

NORTH YORKSHIRE COUNCIL

AUDIT COMMITTEE

18 March 2024

ACCOUNTING POLICIES

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 To note there are no changes to the Accounting Policies for the Council for the financial year 2023/24
- 1.2 To note potential changes in the pipeline that are likely to impact on future year's Accounting Policies and the Statement of Final Accounts.

2.0 BACKGROUND

- 2.1 Part of the Audit Committee's Terms of Reference is to review changes in accounting policy.
- 2.2 North Yorkshire Council's accounting policies have been adopted from the accounting policies of the North Yorkshire legacy Councils. The Council has effectively adopted the North Yorkshire County Council policies, as the continuing authority, with additional policies adopted from legacy District and Boroughs to reflect the requirement to account for income/expenditure and assets/liabilities that did not feature in the NYCC statement of accounts.
- 2.3 The Council's accounting policies are set out in the annual Statement of Final Accounts (SOFA) and have been developed to comply with the *Code of Practice on Local Authority Accounting in the United Kingdom* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). An updated Code of Practice, applicable for 2023/24 was issued in August 2023.
- 2.4 In addition to considering required changes to the Council's accounting policies for 2023/24, there are further changes which CIPFA have been consulting with local authorities which are in the pipeline for future years (2024/25 and beyond) to bring to the Committee's attention.

3.0 CHANGES IN ACCOUNTING POLICY FOR 2023/24

- 3.1 The need for changes in accounting policy can arise from:

- (i) mandatory changes under the annual *Code of Practice on Local Authority Accounting* which require a new or revised accounting policy to be adopted by all local authorities
- (ii) changes within the overall framework of the *Code of Practice* but where the policy to be adopted is discretionary and is dependent upon interpretation of local circumstances
- (iii) changes in legislation enacted by the Government issuing a Statutory Instrument

3.2 Any changes required to the Council's accounting policies for 2023/24 would therefore usually arise as a result of the updated *Code of Practice on Local Authority Accounting* issued by CIPFA in August 2023.

3.3 However, there are no changes to the Code of Practice that impact on the Councils 2023/24 Accounting Policies. The Accounting Policies ultimately determined for 2023/24 will be reported to Members on 24 June 2024 as part of the report accompanying the draft SOFA for 2023/24. At this stage, therefore, Members are asked to note the current position.

3.4 CIPFA have recently consulted on a draft *Code of Practice on Local Authority Accounting* for 2024/25 and provisional changes for future years beyond 2024/25, with the key potential changes set out in **Appendix A**. The extent to which future changes will actually be fully implemented by CIPFA remains uncertain however and will be subject to further confirmation and guidance.

4.0 STATEMENT OF ACCOUNTS TIMETABLE 2023/24

4.1 Following on from the Redmond review on the effectiveness of audit and transparency of financial reporting in local authorities and subsequent Department of Levelling up Housing and Communities (DLUHC) consultation and guidance, the deadline for publication of the draft Statement of Accounts for 2023/24 is 31 May 2024. It is therefore, anticipated that the Draft SOFA will be reported to the Audit Committee on 24 June 2024.

4.2 The deadline for the publication of audited local authority accounts is 30 September 2024. The final Statement of Accounts will need be approved by the Section 151 Officer (Corporate Director of Resources) and Members (the Audit Committee) in advance of certification and publication. As a result, it anticipated that the Final SOFA will be reported to Audit Committee on 23 September 2024.

4.3 In addition, in February 2024 DLUHC published a further consultation seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts to clear the local audit backlog. The impact of the proposals are currently being considered in relation to the accounts and audit process for North Yorkshire Council.

7.1 **RECOMMENDATION**

7.2 That Members:

- (i) note there are no changes to the accounting policies for 2023/24 (**paragraph 3.3**).
- (ii) note potential changes to the SOFA and accounting policies which are in the pipeline for future years (2023/24 onwards) (**paragraph 3.4 and Appendix A**)
- (ii) note the Statement of Accounts Timetable for 2023/24 (**paragraph 4.1 – 4.2**)

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March 2024

**POTENTIAL CHANGES TO THE CODE OF PRACTICE ON LOCAL AUTHORITY
ACCOUNTING POLICIES IN THE PIPELINE
FOLLOWING RECENT CIPFA CONSULTATION:**

- 1.0 CIPFA have consulted on and confirmed proposed changes to the 2023/24 Code of Practice which was published in August 2023 and have also provided indications of further potential changes that are likely to be reflected in updates to the 2024/25 Code and beyond.
- 2.0 Leases**
- 2.1 CIPFA's current intention is to adopt IFRS 16 – Leases from 2024/25.
- 2.2 It was anticipated that CIPFA would instruct local authorities to adopt the requirements of IFRS 16 from 2019/20, but this has been deferred due to issues raised by Central Government until 2024/25.
- 2.3 IFRS 16 extends the current definition of a finance lease to cover all leases, from the lessee's position. An operational lease will no longer exist from a lessee's perspective. The change will result in accounting implications as the value of the lease needs to be capitalised and recorded as a 'Right of Use' asset on the lessee's balance sheet. A corresponding liability must also be recognised on the balance sheet, extending over the life of the lease, to reflect the lease payments still to be made.
- 2.4 IFRS 16 will have an impact on all the main statements in the SOFA including the balance sheet, comprehensive income and expenditure statement and cash flow statement. A number of new disclosure notes will also be required to be published in the SOFA.
- 2.5 Further changes as a result of adopting IFRS 16 relate to assets being leased under a 'peppercorn' agreement coming on balance sheet, the measurement of liabilities from leases, PFI and service concession arrangements which include an element of annual indexation.
- 2.6 Exceptions may be granted for leases of small value assets and for very short term leases, but an increased number of existing operating leases will need to be reclassified and reported on the Council's balance sheet, which could potentially have prudential borrowing implications.