

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee
Date: 8 March 2022
Reporting officer: Lisa Nyon, Assistant Director (Corporate Services)
Subject: Review of Accounting Policies 2021-22

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 2021-22

Recommendations:

1. Members are asked to endorse the use of the Accounting Policies as outlined at Appendix One to this report, subject to comments from the Council's external auditor.
2. Members are asked to endorse any updates to the Accounting Policies as resulting from the recent CIPFA consultation regarding emergency proposals for the update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

Key Implications:	
Item	Implications
Legal	The Accounts & Audit (England) Regulations 2015 require 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.
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks.
Climate Change	No direct implications.

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 2021-22

- 2.1 The Code for 2021-22 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 As at the time of writing, there are no major changes to The Code that have been identified that will influence the council's accounting policies for 2021-22. The accounting policies will therefore broadly remain in line with those used to prepare the 2020-21 Statement of Accounts, although opportunity has been taken to review the wording of accounting policies and update where necessary to provide greater clarification.
- 2.3 It should also be noted that as of writing, the audit of the 2019/20 Statement of Accounts remains outstanding due to technical accounting challenges regarding the St George's Shopping Centre and the Housing Revenue Account asset register. In the case of the former, external consultancy advice is being sought, and for the latter, work is already underway with the auditors having selected a sample of transactions for further investigation.
- 2.4 As a result of the above, the audit of the 2020/21 Statement of Accounts has yet to commence, and therefore any auditor amendments to the accounting policies as a result of that process are yet to be factored in to the current version.

3. CIFPA CONSULTATION

- 3.1 On 3 February 2022, CIPFA announced a consultation entitled "Emergency proposals for the update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom. Exceptional consultation on time-limited changes to the Code to help alleviate current delays to the publication of audited financial statements". This has two main aspects to it – pausing professional revaluation of Property Plant and Equipment with the option to adopt an indexation approach instead for up to two years, and the deferral of the implementation of IFRS 16 (leases) from 2022/23 to 2023/24.
- 3.2 Given that a significant number of authorities across the country have not had their accounts audited for 2019/20 and/or 2020/21, the proposal is aimed at reducing both accounting and auditor workloads in the short-term to allow for a "catch-up" process. It is envisaged that the backlog could therefore be cleared and wider audit and accounts issues addressed, so that by 2023/24 or 2024/25 a return to the current Code of Practice requirements with revised deadlines could be met on a consistent basis.
- 3.3 The Finance Team, in conjunction with colleagues in Property Services for the PPE-related proposal, are drafting a response to the consultation as of writing. Overall, officers feel that there are positive short-term impacts on preparation of

the annual accounts should these amendments be adopted, and are thus in broad overall support of the proposals. There are a number of sub-parts within each main part of the consultation, and officers are making relevant points regarding some of the finer details of each aspect still to be worked through. This will ensure the consultation receives a full and considered response by the Council.

- 3.4 Given the timescales of the consultation (responses to be returned by 4 March 2022), the time required for any resulting amendments to be enacted, the Council's committee reporting cycle, and the proximity to the financial year-end itself, there is the potential for the accounting policies as presented at Appendix One to be updated for final adoption during the forthcoming accounts preparation.
- 3.5 Members are therefore requested to endorse any amendments to the accounting policies resulting from the consultation process, with any changes reported in due course to a future committee.

4. APPENDICES

- 4.1 The following documents are to be published with the report:
- 4.2 Appendix One – Accounting Policies 2021/22

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Secondary Implications	
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 2021-22 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. No</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>
Crime and Disorder	No direct implications.
Digital and website implications	No direct implications.
Safeguarding children and vulnerable adults	No direct implications.