, which are captured by the Council on its balance sheet, as opposed to operating leases, which are not captured. IFRS 16 removes the finance/

operating lease distinction, (subject to some exceptions). From 2022/23 the Council must recognise every lease on its balance sheet. The lease is recognised as a liability, while the subject of the lease i.e., property or equipment appears as an asset.

3.2 IFRS 16 is designed to improved levels of accuracy and transparency to the reporting process. In practical terms officers will need to identify and review the existing lease arrangements in the forthcoming year.

3.3 The Code of Practice on Local Authority Accounting requires the Council to disclose as a note in the 2020/21 accounts, information relating to the impact of an accounting change required by a new standard that has been issued but not yet adopted by the 2020/21 Code.

4.0 Details of Consultation

4.1 Consultation has taken place with the Council's External Auditors, Deloittes LLP.

5.0 Options and Options Analysis (including risk assessment)

5.1 The options that Audit Committee Members might consider in relation to the contents of this report are:

- a) not to approve any of the accounting policies or note the critical judgements.
- b) not to approve some of the accounting policies or note the critical judgements.
- c) to approve all the accounting policies and note the critical judgements

5.2 Officer Preferred Option

The preferred option is option C at paragraph 5.1.

6.0 Conclusion

6.1 Revisions have been made to the Council's accounting policies for 2019/20 to reflect the new accounting standards and the Council's material transactions

7.0 Appendices

7.1 Appendix 1 – Proposed Accounting Policies 2020/21

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| CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) |
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Not Applicable

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| FINANCIAL IMPLICATIONS |
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None directly arising from this report

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| SECTION 151 OFFICER'S COMMENTS |
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Failure to complete the Statement of Accounts in line with the CIPFA Code of Practice may result in an adverse opinion from the Council's external auditors

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| LEGAL IMPLICATIONS |
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S21 (1) of the Local Government Finance Act 2003 (the Act) provides that the Secretary of State by regulation may make provision about accounting practices to be followed by a local authority. The Secretary of State may also, pursuant to subsection (1A) of the Act issue guidance about the accounting practices to be followed by a local authority. Lancaster City

Council, pursuant to s21 (1B) must have regard to any guidance issued under subsection (1A).

Pursuant to s 21 (2) of the Act, where legislation to which s21 of the Act applies references 'proper practices', in relation to local authority accounts, this means the accounting practices which the local authority is required to follow by virtue of an any enactment or which are contained in a code of practice or other document which is identified for the purposes of s21 by regulations made by the Secretary of State.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom is a code of practice identified by regulations made by the Secretary of State (Regulation 31 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003).

This report and the Accounting policies referred to meet the Council's obligation to comply with the Code of Practice

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments to make on this report.

BACKGROUND PAPERS

Contact Officer: Paul Thompson (Chief Finance Officer)

Telephone: 01524 582603

Email: pthompson@lancaster.gov.uk

Ref: