

2023/24 STATEMENT OF ACCOUNTS - ACCOUNTING POLICIES**Report of the Deputy Chief Executive (Section 151 Officer)****1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 The Deputy Chief Executive (Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing the Statement of Accounts, the Deputy Chief Executive (Section 151 Officer) must select suitable accounting policies and then apply them consistently and make judgement and estimates that are reasonable and prudent.
- 1.2 Accounting policies are specific principles, bases, conventions, rules and practices applied by a local authority in preparing and presenting financial statements. It is recommended by the External Auditor and in line with best practice that the proposed Accounting Policies used for the preparation of the Statement of Accounts are approved by the Audit Committee.

2. 2023/24 ACCOUNTING POLICIES

- 2.1 The accounting policies are reviewed each year to ensure that they are relevant and are updated for any changes to the Code since the previous year.
- 2.2 For the 2023/24 Statement of Accounts, there has been an update to International Accounting Standard 1, Presentation of Financial Statements, which requires local authorities to disclose 'material' rather than 'significant' accounting policies. This update aligns with CIPFA guidance and their commitment to improving the presentation of local authority financial statements with an emphasis on streamlining and simplifying the accounts. A key element to this is the materiality of disclosures including Accounting Policies.
- 2.3 Information is considered material if omitting it or misstating it could influence decisions that users make based on financial information in the Statement of Accounts. Conversely, an item that is immaterial will not be relevant, cannot influence a user's decisions and need not be reported in the financial statements. In fact, including immaterial information may result in relevant information being obscured by excessive detail and thus interfere with decision-making.
- 2.4 Materiality is specific to individual local authority circumstances. It is subjective and requires professional judgement of both quantitative and qualitative aspects when being applied. During the audit of the 2022/23 Statement of Accounts, Mazars assessed the Council's quantitative materiality level to be £18.95m, which is 2% of gross operating expenditure. However, materiality is not only determined by amount, the nature and context (qualitative aspects) of transactions may also be considered material. Examples of such transactions include, related party transactions, a transaction or adjustment that changes a surplus to a deficit or vice versa, changes to laws or regulations and legal cases.

2.5 The Council's Accounting Policies have been reviewed to ensure that they are relevant to the 2023/24 financial year and that they are in line with the updated Code requirement on accounting policy disclosure. The proposed Accounting Policies are set out in appendix one to this report. The review has considered both quantitative and qualitative materiality and the following is a list of the accounting policies that are no longer being included based on materiality:-

- **Accounting for Business Improvement Districts** – annual income is less than £1m and therefore the accounting policy information is being removed;
- **Accounting for premiums and discounts as part of the Financial Instruments accounting policy** – there are currently no transactions, the narrative in relation to them is being removed;
- **Heritage Assets** – the value in the Statement of Accounts is below materiality (total value was £11.272m as at 31 March 2023). This was picked up during the audit of the 2022/23 Statement of Accounts, so in a drive to streamline and simplify the accounts, the disclosure note as well as accounting policy are being removed from the 2023/24 Statement of Accounts;
- **Intangible Assets** – the value in the Statement of Accounts is below materiality (total value was £0.454m as at 31 March 2023) so the disclosure note as well as accounting policy are being removed from the 2023/24 Statement of Accounts;
- **Assets Held for Sale** – the value in the Statement of Accounts is below materiality (total value was £1.016m as at 31 March 2023) and the disclosure note as well as accounting policy are being removed from the 2023/24 Statement of Accounts; and,
- **Contingent Assets and Contingent Liabilities** – these are considered and reviewed each year and there are currently none to include in the 2023/24 Statement of Accounts, so the accounting policy is being removed.

2.6 The Accounting Policies are judgements and are correct at the time of writing this report but may change if further accounting guidance is issued. In addition, where material transactions are identified for any of the items set out in paragraph 2.5 during the closedown process, then the relevant accounting policy and disclosures will be included in the 2023/24 Statement of Accounts. An update highlighting any changes to the accounting policies will be provided to Members during the Member training, which will take place ahead of Members being asked to approve the 2023/24 Statement of Accounts.

3. CONCLUSIONS AND RECOMMENDATIONS

3.1 The Audit Committee is asked to note the contents of this report.

3.2 The Audit Committee is recommended to approve the Council's proposed Accounting Policies set out in appendix one to be adopted in preparing the Council's 2023/24 Annual Statement of Accounts

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Jonathan Davies on telephone number Tel: 218 1025 or alternatively email jonathan.davies@stockport.gov.uk