

# North Yorkshire Council

## Audit Committee

17 March 2025

### Accounting Policies

#### Report of the Corporate Director Resources

#### 1.0 PURPOSE OF THE REPORT

- 1.1 To note the change to the Accounting Policy for the Council on Leases due to the introduction of IFRS 16 in the financial year 2024/25
- 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 SUMMARY

- 2.1 This report provides an update on the Accounting Policies for North Yorkshire Council and the North Yorkshire Pension Fund for inclusion in the Statement of Final Accounts 2024/25.

#### 3.0 BACKGROUND

- 3.1 Part of the Audit Committee's Terms of Reference is to review changes in accounting policy.
- 3.2 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 2024/25 was issued in May 2024.
- 3.3 In addition to considering required changes to the Council's accounting policies for 2024/25, there are further changes which CIPFA have been consulting with local authorities which are in the pipeline for future years (2025/26 and beyond) to bring to the Committee's attention.

#### 4.0 CHANGES IN ACCOUNTING POLICY FOR 2024/25

- 4.1 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

- 4.2 Any changes required to the Council's accounting policies for 2024/25 would therefore usually arise as a result of the updated *Code of Practice on Local Authority Accounting* issued by CIPFA in May 2024.
- 4.3 As reported to the Audit Committee in March 2024, the *Code of Practice on Local Authority Accounting* will adopt IFRS 16 – Leases from 2024/25.
- 4.4 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.
- 4.5 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.
- 4.6 Further changes as a result of adopting IFRS 16 relate to the measurement of liabilities from leases, PFI and service concession arrangements which include an element of annual indexation.
- 4.7 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.
- 4.8 There are currently no further changes to the Code of Practice that impact on the Councils 2024/25 Accounting Policies. The Accounting Policies ultimately determined for 2024/25 will be reported to Members on 23 June 2025 as part of the report accompanying the draft SOFA for 2024/25. At this stage, therefore, Members are asked to note the current position.
- 4.9 CIPFA have recently consulted on a draft *Code of Practice on Local Authority Accounting* for 2025/26 and provisional changes for future years beyond 2025/26, with the following potential changes highlighted:
- IFRS 17 Insurance Contracts
  - Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

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.

## **5.0 STATEMENT OF ACCOUNTS TIMETABLE 2024/25**

- 5.1 The deadline for publication of the draft Statement of Accounts for 2024/25 is 30 June 2025. It is therefore, anticipated that the Draft SOFA will be reported to the Audit Committee on 23 June 2025.
- 5.2 As a result of the Accounts and Audit (Amendment) Regulations 2024 (SI 2024/907), which came into force on 30 September 2024, the deadline for the publication of audited local authority accounts 2024/25 is 27 February 2026. The final Statement of Accounts will need to be approved by the Section 151 Officer (Corporate Director of Resources) and Members (the Audit Committee) in advance of certification and publication. However, at this stage the audit is expected to commence in early July 2025 and as a result, it is anticipated that the

Final SOFA will be reported to Audit Committee on 29 September 2025, subject of course to the completion of the audit.

## **6.0 ALTERNATIVE OPTIONS CONSIDERED**

6.1 No alternative options were considered.

## **7.0 FINANCIAL IMPLICATIONS**

7.1 There are no specific financial implications.

## **8.0 LEGAL IMPLICATIONS**

8.1 There are no specific legal implications.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 There are no equalities implications.

## **10.0 CLIMATE CHANGE IMPLICATIONS**

10.1 There are no climate change implications.

## **11.0 REASONS FOR RECOMMENDATIONS**

11.1 Members are required to be aware of changes in accounting policies to be used in the production of the 2024/25 SOFA.

## **12.1 RECOMMENDATION**

12.2 That Members:

- (i) note the changes to the accounting policies for 2024/25 (**paragraphs 4.3 – 4.8**).
- (ii) note potential changes to the SOFA and accounting policies which are in the pipeline for future years (2025/26 onwards) (**paragraph 4.9**)
- (ii) note the Statement of Accounts Timetable for 2024/25 (**paragraph 5.1 – 5.2**)

## **BACKGROUND DOCUMENTS:**

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25

Gary Fielding  
Corporate Director – Resources  
County Hall  
Northallerton  
March 2025

Report Author – John Raine Head of Corporate and Technical Finance

Note: Members are invited to contact the author in advance of the meeting with any detailed questions.