



**TO:** Audit & Governance Committee

**FROM:** Director of Finance

**DATE:** 29<sup>th</sup> March 2022

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT:** Accounting Policies to be used in the preparation of the Statement of Accounts 2021/22

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## 1. PURPOSE

- 1.1 This report seeks the approval of the Committee to the Accounting Policies to be used in the preparation of the Council's Statement of Accounts 2021/22.

## RECOMMENDATIONS

- 1.2 The Committee is recommended to note the use of the Accounting Policies as set out at **Appendix A** for the preparation of the Council's Statement of Accounts 2021/22.

## 2. BACKGROUND

- 2.1 In accordance with the Accounts and Audit Regulations 2015, the Council is required to produce annually a Statement of Accounts. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices required to give a *'true and fair'* view of the financial position, financial performance and cash flows of a local authority.
- 2.2 The Council's Director of Finance, as the officer appointed by the Council in discharge of its responsibilities under s151 of the Local Government Act 1972, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices set out in the Code. In doing so, the Director of Finance is required to select suitable accounting policies and then apply them consistently. Accounting policies are the specific principles conventions, rules and practices applied in preparing and presenting the financial statements.

## 3. KEY ISSUES

- 3.1 The Accounting Policies to be used in the preparing the Council's Statement of Accounts for 2021/22 are set out at **Appendix A**. These policies are largely unchanged from those applied in the preparation of the 2020/21 Statement of Accounts. The main changes include:-

- the addition of a policy on the Council's role as agent for the Business Improvement Districts (although this is not a material issue);
- a revised policy for the valuation of heritage assets reflecting an update following the audit of the Council's Statement of Accounts 2020/21. In essence, whilst still compliant with the Code, the policy is to base the value of Heritage Assets on their insurable value;

3.2 At the time of writing, it should be noted that CIPFA/LASAAC has recently concluded an exceptional consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements. The consultation, which ended on 3<sup>rd</sup> March 2022, relates to proposals on the following matters:-

- 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 (though the initial proposal is for the 2021/22 financial year); this approach also explores whether valuations should be changed by reference to a standard index in lieu of a proper valuation;
- deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 Code to implement that standard (the implementation of IFRS 16 has already been deferred for 2021/22 and, therefore, will have no bearing on the Council's Accounting Policies for the that year).

3.3 As the outcome of the consultation was not known at the time of writing this report, it is not possible to determine what impact the change in approach to PPE will have on the Council's policy at this stage. Should the outcome be known at the time of the meeting, a verbal update will be provided.

3.4 On a similar note, as part of the audit of local authority Statement of Accounts for 2020/21, there is an emerging issue associated with the derecognition of costs associated with Infrastructure improvements. This matter affect most, if not all, Councils including Blackburn with Darwen and currently under review by the relevant Accounting Standards bodies. It is not known what the outcome of this review will be and whether it may lead to a change in accounting policy. Again, as more information is known, the Committee will be updated.

#### **4. POLICY IMPLICATIONS**

4.1 There are no policy implications arising directly from this report.

#### **5. FINANCIAL IMPLICATIONS**

5.1 There are no financial implications arising directly from this report.

#### **6. LEGAL IMPLICATIONS**

6.1 There are no legal implications arising directly from the contents of this report.

#### **7. RESOURCE IMPLICATIONS**

7.1 There are no other resources implications arising from the contents of this report.

## **8. EQUALITY AND HEALTH IMPLICATIONS**

9.1 There are no equality and health implications arising from the contents of this report.

## **9. CONSULTATIONS**

9.1 None arising from the contents of this report.

## **10. STATEMENT OF COMPLIANCE**

11.1 The recommendation in this report is made further to advice from the Monitoring Officer.

## **Appendices**

Appendix A – Draft Accounting Policies 2021/22

<b>VERSION:</b>	1
<b>CONTACT OFFICER:</b>	Dean Langton – Director of Finance
<b>DATE:</b>	March 2022
<b>BACKGROUND PAPERS:</b>	