

**REPORT OF:** CHIEF FINANCE OFFICER  
**TO:** ACCOUNTS AND AUDIT COMMITTEE  
**DATES:** 26<sup>th</sup> July 2022

**Contact Details:** Richard Gibson  
**Tel. No:** 01282 661867  
**E-mail:** richard.gibson@pendle.gov.uk

**Closure of Accounts 2021/22  
Accounting Code of Practice update and other related matters**

**PURPOSE OF REPORT**

1. The purpose of this report is to:
  - (a) update the Committee on the Accounting Code of Practice for 2021/22;
  - (b) request approval of the proposed Accounting Policies as the basis on which the accounts will be prepared for the financial year ending 31st March 2022;
  - (c) inform the Committee of the assessment of the Council as a 'going concern' for the purposes of producing the Statement of Accounts for 2021/22.

**RECOMMENDATIONS**

2. It is recommended that the Committee:
  - a) Notes the main changes arising from the 2021/22 Accounting Code of Practice (CIPFA Bulletin 10 – Appendix A) which impact on the preparation of the Council's financial statements for the year;
  - b) Approve the proposed accounting policies for the 2019/20 accounts as set out at Appendix B.
  - c) Accept the outcome of the assessment made of the Council's status as a 'going concern' for the purposes of preparing the Statement of Accounts for 2021/22.

**ISSUE**

**Changes to the Code of Practice (CIPFA Bulletin 10)**

3. Since 2010/11 the Council has been required to prepare the annual Statement of Accounts in accordance with International Financial Reporting Standards (IFRS) as adapted in the Code of Practice on Local Authority Accounting in the United Kingdom.

4. CIPFA (Chartered Institute of Public Finance and Accountancy) Bulletin 10 - Closure of the 2021/22 Financial Statements was published in April 2022 to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and the Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice but are not prescriptive and do not have the formal status of the Code, SeRCOP or the Prudential Code.
5. The key issues highlighted in the Bulletin were;
- a) **IFRS 16 Leases including adoption in 2022/23**  
CIPFA/LASAAC has decided to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023.
  - b) **The valuation of operational property assets**  
The bulletin raises a number of issues around frequency of valuation data and timing of valuation, both of these issues were raised by External Audit though the view of the Authority are supported by the bulletin. Namely that the date of the valuation can be at the beginning of the year and valuations can be done on a rolling basis provided that the surveyor is satisfied that there is no material difference in method.
  - c) **Financial reporting deadlines for 2021/22 (England)**  
The requirement in the Accounts and Audit Regulations 2015 (as amended) is for the public inspection period to be commenced by 1 August. However, this commencement can only happen at the earliest the first working day after the unaudited accounts (and other specified documents) are published. A verbal update on the progress of the Statement of Accounts will be provided at the meeting.
  - d) **Accounting for coronavirus (COVID-19) support grants in local government (England)**  
The recognition of such grants in the accounts of the billing authority follow the same criteria applied to other grants and contributions (including the recently issued Redmond Review Local Audit Fees Grant), the authority needs to establish three main determining factors:
    - Is the authority acting as principal or as agent?
    - If acting as principal, are there any unmet repayment conditions?
    - Where there are no unmet conditions, is the grant specific to a service or is it nonspecific and unringfenced?These tests will assist with the response to the following questions about the grant:
    - Should it be recognised as the income of the authority in the Comprehensive Income and Expenditure Statement (CIES)?
    - What should the timing of recognition be?
    - Where in the CIES is the income presented?The Guidance has been followed when preparing the Accounts for 2021/22.
  - e) **Council tax collection fund surplus/deficits for 2021/22 (England)**  
The Guidance has been followed when preparing the Accounts for 2021/22.
  - f) **Covid Additional Relief Fund (CARF) from the Department of Levelling Up, Housing and Communities (DLUHC)**  
The Guidance has been followed when preparing the Accounts for 2021/22.

