



**Open Report on behalf of Andrew Crookham,
Deputy Chief Executive & Executive Director - Resources**

Report to:	Audit Committee
Date:	25 March 2024
Subject:	Statement of Accounts 2023/24 – Accounting Policies

Summary:

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2023/24 Statement of Accounts for Lincolnshire County Council and the Lincolnshire Pension Fund;
- The broad requirements of the Accounts and Audit Regulations 2015, and reporting timescales;
- The review of the Council's Accounting Policies for both the main financial statements and the Lincolnshire Pension Fund statements;
- An overview of the timeline proposed by the Chartered Institute of Public Finance and Accountancy for resolving the current issues with reporting and local audit.

Recommendation(s):

The Executive Director of Resources asks the Members of the Audit Committee to:

- (1) Note the changes required to the Statement of Accounts from the Code of Practice 2023/24;
- (2) Note the deadlines of 31 May 2024 for the preparation of draft accounts, and 30 September 2024 for publication of the audited Statement of Accounts 2023/24;
- (3) Approve the Statement of Accounting Policies (Appendix A) to use in preparing the Council's accounts for the financial year ending 31 March 2024.
- (4) Approve the Statement of Accounting Policies (Appendix B) to use in preparing

the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2024.

(5) Note the timeline for reset, recovery and reform provided by the Chartered Institute of Finance and Accountancy (Appendix C).

(6) Note the contents of the final audit fees 2022/23 published by Mazars (Appendix D).

1. Background

1.1 The Council is required to prepare its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2023/24 (the Code). This ensures the accounts are prepared using "proper accounting practice". The Council is also required to comply with the Accounts and Audit Regulations 2015 in preparing, submitting for audit, and publishing its accounts.

Changes to the Code of Practice on Local Authority Accounting for 2023/24: Lincolnshire County Council

1.2 The Code of Practice for 2023/24 has introduced some revisions and clarifications to the accounting requirements for the 2023/24 Statement of Accounts. For the main accounts, the key items are:

a) It is confirmed again that the provisions of IFRS 16 Leases must be implemented by local authorities in 2024/25. It is recognised that some authorities may wish to adopt the standard earlier, and a new guidance document covering the accounting requirements of IFRS16 has been published by CIPFA alongside the Code of Practice 2023/24. We intend to adopt the leasing standard from April 2024.

b) The Code confirms that the accounting treatment and disclosures required for infrastructure assets are currently provided in CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution and this bulletin should be read alongside the Code guidance notes for local authorities with material infrastructure assets. The temporary solution, which allows us to omit the disclosure of gross value and accumulated depreciation of infrastructure assets, and also allows us to not account for the derecognition of replaced components for infrastructure assets where there is insufficient evidence to support the transaction, has been adopted as advised by our auditors. The temporary solution can be applied to our 2023/24 accounts and the code requires that additional information is provided to explain our rationale for this decision.

1.3 International Accounting Standard 8 “Accounting Policies, Changes to Accounting Estimates and Errors” has been amended to add in the definition of an accounting

estimate, which was previously not in the standard. Accounting estimates are now defined as, “monetary amounts in financial statements that are subject to measurement uncertainty”.

1.4 International Accounting Standard 1 “Presentation of Financial Statements” has been amended to now require organisations to disclose their material accounting policy information rather than their significant accounting policies. Material accounting policy information is further explained as expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. As explained in paragraph 1.12 below, we consider materiality when selecting accounting policies and the information contained within them, for disclosure in the accounts.

1.5 There will also be changes in accounting standards in the future, which may impact on the Council in the 2024/25 accounts. The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to publish a bulletin which will interpret any future changes in accounting standards for the public sector. Once this is available, the impacts will be assessed and included in the 2023/24 Accounts in the disclosure notes for Accounting Standards that have been Issued but have not yet been Adopted (note 1 of the main accounts and note 2 of the Pension Fund accounts).

