



**Havering**  
LONDON BOROUGH

**AUDIT COMMITTEE**  
**18<sup>TH</sup> April 2023**

**Subject Heading:**

Accounting Policies 2023/24 and  
Statement of Accounts update

**SLT Lead:**

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**Policy context:**

To provide the committee with the accounting policies for 2023/24 and an update on the Statement of Accounts for previous years

**Financial summary:**

There are no financial implications arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

**The subject matter of this report deals with the following Council Objectives**

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

**SUMMARY**

This report advises the committee on the Accounting Policies set for the financial year of 2023-24. This report is presented in two sections:

Section 1: Accounting Policies 2023-24

Section 2: Statement of Accounts Update

**Appendix A: Accounting policies 2023-24**

**Appendix B: DLUHC letter to LG and Audit Firms**

**RECOMMENDATIONS**

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

**REPORT DETAIL**

**1. Introduction**

1.1 This report sets out the revised accounting policies that will be applied during the financial years 2023/24 in preparation of the Council's financial statements. The full policies are shown in appendix A to this report and will be included in the Statement of Accounts. The policies are prepared under the International Financial Reporting Standards (IFRS). Members of the Audit Committee are invited to note these policies and make comment. Reviewing of accounting policies by Members ensures that the Council and Audit Committee follow the CIPFA Better Governance Forum toolkit for local authority Audit Committees.

1.2 Unless there are major changes to accounting rules and regulation, accounting policies do not change significantly between years because the accounts would not be comparable from one year to the next.

1.3 The Statement of Accounts for 2023/24 will be presented to the Audit Committee during 2024. These accounting policies statement will be included within the accounts and any significant changes made during the course of the closedown programme and/or audit (if completed) will be highlighted and explained by officers.

## **2. Purpose of Accounting Policies**

- 2.1 The Code of Practice for Local Authority Accounting defines accounting policies as "the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves".
- 2.2 The application of accounting policies supports the implementation of the main accounting concepts of best practice. These ensure financial reports:
- Are **relevant** – providing appropriate information on the stewardship of Authority monies.
  - Are **reliable** – financial information can be relied upon and is without bias and free from error, within the bounds of materiality and has been prudently prepared.
  - Allow **comparability** – the interpretation of financial reports is enhanced by being able to compare information across other accounting periods and other organisations.
  - Are **understandable** – though financial reports have to contain certain information, they have to be understandable.
  - Reflect **material** information – significant transactions must be incorporated in the financial reports.
  - Prepared on a **going concern** basis – the assumption that the authority will continue in operational existence for the foreseeable future.
  - Prepared on an **accruals** basis – accounts are prepared to reflect the benefit of goods and services received and provided rather than when cash transactions occur when invoices are paid in a later accounting period.
- 2.3 The accounting policies currently adopted by the Council are in line with the concepts set out in 2.2.

## **3. Contents of Accounting Policies**

- 3.1 The appendix contains all of the Council's accounting policies. The more significant policies cover the treatment of the following:
1. **Property Plant and Equipment** – the basis for valuing major long-term assets, such as council dwellings and offices.
  2. **Impairment** – The carrying value of assets is reviewed annually to determine whether there is a material change in value and the basis on which impairment losses are written off.
  3. **Depreciation** – Depreciation is charged to spread the value of an asset over its useful life.

4. **Provisions and reserves** – A **provision** is created because the Council will have to make a future payment to settle a financial obligation and a reasonable estimate can be made of the amount payable. Provisions are charged to the relevant service area. A **reserve** is created for a planned future purpose or maintained as a general contingency. These are recorded separately on the Movement in Reserves Statement.
5. **Accruals of Income and Expenditure** – The Council raises accruals to comply with the concept of accounting to measure when payments or receipts are due rather than where cash is transferred to settle the liability
6. **Pensions** – This note describes the three pension schemes Council employees contribute to (teachers, health workers and Local Government Pension Scheme). The policy includes detail on the investment valuation basis used and the calculations made of future liability.
7. **Value Added Tax** - As the vast majority of VAT paid by the Council is recoverable from H.M. Revenue & Customs, recoverable VAT is excluded from the cost of services within the accounts.

#### **4. Changes in Accounting Policies for 2023/24**

4.1 The application of most accounting policies is applied consistently from year to year. Changes are required when new accounting regulations are introduced or updated or if there is a significant change within the financial activities of the Council.

4.2 There are no material changes proposed to Havering's accounting policies for the 2023/24 accounts. The requirement to include all leased assets on the balance sheet has been deferred for Local Government until 2024/25, this change should not have a material impact upon the Council's usable financial resources as the amounts payable under the leases will remain the same.

#### **5. Statement of Accounts for 2020/21 and 2021/22**

5.1 Officers are working with the auditors to complete the audit of the 2020/21 accounts. An update will be provided in the meeting. With CIPFA guidance on infrastructure accounting having been provided, the accounting policies have been amended to make reference. A review of the group accounting treatment of subsidiaries and joint ventures is being conducted. Once this review is complete, the 2020/21 accounts will be tabled at Committee for approval. The 2021/22 audit is due to commence later this year.

5.2 The 2020/21 and 2021/22 draft Statement of Accounts are available on the Council website. Officers will be collating the 2022/23 Statement of Accounts in the coming weeks and plan to publish them by the Government deadline, currently 31<sup>st</sup> May 2023 though there is a possibility the Government might extend this deadline.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

There are no direct financial implications arising from the publication or approval of accounting policies. There are no material changes to policy impacting upon the Council's financial position.

**Legal implications and risks:**

There are no apparent legal implications in noting the content of the Report.

**Human Resources implications and risks:**

No implications

**Equalities implications and risks:**

No implications

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.