

NORTH NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

5th May 2022

Report Title	North Northamptonshire Council Draft Accounting Policies 2021/22	
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Appendix

Appendix A – NNC Draft Accounting Policies

1. Purpose of Report

- 1.1. This report sets out the accounting concepts and policies and key sources of estimation that will be used in preparing the 2021/22 annual accounts. It also contains details of a recent emergency consultation on the CIPFA/LASAAC¹ Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

2. Executive Summary

- 2.1. This report requires the Committee to approve the draft accounting concepts and policies for North Northamptonshire Council's Statement of Accounts for 2021/22 as set out in Appendix A.
- 2.2. The Committee is also requested to note the key sources of estimation and the outcome of the recent emergency Code consultation.

3. Recommendations

- 3.1. It is recommended that the Committee.

¹ CIPFA/LASAAC – Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee

- a) Approve the accounting concepts and policies set out in this report and the appendix.
- b) Note the key sources of estimation.
- c) Note the outcome of the emergency code consultation.

3.2. Reason for Recommendations:

- For the Committee to exercise its duties and responsibilities within its Terms of Reference.

4. Report Background

- 4.1. The Executive Director of Finance (Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with the CIPFA/LASAAC² Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 4.2. North Northamptonshire Council will be producing its first Statement of Accounts for the financial year 2021/22. The accounting policies provide the framework from which the financial statements will be based and are providing the reader of the accounts with a summary of the financial code that applies to the authority and will be reviewed on an annual basis.
- 4.3. All the accounting policies across the legacy authorities have been reviewed to ensure that any accounting policy that is adopted is appropriate and meets the requirements of the Code.
- 4.4. Where there are any disparities, these policies will be harmonised for the completion of the 2021/22 Statement of Accounts.

Key Sources of Estimation

- 4.5. In preparing the annual accounts there are areas where estimates are made. These include:
 - useful lives and valuations of properties which are estimated by qualified valuers,
 - provision for business rate appeals based on the experience of the outcome of appeals,
 - the amount of arrears that will not be collected which is estimated based on expectations of the collection of different types of debt and
 - the liability for future pension payments which is estimated by qualified actuaries.

Consultation on emergency proposals for an update of the 2021/22 and 2022/23 Codes of Practice on Local Authority Accounting in the UK

² CIPFA/LASAAC – Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee

- 4.6. In December 2021, the Department of Levelling-up, Housing and Communities (DLUHC) asked the Chartered Institute for Public Finance and Accountancy (CIPFA) to consider ways in which the Code could assist the timeliness of audit opinions within the local authority sector as the majority (91%) of local bodies missed the statutory deadline of 30 September 2021 for publication of their audited 2020/21 accounts. CIPFA considered a wide range of options as follows:
- Making no changes to the Code
 - Changes to valuation approach
 - Suspending the requirement for group financial statements
 - Decoupling pension fund reporting from the administering authority financial statements
 - Delaying the implementation of IFRS³16 – which sets out the requirements for accounting for leases
 - Reducing disclosure requirements for pension fund assets in authority financial statements
 - Suspending or abating local government input to Whole of Government Accounts
 - Non-publication of the 2021/22 financial statements
- 4.7. After considering these options CIPFA decided to explore two approaches and issued an emergency consultation in February 2022 which considered the following changes to the 2021/22 and 2022/23 Codes:
- An adaptation to the Code to allow Local Authorities to pause professional valuations for operational property, plant and equipment (PPE) for a period of up to two years. This approach also explored the use of an indexing approach for PPE valuations. The view being that the proposal would reduce the PPE valuation audit work required which has become significant in previous financial years.
 - Deferring the implementation of IFRS16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.
- 4.8. The consultation lasted until to 3rd March 2022. The consultation responses were considered by the CIPFA Board at a meeting on 9th March 2022 and preliminary decisions were as follows:
- The Board decided not to progress any option to pause professional valuation of operational property, plant and equipment, or to apply indexation to paused balances of operational property, plant and equipment.
 - The Board decided to pursue the option of deferring implementation in the Code of IFRS 16 Leases, subject to consideration and review of this approach by the Financial Reporting Advisory Board (FRAB). This deferral would be for a fixed period of two years.
- 4.9. The final outcome of these considerations is currently awaited and is not a foregone conclusion. FRAB examines all amendments to the Code with the aim of ensuring that they comply with GAAP⁴, and that departures or modifications from GAAP due to public sector and spending controls contexts are fully

³ IFRS – International Financial Reporting Standards – set of accounting rules that govern how transactions and events should be reported in financial statements

⁴ GAAP – Generally Accepted Accounting Principles

explained and justified. Currently it is advised that those preparing the accounts should not suspend work on IFRS16 implementation in anticipation of a deferral.

5. Issues and Choices

- 5.1. The draft accounting policies for the Council for 2021/22 are shown in **appendix A** for approval.
- 5.2. These policies will form part of the Statement of Accounts for 2021/22 and will be subject to audit and as an outcome of the audit may need to be amended for the final audited accounts.

6. Implications (including financial implications)

6.1. Resources and Financial

- The financial impact of harmonising the accounting policies will not have a material impact on the financial outturn of the Council or the General Fund Balances.

6.2. Legal

- None Specific to this report.

6.3. Risk

- None Specific to this report.

6.4. Consultation

- None specific to this report.

6.5. Consideration by Scrutiny

- None specific to this report.

6.6. Climate Impact

- None specific to this report.

6.7. Community Impact

- None specific to this report.

7. Background Papers

- 7.1. Council Constitution.
- 7.2. CIPFA Emergency proposals for the update to the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