6. These changes gave Local Authorities more flexibility, removing the above requirement to commence the public inspection period to include the first 10 working days of June. Instead, Local Authorities must commence the public inspection period on or before the first working day of September 2020, meaning unaudited accounts being prepared and published no later than 31 August 2020. MHCLG guidance advises Councils to publicise this change to the reporting period on their website when the public inspection period would normally commence, explaining why there is a departure from the normal practice. The Council placed such a notice on its website on 29<sup>th</sup> May 2020.
7. The Council is required to publish a number of documents including the draft accounts (pre-audit), the annual governance statement, a narrative statement and a statement setting out the exercise of public rights to inspect the accounts. As above, the inspection period can only begin the first working day after all these have been published and no later than 31 August 2020. The requirement is to 'publish' which must include publication to the Council's website.
8. The Council expects to produce its unaudited Accounts by 31<sup>st</sup> July 2020. This will allow time to conclude the revised, formal inspection period, the audit by Grant Thornton and the time they need to issue their Audit Opinion by 30<sup>th</sup> November 2020.
9. The Council must publish its audited accounts together with the Audit Opinion by no later than 30<sup>th</sup> November 2020.

## **Accounting Policies**

10. Accounting policies are defined in the Code as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'. The Code requires that where the Code applies to a transaction, other event or condition, an authority should determine the accounting policy or policies to be applied to that item with direct reference to the requirements of the accounting policies stipulated by the Code. Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in as it applies to omissions and misstatements:

*Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.*

11. The proposed accounting policies under which the 2021/22 Statement of Accounts will be prepared are set out in Appendix B.
12. The Committee is asked to approve the Accounting Policies for 2021/22.

## **Going Concern Assessment**

13. The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). The main factors which underpin this assessment are outlined below and include:
  - a) The council's current financial position

- b) The council's projected financial position
  - c) The council's strategic planning and budget framework process
  - d) The regulatory and control environment applicable to the council as a local authority
14. The Council's current financial position was report to Policy & Resources Committee on Thursday 21<sup>st</sup> July 2022. Three outturn reports were taken on Treasury Management, Capital Programme and Revenue Net cost of Service. The reports show an underspend in the Net Cost of Services for 2021/22 of £2.7m. Whilst this is a healthy position the majority of the underspend was driven by one off impacts, slippage from the previous years' and use of reserves. It does however, demonstrate a healthy position for 2021/22.
  15. The projected position and the strategic planning framework was report to Policy & Resources committee in June 2021 (Medium Term Forecast) and February 2022 (Council Tax Setting Report). The outcome over the medium term is stark with huge uncertainty around future funding from Central Government as well as the impact of the Cost of Living crisis. However, the Council was able to set a balanced budget for 2020/23 and also show a balanced position over the medium term.
  16. The council has a well-established and robust corporate governance framework including the statutory posts of Head of Paid Service, Monitoring Officer and the Section 151 Officer (Chief Financial Officer) in addition to the current political arrangements.
  17. An overview of this governance framework is provided within the Annual Governance Statement which is included elsewhere on this agenda. This includes a detailed review of the effectiveness of the council's governance arrangements which concludes that the existing arrangements remain fit for purposes and provides assurance of their effectiveness.
  18. It is considered that having regard to the council's arrangements and such factors as highlighted in this report that the council remains a going concern.

## **IMPLICATIONS**

**Policy:** The Council's accounting policies are reviewed annually in compliance with CIPFA's Accounting Code of Practice.

**Financial:** The financial implications are as given in the report.

**Legal:** There are no legal implications arising from the contents of this report.

**Risk Management:** The Council reviews its risks regularly and in the context of financial instruments and the Expected Credit Loss Model, will maintain an ongoing assessment of risks associated with its financial assets.

**Health and Safety:** There are no health and safety implications arising from the contents of this report.

**Sustainability:** There are no sustainability issues arising from the contents of this report.

**Community Safety:** There are no community safety issues arising from the contents of this report.

**Equality and Diversity:** There are no equality and diversity issues arising from the contents of this report.

## **APPENDICES**

Appendix A – CIPFA Bulletin 10

Appendix B - Proposed accounting policies for 2020/21 statement of accounts.

### **LIST OF BACKGROUND PAPERS**

None.