

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 March 2021
Subject:	Statement of Accounting Policies
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	One

Executive Summary:

This report sets out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. These policies outline the specific principles, bases, conventions, rules and practices applied when preparing and presenting the financial statements.

Recommendation:

The Committee is asked to APPROVE the accounting policies to be used during in the preparation of the 2020/21 financial statements.

Reasons for Recommendation:

The accounting policies govern the accounting treatment used to close the final accounts which this Committee is asked to approve in July after the audit has been completed. The Council must disclose the accounting policies it has applied to all material balances and transactions.

Resource Implications:

There are no direct financial implications arising from the approval of accounting policies although if members should not approve them it may impact on the final outturn.

Legal Implications:

There are no direct legal implications arising from the approval of accounting policies and critical judgements, however Section 21 of the Local Government Act 2003 enables the Secretary of State to make regulations requiring accounting practices including the Statement of Accounts to be undertaken in accordance with proper accounting practices (i.e. the current Code of Practice).

Risk Management Implications:

There is a risk of the accounts being qualified if the proper accounting practices are not followed or if they deviate substantially from the Code of Practice on Local Authority Accounting.

Performance Management Follow-up:

Grant Thornton will audit this as part of the year end audit and will issue an opinion in July 2021 (although the deadline may move to September 2021).

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 The Council is required to produce an annual statement of accounts prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

1.2 As part of this statement, it has to disclose the accounting policies applied to material transactions and balances (materiality is provisionally set at £750k). There is little discretion to the Council as the proper accounting practices, that all local authorities follow, are set down in the Code.

2.0 REVIEW OF THE 2020/21 ACCOUNTING POLICIES

2.1 The full list of accounting policies can be found as Appendix A.

2.1.2 There have been no substantial changes to the 2020/21 CIPFA Code of Practice on Local Authority Accounting which came into effect for financial years beginning 1 April 2020.

2.1.3 The new standard (IFRS16), which is a major change in the way leases are treated, has recently been deferred (probably until the 2022/23 financial year) due to the high level of work needed to be done by Councils.

2.1.4 We have reviewed the accounting policies against the IFRS standards to ensure consistency with standard practice. The accounting policies are the same used as in the 2019/20 financial year.

2.2 Impact of COVID-19 on accounting policies

2.2.1 COVID-19 has had a significant impact on the wider economy and on the Council over the last year, impacting on the accounts production process. The impact has not changed the accounting policies directly, and the Council has continued to apply all policies in the same way.

2.2.2 The impact of COVID-19 has been to provide more uncertainty in market conditions, particularly on the Fair Value of assets and liabilities. The Council's accounting policy is to record transactions on the balance sheet at their fair value in line with the CIPFA Code of Practice and accounting standards. This involves the use of estimates, particularly around the value of the property portfolio. We use Third Party RICS qualified valuers to estimate the value of the portfolio and see

2.3 Future changes to Accounting policies

2.3.1 Due to the impact of COVID-19, the decision has been taken by CIPFA to delay the implementation of IFRS16 – Accounting for leases for a year until, at least, 1 April 2022. The Council had prepared for the introduction of this new standard however no material leases have been identified.

3.0 OTHER OPTIONS CONSIDERED

3.1 None.

4.0 CONSULTATION

4.1 None.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 None.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 Local Government Act 2003 and Accounts and Audit Regulations 2015.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 None.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None.

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Appendices: A – Statement of Accounting Policies.