

# Audit Committee

8 March 2022



**Report of:** Director of Finance (Section 151 Officer)

**Title:** Accounting Policies 2021/2022 & 2022/23

**Ward:** City Wide

**Member Presenting Report:** Denise Murray

## Recommendation

The Audit Committee approve the proposed Accounting Policies for 2021/22 and 2022/23.

## Summary

This report summarises the main contents of the accounting policies adopted by the Council and the required changes for 2021/22 and 2022/23 to ensure the accounts are prepared in accordance with accounting regulations. Any changes to accounting regulations may require the policies to be changed further. However, none are anticipated at this stage. Any significant changes to the 2021/22 policies will be highlighted to the committee in the Statement of Accounts report later in the year.

## The significant issues in the report are:

- The accounting policies applicable to the financial year 2021/22 and will be reflected in the published Statement of Accounts. These policies will also provide the basis for the 2022/23 policies. The Leasing Standard IFRS 16 is due to be adopted on 1st April 2022 by Local Government, replacing the previous Standards IAS 17 Leases. IFRS 16 introduces a single lessee accounting model; requiring a lessee to recognise assets and liabilities for leases with a term of more than 12 months.
- It is best practice for Members of the Audit Committee to review the accounting policies on an annual basis. Adoption of the 2022/23 policies also means draft policies are in place for the start of the financial year to which they relate.

## **Policy**

1. None affected by this report.

## **Consultation**

### **2. Internal**

Senior Finance Officers

### **3. External**

Not applicable

## **Context**

### **4. Background**

- 4.1. The Accounting Policies for Bristol City Council (The Council) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting (the Code). The accounting policies of the Council are updated annually to reflect any changes to accounting regulations.
- 4.2. This report sets out the accounting policies that will be applied during the financial years 2021/22 and 2022/23 in preparation of the Council's financial statements. The policies for both years are the same, except for leased assets. Relevant dates will be updated for the 2022/23 policies and a detailed note regarding IFRS 16 will be included.
- 4.3. The full policies are shown in appendix A. Members of the Audit Committee are invited to note these policies and make comment.
- 4.4. Unless there are major changes to accounting rules and regulation, accounting policies do not change significantly between years because the accounts would not be comparable from one year to the next.
- 4.5. The audited Statement of Accounts for 2021/22 will be presented to the Audit Committee for approval with the intention of this being held later in the year. The accounting policies statement will be included within the accounts and any changes made during the closedown programme and/or audit will be highlighted and explained by officers.

## 5. Purpose of Accounting Policies

5.1. The Code of Practice for Local Authority Accounting defines accounting policies as

*“The specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.” (Paragraph 3.3.2.1 of the Code.)*

5.2. The accounting policies currently adopted by the Council are in line with the accounting concepts of best practice set out below:

- **Relevant** – to the decision-making needs of users by providing appropriate information on the stewardship of Authority monies.
- **Reliable** – financial information can be relied upon and is free from bias and error, within the bounds of materiality and has been prudently prepared.
- **Allow comparability** – the interpretation of financial reports is enhanced by being able to compare information across other accounting periods and other organisations.
- **Understandable** – though financial reports must contain certain information; they must be understandable.
- **Reflect material information** – significant transactions must be incorporated in the financial reports.
- **Prepared on a going concern basis** – the assumption that the authority will continue in operational existence for the foreseeable future.
- **Prepared on an accrual’s basis** – accounts are prepared to reflect the benefit of goods and services received and provided rather than when cash transactions occur when invoices are paid in a later accounting period.

## 6. Contents of Accounting Policies

6.1. Appendix A contains all the Council's accounting policies. The more significant policies cover the treatment of the following:

- **Property Plant and Equipment** – the basis for valuing major long-term assets, such as council dwellings and offices.
- **Impairment** – The carrying value of assets is assessed at each year – end to determine whether there is an indication that the asset value has materially changed. An impairment loss is recognised for the shortfall.
- **Depreciation** – Depreciation is charged to spread the value of an asset over its useful life.
- **Provisions** – A provision is made when there is a reasonable estimate of the amount payable to settle a future financial obligation. Provisions are charged to the relevant service area.
- **Reserves** – a reserve is created for a planned future purpose or maintained as a general contingency. These are recorded separately on the Movement in Reserves Statement.

- **Accruals of Income and Expenditure** – The Council raises accruals to comply with the concept of accounting to measure when payments or receipts are due rather than where cash is transferred to settle the liability.
- **Pensions** – this policy includes the information of the three pension schemes the Council employees contribute to - teachers, health workers NHS and Local Government Pension Scheme. Also, it includes detail on the investment valuation basis used and the calculations made of future liability.

## **7. Changes in Accounting Policies for 2021/22**

7.1. The application of most accounting policies is applied consistently from year to year. Changes are required when new accounting regulations are introduced or updated or if there is a significant change within the financial activities of the Council.

7.2. There are no material changes proposed to the accounting policies for the 2021/22 accounts.

## **8. Changes in Accounting Policies for 2022/23**

8.1. IFRS 16 was due to be adopted on 1st April 2020 by Local Government, this standard was further delayed until the 2022/23 financial year. From 1 April 2022, all leased assets where the agreement is more than 12 months must be recognised in the balance sheet.

8.2. The transition to accounting for leases includes a significant amount of work. Planning and preparations are underway to identify all leased assets. The proposed accounting treatment will be agreed with external auditor prior to the 2022/23 closedown.

8.3. This is expected to have little impact on the Council's financial statements. No material changes to the 2022/23 policies are expected.

## **9. Accounting Standards that have been issued but have not yet been adopted**

9.1. For 2021/22, the accounting policy changes that need to be reported will be confirmed in the year-end CIPFA Bulletin issued under the guidance of The Local Authority Accounting Panel LAAP46. Any significant changes to the policy will be highlighted to the committee.

## **Proposal**

10. Members of Audit Committee to review and consider the accounting policies outline in this report. Any significant changes during the closedown and/or audit will be highlighted to the committee in the Statement of Accounts report later in the year. At present, there are no material changes to the accounting policies proposed for both financial years 2021/22 & 2022/23.

**Other Options Considered**

*11. Not applicable*

**Risk Assessment**

*12. Not as a result of this report*

**Summary of Equalities Impact of the Proposed Decision**

*Not applicable*

**Legal and Resource Implications**

**Legal**

*Not applicable*

**Financial**

*There are no direct financial implications arising from the publication or approval of accounting policies. There are no material changes to policy impacting upon the Councils financial position.*

**(a) Revenue**

*Not applicable*

**(b) Capital**

*Not applicable*

**Land**

*Not applicable*

**Personnel**

*Not applicable*

**Appendices:**

*Appendix A: Draft Accounting Policies 2021/22*

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:**

Papers held in Corporate Finance