

AUDIT COMMITTEE

Proposed Accounting Policies and Critical Judgements used in the Preparation of the Statement of Accounts 2024/25

Report of Chief Finance Officer

19 March 2025

PURPOSE OF REPORT

The report sets out the Council's proposed accounting policies and critical judgements to be adopted in completing the 2024/25 Statement of Accounts.

This report is public

RECOMMENDATIONS

It is recommended that the Audit Committee:

1. Approves the Council's proposed accounting policies to be adopted in completing the 2024/25 Statement of Accounts, as set out in Appendix 1
2. Notes the critical judgements made by management when producing the Statement of Accounts. as set out in Appendix 2

1.0 INTRODUCTION

- 1.1 This report presents the significant accounting policies and critical judgements that will be used in the preparation of the 2024/25 Statement of Accounts and summarises the changes from 2023/24 that have been introduced because of amendments to the Code of Practice on Local Authority Accounting 2024/25 (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. In line with best practice both should be subject to annual review and agreement by those charged with governance

2.0 ACCOUNTING POLICES

- 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**.

3.0 CHANGES TO ACCOUNTING POLICIES

- 3.1 The accounting policies proposed in respect of 2024-25, are largely unchanged from previous years. However, it is proposed to amend the accounting policy 16 Leases for the following reasons:
- 3.2 The introduction of IFRS16 which sets out the principles for recognition, measurement, presentation and disclosure requirements of Leases by introducing a single lessee accounting model which provides greater transparency of the lessee's financial leverage and capital employed by requiring recognition of right of-use assets and lease liabilities on balance sheet.
- 3.3 IFRS16 was initially due for implementation from 01 April 2020 but was delayed due to Covid-19 until 1 April 2022. In response to audit delays, however, the then Department for Levelling Up, Housing and Communities, now Ministry of Housing, Communities and Local Government (MHCLG) asked CIPFA to consider some time-limited changes to the Code, which would ease these delays. Following consultation and review by the Financial Reporting Advisory Board (FRAB), CIPFA confirmed a further optional delay for a period of two years until 1 April 2024. The impact of adopting this new standard will therefore be reflected for the first time in the 2024-25 Statement of Accounts and Accounting Policies.
- 3.4 As the Statement of Accounts are prepared, it may be necessary to amend a policy in order to adopt a more appropriate accounting policy. If this occurs, the change and the reason for the change will be reported back to the Audit Committee at its next available meeting and / or will be highlighted within the report when the Statement of Accounts is presented to Members for approval. Full details of all the proposed accounting policies for 2024-25 are provided at Appendix 1,

4.0 CRITICAL JUDGEMENTS

- 4.1 In line with IFRS and the Code, the Council is required to disclose those judgements that management have made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. These are shown at **Appendix 2**.

5.0 DETAILS OF CONSULTATION

- 5.1 Consultation has taken place with the Council's external advisors.

6.0 OPTIONS AND OPTIONS ANALYSIS

- 6.1 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
- 6.2 The preferred option is option C at paragraph 5.1 - to approve all the accounting policies and note the critical judgements

7.0 CONCLUSION

- 7.1 Revisions have been made to the Council's accounting policies for 2023-24 to reflect the new accounting standards and the Council's material transactions.

APPENDICES

Appendix 1 – Proposed Accounting Policies 2024/25

Appendix 2 – Critical Judgements 2024/25

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not Applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

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.

LEGAL IMPLICATIONS

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

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