

20 MARCH 2024

REPORT NO. FIN2403

KEY DECISION? NO

ACCOUNTING POLICIES FOR THE YEAR 2023/24 AND 2024/25

SUMMARY AND RECOMMENDATIONS:

This report reviews the proposed accounting policies to be applied for the closure of the 2023/24 accounts and provides an update regarding the 2024/25 accounts. These are prepared in line with Chartered Institute of Public Finance Accountants (CIPFA) Code of Practice on Local Authority Accounting in the UK (the Code). Adopting the policies supports timely and robust production of a high-quality set of annual accounts. In addition, this report notifies members of the nature of updated disclosures required and reviews the internal level of materiality.

RECOMMENDATION:

- (i) Corporate Governance, Audit and Standards Committee adopt the accounting policies including the amendment disclosed at Appendix 1 for closure of the 2023/24 accounts; and,
- (ii) The Committee notes the updated disclosures and internal level of materiality to be included within the statement of accounts for 2023/24.

1. INTRODUCTION

- 1.1. Local authorities in the United Kingdom are required to prepare their accounts in compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is developed each year by CIPFA/LASAAC (Local Authority Scotland Accounts Advisory Committee) and has effect for financial years commencing on or after 1 April each year.
- 1.2. The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority.
- 1.3. As part of its Annual Statement of Accounts, the Council needs to disclose the accounting policies it has applied in the preparation of the Accounts.
- 1.4. The Corporate Governance, Audit and Standards committee is charged with responsibility for the oversight of financial reporting integrity and plays a pivotal role in helping to ensure that the critical accounting policies,

judgments and estimates applied by management present a fair and accurate picture of the Council's financial position.

2. BACKGROUND

- 2.1. Annually the Finance team review the Accounting Policies in line with each new years CIPFA Code to ensure the current Accounting Policies are in line with the statutory requirements as set out.
- 2.2. During 2023/24 the Finance team have undertaken an in-depth review to ensure the policies are appropriate and provide the users of the accounts with a true and fair view of the Councils financial position.
- 2.3. The Accounting Policies enable the Committee to understand and evaluate the facts, economics and financial reporting requirements surrounding each critical accounting judgment and estimate and is sufficiently satisfied that management's accounting policies, judgements and estimates are fit for purpose.

3. CHANGES FOR 2023/24

Accounting Policies

- 3.1. The accounting policies have not changed compared to the policies applied for the previous financial year (2022/23), other than for the following reasons:
 - (a) Removed the PFI policy as not applicable
 - (b) Updated format as per the CIPFA Code guidance notes
 - (d) Date references relating to the financial year 2022/23 applicable to some of the accounting policies have been updated

The set of accounting policies applied for the year 2023/24 remain as per the previous financial year, and apart from changes disclosed at paragraph 3.1.

The final update will be vii. Employee Benefits in regard to the Local Government Pension Scheme discount rate which will be informed by the IAS19 Pensions report from the Pensions Actuary. This will be provided to the Council during the year end process.

These accounting policies do not depart from the provisions of the 2023/24 Code.

Materiality

- 3.2. The External Auditors for the Council, Ernst & Young, have set a financial materiality level for the 23/24 audit. This is £1.054m which equates to 75% of 1.8% of gross expenditure on provision of services.

- 3.3. Members should however note that the materiality can be reflection of nature as well financial value. Therefore, there can be materiality judgements which are usually particularly sensitive. These include:
- (a) Transactions with related parties
 - (b) Sensitive matters, such as fraud and non-compliance with law
 - (c) Unusual or non-recurring transactions/balances.
- The underlying guidance requires the accounts to give a 'true and fair' view of the financial position of the council for users of the accounts.

Disclosures

- 3.4. The Finance team have reviewed the statement of accounts for potential disclosure amendments against materiality for the Council to minimise unnecessary disclosures as per CIPFA code guidance to declutter the accounts. The preparations for 2023/24 accounts have commenced and disclosures will be reviewed against the previous years' disclosures in line with above stated level of materiality.
- 3.5. No additional requirements for disclosures are set out in the 2023/24 CIPFA Code.

4. CHANGES FOR 2024/25

- 4.1. Best practice is to agree the Accounting Policies for the upcoming year ahead of year end. The 2024/25 CIPFA Code has not yet been published, however there are some known changes for 2024/25.
- 4.2. The major change for the 2024/25 Statements will be the implementation of the accounting standard IFRS16 regarding lease accounting. This will require the Council to begin to include leased assets in the asset register as a 'right of use asset', and a lease liability. This will therefore impact on the Balance Sheet, asset charges to revenue, the Cashflow Statement and the prudential indicators as reported in the Treasury Management Strategy. It will also require additional disclosures in the notes to the accounts.
- 4.3. Other changes anticipated to impact the Councils statements include;
- changes to the narrative report around additional requirements on performance;
 - removal of statutory overrides regarding fair valuation gains and losses on pooled investments which currently remove the direct impact of gains and losses on the General Fund.
- 4.4. To ensure appropriate consideration of these changes and the necessary changes to the Accounting Policies for 2024/25, it is proposed to present the 2024/25 Accounting Policies later in the year, once the CIPFA Code 2024/25 has been published, to give officers sufficient time to consider the changes in full.

5. IMPLICATIONS (of proposed course of action)

Risks

- 5.1. There is a risk that if the accounts are non-compliant with statutory regulations, the Council's Statement of Accounts will receive material recommendations, and may not be signed off by the Council's external auditors in line with statutory deadlines. This will have reputational risk and require additional resources to rectify issues as appropriate.

Legal Implications

- 5.2. The Council has a duty to provide accurate and appropriate accounts. In compiling these it has a duty to comply with relevant guidance and standards. Whilst the changes have no direct legal impacts, they support appropriate oversight of the Council's financial health.

Financial and Resource Implications

- 5.3. The accounts will be completed within current agreed budgets and staffing resource.

Equalities Impact Implications

- 5.4. There are no direct implications in this report.

Other

- 5.5. There are no direct implications in this report.

6. CONCLUSIONS

- 6.1. This report states the changes to the accounting policies, informs members of additional/amended disclosures and the level of internal materiality to be applied in the Annual Statement of Accounts for 2023/24.
- 6.2. An approved set of accounting policies enable the Finance team to complete the Annual Statement of Accounts with considered rules and assumptions and provide clarity to the readers of the Accounts as to how they have been prepared.

LIST OF APPENDICES/ANNEXES:

Accounting Policies – Draft 2023/24

BACKGROUND DOCUMENTS:

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom
2023/24

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom:
Guidance Notes For 2023/24 Accounts

CONTACT DETAILS:

Report Author – Rosie Plaistowe-Melham, rosie.plaistowe@rushmoor.gov.uk

Head of Service – Peter Vickers, peter.vickers@rushmoor.gov.uk