Accounts and Audit Regulations 2015

1.6 The Accounts and Audit Regulations 2015 set out the requirements for local authorities to prepare an annual statement of accounts, to publish such accounts and to have those accounts audited. The regulations also allow for the statement of accounts to be inspected by members of the public within a certain timeframe.

1.7 The timescales for this year are as follows:

- The deadline for preparing draft accounts is 31 May for the 2023/24 accounts.
- The deadline for publishing audited accounts is 30 September for the 2023/24 accounts.

1.8 We are planning to present the draft Statement of Accounts 2023/24 to the Audit Committee on 17 June 2024 alongside a training session on the accounts.

Statement of Accounting Policies

1.9 An important section of the published accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the accounts, together with any estimation techniques adopted. The policies for the Council's main financial statements have been reviewed and are attached at **Appendix A** for consideration and approval by this Committee. The policies for the Council's LGPS Pension Fund financial statements have been reviewed and are attached at **Appendix B** for consideration and approval by this Committee.

- 1.10 There are no changes to the accounting policies for 2023/24 which impact on the main accounts and the existing accounting policies are shown in **Appendix A**. Our accounting policies are reviewed annually and where transactions and balances are not deemed as material for 2023/24, the relevant policy will be removed to streamline our Statement of Accounts. The concept of materiality is also considered annually so we can reinstate any accounting policies that become material on a year by year basis.
- 1.11 There are no changes to the Code of Practice for 2023/24 which will have an impact on the Pension Fund Accounts, so no changes have been made to our accounting policies. The existing accounting policies are shown in **Appendix B**.
- 1.12 The implementation of the International financial Reporting Standards (IFRS) 16 Leases from April 2024 will not impact on our Accounting Policies for 2023/24 accounts but will need to be fully adopted into our accounting policies for our 2024/25 Statement of Accounts. We plan to liaise with External Audit to confirm that they have no issues with the changes proposed before they are adopted.

Proposals for Reset, Recovery and Reform of the Arrangements for Local Accounts and Audit

- 1.13 CIPFA has recently consulted on proposed short term measures in the code of Practice on Local Authority Accounting for English-only authorities to aid the recovery of local authority reporting and audit. The timeline for the reset, recovery and reform are shown in **Appendix C**.
- 1.14 The Department of Levelling Up, Housing and Communities (DLUHC) has sought views on changes aimed at addressing the local audit backlog including introducing “backstop dates” for the publication of audited accounts. The “backstop date” proposed is 30th September 2024, by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23. As the Council’s 2022/23 accounts were signed off in December 2023, these proposals will not impact on the Council.

Audit Fees and completion

- 1.15 At the audit committee on the 26th January 2024, we shared the External Auditors (Mazars) Annual Audit report for 2022/23. As set out in their external audit strategy, the report included the auditor’s fees for their audit of the 2021/22 and 2022/23 accounts. At the time of publishing the report, the final fee charges for 2022/23 were still being agreed with the council, so were not published. These fees have now been approved and Mazars have provided an update and their finalised audit fees. These fees are presented in Appendix D and set out the core fees and additional fees payable by the council for the work approved and undertaken by Mazars to align with the requirements of the NAO Code of Practice. The fees set out for 2023/24 in this appendix, relate to the scale fee agreed through the PSAA audit arrangement and contract with KPMG.

2. Conclusion

- 2.1 The amended accounting requirements, disclosures and timescales, as required by the Code of Practice and the Audit and Accounts Regulations will be incorporated into the Statement of Accounts for 2023/24.
- 2.2 The Statement of Accounts will be prepared using the Accounting Policies approved by the Audit Committee at this meeting.

3. Consultation

a) Risks and Impact Analysis

N/A

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Statement of Accounting Policies for LCC financial statements 2023/24
Appendix B	Statement of Accounting Policies for LGPS Pension Fund financial statements 2023/24
Appendix C	CIPFA timeline of Reset Recovery and Reform
Appendix D	LCC Finalised audit fees 2022/23

5. Background Papers

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24	Executive Director of Resources

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