

SOUTH STAFFORDSHIRE COUNCIL

AUDIT & RISK COMMITTEE – 6 FEBRUARY 2024

ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

REPORT OF THE FINANCE TEAM MANAGER AND DEPUTY SECTION 151 OFFICER

PART A – SUMMARY REPORT

1. SUMMARY OF PROPOSALS

The purpose of this report is to:

- a) Review and seek Audit and Risk Committee approval of the critical judgements used in applying the accounting policies and the assumptions about the future and other major sources of estimation uncertainty.
- b) Explain any key changes and provide additional information for items that are considered to require Member's consideration.

2. RECOMMENDATIONS

- 2.1 It is recommended that members review and approve the critical judgements that have been used in applying the accounting policies along with the assumptions about the future and other major sources of estimation uncertainty detailed at Appendix 1.

3. SUMMARY IMPACT ASSESSMENT

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	The values of a customer focussed organisation and also of value for money underpin the Council's priorities – both of which are central to the production and publishing of the Statement of Accounts.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	Accounting policies and critical accounting judgements underpin the preparation of the annual statement of accounts. The reporting of income and expenditure is prescribed by regulation and the

		CIPFA Code and does not directly impact on the delivery of services.
SCRUTINY POWERS APPLICABLE	No	
KEY DECISION	No	
TARGET COMPLETION/ DELIVERY DATE		The statutory date for completion of the audit of the Statement of Accounts is September 30 2024. Draft accounts should be published on the Council website by 31 May 2024.
FINANCIAL IMPACT	Yes	The appropriate adoption of accounting policies and application of critical judgements ensures that information within the accounts is relevant and reliable.
LEGAL ISSUES	Yes	The report contributes to Members' ability to discharge their responsibilities under the Accounts and Audit Regulations 2015 which require the Council to have their audited statement of accounts approved by a resolution of an authorised member meeting by the date shown above, and draft, unaudited accounts published for scrutiny on the Council website by the date shown. Under the Council's constitution this power has been delegated to the Audit & Risk Committee.
OTHER IMPACTS, RISKS & OPPORTUNITIES		The financial health of the Authority as determined within its Statement of Accounts will be used to inform the Council's overall financial risk assessment and the Council's reserve strategy. The accounting policies, critical judgements and assumptions made about the future and other major sources of estimation uncertainty are key to the presentation and understanding of the Council's financial health.
IMPACT ON SPECIFIC WARDS	No	

PART B – ADDITIONAL INFORMATION

- 4.1 Under Section 151 of the Local Government Act 1972, the appointed Chief Finance Officer is charged with the proper administration of the Council's financial affairs and as such must make good judgements and estimates that are reasonable and prudent.
- 4.2 In applying the Authority's accounting policies the Council has to make certain judgements about future events. In accordance with International Accounting Standards, the notes to the accounts contain details of the critical judgements made.
- 4.3 The Statement of Accounts by necessity, contains some estimated figures that are based on the assumptions made by the Council about the future or that are otherwise uncertain. These include (but are not limited to) useful lives of assets,

valuations of land and buildings and bad debt provisions. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because some balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

- 4.4 It is considered good practice for the Audit and Risk Committee to consider these judgements and the major sources of estimation uncertainty that are going to be applied to the accounts and to approve their adoption in compiling the draft Statement of Accounts.
- 4.5 Appendix 1 therefore includes an excerpt from an early draft of the Council's Statement of Accounts in relation to Accounting Policies, Judgements, Assumptions and Uncertainties.
- 4.6 Members attention is particularly drawn to Section 2 of Appendix 1 which makes reference to IFRS16. This Accounting standard, detailing a change in how finance leases are accounted for will be introduced by local authorities on a mandatory basis from 1 April 2024 for inclusion in the 2024/25 accounts. However, disclosures will be required in the 2023/24 accounts to the extent that the accounts would have been different had the standard been imposed from 1 April 2023.

5. IMPACT ASSESSMENT

- 5.1 None

6 PREVIOUS MINUTES

- 6.1 Not applicable

7. BACKGROUND PAPERS

- 7.1 Appendix 1 –Statement of Accounts Excerpt: Accounting Policies, Judgements, Assumptions and Uncertainties

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