

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee
Date: 9 March 2021
Reporting officer: Lisa Nyon, Assistant Director (Corporate Services)
Subject: Review of Accounting Policies 2020-21

Purpose and summary of report:

To seek endorsement of the Accounting Policies to be used in formulating the Financial Statements for the authority for the financial year 2020-21.

Recommendations:

1. Members are asked to endorse the use the Accounting Policies as outlined at Appendix Two to this report, subject to comments from the Council's external auditor.

1. BACKGROUND

- 1.1 The Accounts & Audit (England) Regulations 2015 requires local authorities to prepare their annual financial statement of accounts in accordance with 'proper accounting practice'. For local authorities, proper accounting practice is defined as that contained within the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).
- 1.2 Accounting policies are the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements. This may be through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Except where explicitly specified in The Code, or due to specific legislative requirements, it is for an authority to select the accounting policies that are most appropriate to its particular circumstances.
- 1.3 The Terms of Reference of the Finance & Audit Committee require it to review the annual accounting policies to be used in preparing the annual statement of accounts.

2. ACCOUNTING POLICIES FOR 2020-21

- 2.1 The Code for 2020-21 has been published and a review of the Council's accounting policies has been conducted to ensure that these are in line with the requirements of The Code.
- 2.2 There are no major changes to The Code that have been identified and will influence the council's accounting policies for 2020-21. The accounting policies will therefore broadly remain in line with those used to prepare the 2019-20 statement of accounts (with the exception of Group Accounts – see 2.6 and 2.7 below), although opportunity has been taken to review the wording of accounting policies and update where necessary to provide greater clarification.
- 2.3 Following the increased de-minimis level of £2,000 when considering accruals from the previous level of £750 that was introduced at year-end 2019/20, there are no further plans to amend this for 2020/21. The change had the effect of simultaneously streamlining arrangements for accruals, whilst maintaining materially accurate values recorded in the Council's Financial Statements.
- 2.4 Previously, it had been anticipated that a new International Financial Reporting Standard (IFRS) 16 relating to leases would be adopted from 1 April 2020, and therefore would impact upon reporting for the forthcoming year-end. However, the introduction of this standard has been delayed, and it will now be adopted for the 2021/22 financial year instead and therefore is relevant to the Statement of Accounts produced for that year.
- 2.5 Although the current year accounts remain unaffected by IFRS16, it should be noted that preparatory work is being undertaken in the background to undertake an assessment of the impact this new standard will have on the Council's accounts. The new leasing standard will lead to a substantial change in accounting practices, which will remove the distinction between operating and finance leases. It requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will recognise the right-of-use asset representing its right to use the underlying leased property, and a lease liability representing the lessee's obligation to make lease payments for the asset. What this means in practice is that the value of lease will be included on the Council's balance sheet and the annual lease payments will be split between principal and interest.
- 2.6 Following the Council's approval of the formation of Rosherville Limited (including subsidiaries), a Local Authority Trading Company (LATCO), Group Accounts will now need to be prepared. This will impact the Council's Core Financial Statements, namely – Comprehensive Expenditure and Income Statement, Balance Sheet, Cash Flow, Movement in Reserves Statement as well as written disclosure notes where applicable.
- 2.7 In preparing Group Accounts, consideration will be given to the readers of the financial statements as well as materiality itself when assessing the LATCO's transactions and balances. This will ensure that presentation of the Group as a whole will be materially accurate and that it is clear in the presentation of the statements which elements relate solely to the Council, and which balances refer to the Group as a whole.
- 2.8 Members should note that the accounting policies have been shared with the external auditors and may therefore be subject to any comments / feedback from them. Any material changes to the accounting policies subsequently found to be

necessary will be accompanied by an explanation of the impact of the change in policy within the financial statements.

3. BACKGROUND PAPERS

- 3.1 The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 'Guidance Notes for Practitioners' is held by Financial Services.
- 3.2 Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

IMPLICATIONS	APPENDIX 1
Legal	The Accounts & Audit (England) Regulations 2015 requires local authorities to prepare their annual financial statement of accounts in accordance with 'proper accounting practice'.
Finance and Value for Money	The potential costs of not updating the accounting policies could include additional audit fees should further testing or extra audit time be required.
Risk Assessment	<p>It is considered that the policies presented to the Finance & Audit Committee within this report are properly in line with the statutory guidance. In conducting the review of the accounting policies, Officers have attended a CIPFA event and a separate Grant Thornton event on applying The Code to the preparation of the 2020-21 accounts.</p> <p>If the accounting policies were not in accordance with statutory guidance and The Code, the accounts for the financial year could receive a qualified opinion from Grant Thornton, the Council's external auditors.</p>
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks
Climate Change	No direct implications.
Crime and Disorder	No direct implications.

Digital and website implications	No direct implications.
Safeguarding children and vulnerable adults	No direct implications.