

Audit Committee – 24th February 2023

Title of paper:	Review of Accounting Policies 2022/23	
Director(s)/ Corporate Director(s):	Ross Brown - Corporate Director Finance and Resources	Wards affected: All
Report author(s) and contact details:	Jean Stevenson – Interim Finance Team Leader – Technical Finance	
Other colleagues who have provided input:	Finance Technical Team	
Does this report contain any information that is exempt from publication?		
No		
Recommendation(s):		
1.	Review and agree the Statement of Accounting Policies for inclusion in the 2022/23 annual accounts (within appendix 1).	
2.	Review and agree the proposals where International Financial Reporting Standards (IFRS) allow a degree of choice.	
3.	Review and agree that we are not voluntarily adopting IFRS 16 in advance of mandatory implementation in 2024/25.	

1. Reasons for recommendations

- 1.1 Part 3 of the Annual Accounts and Audit Regulations 2015 (the Regulations) requires the Council to produce an annual Statement of Accounts. In accordance with International Financial Reporting Standards (IFRS), the Statement of Accounts must include a statement of accounting policies.
- 1.2 The Regulations also require a draft of the Statement of Accounts to be prepared and certified by the responsible financial officer by 31 May in accordance with best practice for local authorities, the draft accounting policies should be reviewed by Audit Committee before the draft 2022/23 Statement of Accounts is produced.
- 1.3 Where IFRS allows a degree of choice, Audit Committee should be aware of and confirm the choices made.
- 1.4 Local authorities are afforded the option to voluntarily implement the new IFRS 16 Leasing standard in the 2022/23 accounts ahead of the mandatory deadline of 2024/25. Due to ongoing audit issues, Nottingham City Council has delayed publishing audited financial statements since 2019/20. In common with many other local authorities, the council has therefore decided to implement IFRS 16 in 2024/25.

2. Background

- 2.1 The draft 2022/23 accounting policies are included in Appendix 1. The finance team review the accounting policies each year to ensure that they comply with accounting standards. Any policies, which are no longer relevant or have no material effect to the Statement of Accounts for 2022/23 are removed. Following the 2022/23 review there are no significant changes to the accounting policies from 2021/22, any changes from the 2021/22 accounting policies have been marked blue.

2.2 Accounting Policies

The following significant accounting policies provide the fundamental bases for producing the Statement of Accounts and warrant particular consideration:

Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accrual basis. This means that income and expenditure are recognised in the accounts in the period in which they are earned or incurred and not when money is received or paid. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet.

Government Grants and Contributions

Government Grants and contributions are credited to income in the Comprehensive Income and Expenditure Statement (CIES) only when there is reasonable assurance that any attached conditions will be met. Specific grants are credited to the relevant service line, while non-ring fenced and capital grants are credited to Taxation and Non-specific grant income.

Any grants received where conditions have not been met are carried in the Balance Sheet as creditors.

Valuation of Non-Current Assets

Generally, non-current assets are valued initially at cost and subsequently revalued at current value for operational properties and fair value for investment properties. The main exceptions are infrastructure, which are generally valued at depreciated historical cost and heritage assets, which are valued at market value by an external valuer.

Interests in Companies and Other Entities

Inclusion in the Council's Group Accounts is, in accordance with the Code, dependent upon the extent of the Council's interest and control over an entity. In the Council's single-entity accounts, the interests in companies and other entities are shown as investments and valued at cost less any provision for losses.

2.3 Choices made under IFRS

For some policies, International Reporting Standards provide different options that can be used. The choices made in these instances have been applied consistently over the years and will be reviewed by the external auditor but in accordance with best practice, Audit Committee are asked to consider and reaffirm the choices made. The three policies to which this applies are:

De Minimis Capital Expenditure

All assets acquired can be included in the Balance Sheet, regardless of their cost. However, where the current value is less than the following amounts the Council may choose to exclude the asset from the Balance Sheet:

	£m
Vehicles and Plant	0.003
Computer Equipment	0.005
Land & Buildings	0.010
Heritage Assets	0.005

Componentisation

Where an asset consists of significant components that have different useful lives, these components are separately identified and depreciated over their respective useful lives. Examples of the components of property could be land, roof, walls, boilers and lifts. The Council has chosen to only apply componentisation where the value of the asset is in excess of £3m.

Depreciation (including amortisation of intangible assets)

Certain Property Plant and Equipment components and Intangible Assets are written down over time and charged to revenue. International Financial Reporting Standards allow the Council to assess the asset life as well as the depreciation method. The following assets are depreciated on a straight-line basis over estimated useful life:

- Buildings, vehicles, plant, furniture and equipment
- Infrastructure and Community
- Intangible assets

2.4 The draft accounting policies will also be reviewed by the external auditors, Grant Thornton as part of the audit of the accounts and so are still subject to change up to the point the final Statement of Accounts document is approved and signed. Any major changes will be highlighted to Audit Committee at a future meeting.

3. Background papers other than published works or those disclosing exempt or confidential information

3.1 None.

4. Published documents referred to in compiling this report

4.1 Accounting and Audit Regulations 2015
Code of Practice on Local Authority Accounting in the United Kingdom 2022/23