

**2024/25 STATEMENT OF ACCOUNTS - ACCOUNTING POLICIES****Report of the Director of Finance - Section 151 Officer****1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 The Director of Finance - 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 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing the Statement of Accounts, the Director of Finance - 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. 2024/25 ACCOUNTING POLICIES**

- 2.1 The council's accounting policies are reviewed each year to ensure that they are relevant to the current year and are updated for Code requirements on accounting policy disclosures. The proposed accounting policies are set out in appendix one to this report.
- 2.2 For the 2024/25 Statement of Accounts, there is a significant update to the accounting policies to include the provisions of the newly adopted international financial reporting standard on leases, IFRS16 Leases.
- 2.3 The adoption of IFRS16 Leases removes the traditional distinction between finance leases and operating leases for lessees. The accounting standard requires lessees to recognise the majority of assets subject to lease contracts as right of use assets on the balance sheet, along with a corresponding lease liability.
- 2.4 Prior to the introduction of IFRS16, lease accounting was fairly subjective. A lease was classified as a finance lease where substantially all the risks and rewards of ownership of the asset transferred to the lessee. All other lease arrangements were treated as operating leases and these were simply expensed. The key objective of this new accounting standard is to ensure that lessees recognise the assets and liabilities on the balance sheet for its lease contracts as right of use assets, where the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In other words, the financial statements will better reflect the assets and liabilities that the council has entered into as part of the arrangement.

- 2.5 In implementing the requirements of IFRS16, officers have reviewed and analysed contracts held, including those described as contracts for services, to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. Work is ongoing to account for this transition and the impact is still being assessed, although it is very unlikely to be material.
- 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. An update highlighting any changes to the accounting policies will be provided during member training on the 2024/25 Statement of Accounts, which will take place ahead of members being asked to approve the 2024/25 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 2024/25 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](mailto:jonathan.davies@stockport.gov.uk)