

Audit Committee – 23 February 2024

Title of paper:	Review of Accounting Policies 2023/24	
Director(s)/ Corporate Director(s):	Ross Brown - Corporate Director Finance and Resources and Section 151 Officer Shabana Kausar – Director of Finance and Deputy Section 151 Officer	Wards affected: All
Report author(s) and contact details:	Glenn Hammons – Interim Technical Finance Team Lead glenn.hammons@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Finance Technical Team	
Recommendation(s):		
1	Review and approve the Statement of Accounting Policies for inclusion in the 2023/24 annual accounts, including to continue with existing policies where International Financial Reporting Standards (IFRS) allow a degree of choice. (Appendix 1 and Section 2.3).	
2	Review and approve the Council is not voluntarily adopting IFRS 16 for 2023/24 in advance of mandatory implementation in 2024/25. (Section 2.4)	
3	To delegate to the Corporate Director, Finance and Resources & Section 151 Officer and Director of Finance & Deputy Section 151 Officer the ability to make changes to the Accounting Policies 2023/24 to ensure the timely completion of the Accounts, and if any changes are made to report these to a future meeting of the Audit Committee. (Section 2.7)	

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 2023/24 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 2023/24 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 proposes to implement IFRS 16 in 2024/25.

2 Background

2.1 The draft 2023/24 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 2023/24 are removed. Following the 2023/24 review there are no significant changes to the accounting policies from 2022/23, any changes from the 2022/23 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 Implementation of International Financial Reporting Standard (IFRS) 16

Local authorities have an option to be an early adopter and voluntarily implement the new IFRS 16 Leasing standard in the 2023/24 accounts ahead of the mandatory deadline of 2024/25. Due to the following the Council proposes to implement IFRS 16 in 2024/25:

- Ongoing audit issues, Nottingham City Council has delayed publishing audited financial statements since 2019/20.
- The proposals the Government is currently consulting for managing the national delays to local audits are not yet finalised.
- An implementation plan for the standard is not sufficiently developed to implement in 2023/24.

The Council has started to scope out the requirements of implementing IFRS 16 and is currently reviewing the availability its leasing data and has started to develop an implementation plan.

Further updates on the Council's readiness for the implementation of IFRS 16 will be reported to Audit Committee at forthcoming meetings.

2.5 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.

- 2.6 As reported elsewhere on the Agenda the Government are currently consulting on proposals to address the local audit backlog. As part of the proposals CIPFA will also consult on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These changes may impact on the Council's accounting policies. If there are any implications for the Council these will be reported to Audit Committee at the appropriate time.
- 2.7 Due to these uncertainties and to ensure the timely completion of the accounts if there are any changes required to the Accounting Policies a delegation is proposed to the Section 151 Officer and Deputy Section 151 Officer to make these changes, with any major changes being highlighted to Audit Committee at a future meeting alongside the Accounts for 2023/24.

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