

Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	Audit Committee
Date:	27 March 2023
Subject:	Statement of Accounts 2022/23 – Accounting Policies

Summary:

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2022/23 Statement of Accounts for Lincolnshire County Council and the Lincolnshire Pension Fund;
- The broad requirements of the Accounts and Audit Regulations 2015, and the latest amendment to these regulations regarding reporting timescales;
- The review of the Council's Accounting Policies for both the main financial statements and the Lincolnshire Pension Fund statements.

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 2022/23;
- (2) Note the amended deadlines of 31 May 2023 for the preparation of draft accounts, and 30 September 2023 for publication of the audited Statement of Accounts 2022/23;
- (3) Approve the Statement of Accounting Policies (Appendix A), the Accounting Policies within Disclosure Notes (Appendix B) to use in preparing the Council's accounts for the financial year ending 31 March 2023.
- (4) Approve the Accounting Policies proposed not to be published (Appendix D) in the Council's accounts for the financial year ending 31 March 2023.
- (5) Approve the Statement of Accounting Policies (Appendix C) to use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the

financial year ending 31 March 2023.

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 2022/23 (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 2022/23: Lincolnshire County Council

1.2 The Code of Practice for 2022/23 has introduced some revisions and clarifications to the accounting requirements for the 2022/23 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 2022/23. 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 not been adopted. This is because we have been accounting for the derecognition of infrastructure assets and believe that our disclosures are not misleading. We will continue to follow the Code of Practice in accounting for infrastructure assets, although we are clarifying our accounting policies relating to this area.

1.3 The Annual Improvements to IFRS Standards 2018-2020 includes a revision to IFRS 9 Financial Instruments, which clarifies an element of how a restructuring of debt should be accounted for, and this would come into effect in our 2022/23 financial year. We have not restructured any debt in 2022/23 so this amendment is not relevant for the 2022/23 Statement of Accounts but will be taken into account for any future debt restructuring.

1.4 The Annual Improvements to IFRS Standards 2018-2020 also includes a revision to IAS 16 Property, Plant and Equipment, which clarifies that if any items are sold in the

course of preparing an asset for its intended use, then those sale proceeds cannot be deducted from the capital cost of bringing an asset into use but must instead be recognised as sale proceeds in the Comprehensive Income and Expenditure Statement. We do not have any instances of items being sold in these circumstances so this clarification is not relevant for our accounts.

1.5 There will also be changes in accounting standards in the future, which may impact on the Council in the 2023/24 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 2022/23 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 These regulations were previously amended to allow for longer timescales for the preparation, publication and audit of the accounts due to the impact of the Covid-19 pandemic. This additional leeway has now ended and the latest amendment to the regulations in 2022 reinstates the timescales which were in force prior to the pandemic.

1.8 The timescales for this year are as follows:

- The deadline for preparing draft accounts is 31 May for the 2022/23 accounts onwards.
- The deadline for publishing audited accounts is 30 September for the 6 years beginning with the 2022/23 accounts.

1.9 We are planning to present the draft Statement of Accounts 2022/23 to the Audit Committee on 19 June 2023 alongside a training session on the accounts.

Statement of Accounting Policies

1.10 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 C** for consideration and approval by this Committee.

1.11 Two enhancements have been made to the accounting policies for 2022/23 which impact on the main accounts and these are marked in **bold** in **Appendix A**. They are:

- Accounting Policy 4 Property, Plant and Equipment. We've added a paragraph into this policy to clarify our approach to the derecognition of infrastructure assets. This is not a policy change but merely a clarification.

Other changes have been made to the useful lives in section d depreciation part of the policy. We have expanded the table to include more types of infrastructure assets to reflect the best practice mentioned in CIPFA bulletin 12. We have not changed our useful lives, we have simply listed more types of infrastructure assets.

We have been advised of improvements to how potholes are filled and as a result we have increased the useful lives for capital pothole filling from 1-3 years to 1-4 years.

1.12 There are no changes to the Code of Practice for 2022/23 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 C**.

1.13 Our accounting policies for 2022/23 have been reviewed as part of an exercise to streamline our Statement of Accounts. The concept of materiality has been considered and where transactions and balances are not deemed as material, the relevant policy has been removed. As our accounting policies are reviewed annually, we can reinstate any accounting policies that become material on a year by year basis.

1.14 For 2022/23 the following Accounting Policies will be removed from the Statement of Accounts. These policies are included in Appendix D and are proposed for approval by this Committee, which would allow them to be reinstated in the Statement of Accounts in either 2022/23 or future years if required:

- Donated Assets
- Inventories
- Contingent Assets
- Events after the Reporting Date (this would be reinstated if an event occurs)
- Exceptional Items
- Acquired and Discontinued Operations
- Section on the use of capital receipts to fund transformation projects (part of Property, Plant and Equipment)

1.15 The placement of accounting policies within the Statement of Accounts has also been reviewed and where it has been judged that further understanding and clarity can be enhanced by incorporating the policy within the relevant disclosure note, we have done so. The results are attached at **Appendix B** for consideration and approval by this Committee. We are liaising with External Audit to confirm that they have no issues with the changes proposed before the changes are implemented in the Statement of Accounts.

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 2022/23.
- 2.2 The Statement of Accounts will be prepared using the Accounting Policies approved by the Audit Committee at this meeting.

Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Statement of Accounting Policies for main financial statements 2022/23
Appendix B	Accounting Policies incorporated into Disclosure Notes 2022/23
Appendix C	Statement of Accounting Policies for LGPS Pension Fund financial statements 2022/23
Appendix D	Accounting Policies which are proposed not be published

Background Papers

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23	Executive Director of Resources

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