



AUDIT COMMITTEE

30th January 2025

Subject Heading:

Accounting Policies 2024/25

ELT Lead:

Kathy Freeman, Strategic Director of Resources

Report Author and contact details:

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Policy context:

To present the 2024/25 accounting policies as an appropriate basis to prepare the council's 2024/25 Statement of Accounts.

Financial summary:

There are no financial implications arising directly from this report.

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

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| People - Supporting our residents to stay safe and well | [] |
| Place - A great place to live, work and enjoy | [] |
| Resources - Enabling a resident-focused and resilient Council | [X] |

SUMMARY

Accounting policies are the conventions and practices applied by the Council in preparing its financial statements.

This report advises the committee on the Accounting Policies set for the financial year 2024/25.

RECOMMENDATIONS

The Committee is asked to:

- **Note** the Accounting Policies to be used in the preparation of the 2024/25 Financial Statements, as set out at Appendix A.

REPORT DETAIL

1. Introduction

- 1.1. The Council is required to prepare annual financial accounts covering the period from 1 April to 31 March. The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) requires councils to prepare financial accounts with regard to relevant accounting policies.
- 1.2. Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting its financial statements
- 1.3. The Strategic Director of Resources, as Section 151 officer, is responsible for selecting the council's accounting policies and ensuring that they are applied consistently.
- 1.4. The accounting policies are being brought to Audit Committee for comment and discussion by those charged with governance, prior to the production of the 2024/25 Statement of Accounts.
- 1.5. Should any amendments be required during the production of the accounts or through the audit process, these will be agreed with the Strategic Director of Resources. Any significant changes will be reported to Audit Committee at a later date.

2. Changes in Accounting Policies for 2024/25

- 2.1. Accounting policies are 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. The Accounting Policies are mostly consistent with those for 2023/24. The only significant change is in respect of leases.
- 2.2. The 2024/25 Code adopts a new standard; International Financial Reporting Standard (IFRS) 16 Leases. Under IFRS 16 the accounting for lessors is largely unchanged however, where the council is a lessee the accounting will

differ. The impact of the new standard is that all leases (except those less than 12 months or deemed to be of low value) will need to be accounted for as 'right-of-use' assets with a corresponding lease liability on the balance sheet.

- 2.3. From 1 April 2024, most operating leases will come onto the balance sheet resulting in an additional £11.5m being recognised on transition relating to short-term residential properties leased from the private sector. This has implications for the Council's Treasury Management Strategy, its Capital Programme and its Financial Statements as all leases are now classified as capital expenditure.
- 2.4. No other significant changes were required to the Accounting Policies that are to be adopted for the 2024/25 Financial Statements. The 2024/25 Accounting Policies are included in full at appendix A.

IMPLICATIONS AND RISKS

Financial implications and risks:

The main financial impact will be to the balance sheet, as right-of-use assets will increase and corresponding lease liabilities will also increase.

The changes to accounting policies for leases where the council is lessee will not result in any additional cost to general fund however, where lease payments were previously an expenditure in net cost of services, they will now be treated as an interest cost and a minimum revenue provision payment in financing and investment income. There will be a depreciation charge associated with the asset which will be mitigated by the statutory reversal of depreciation from the general fund.

Any income from leases where the council is lessor will be reviewed and, where necessary, income may change from a revenue receipt to a capital receipt. It is not expected that this will have a material impact on income.

Legal implications and risks:

There are no legal implications arising directly from this report.

The changes to accounting policies are part of the process for ensuring that the Council complies with its legal obligation to prepare a Statement of Accounts in accordance with proper practices.

The accounting policies that are adopted must comply with current legislation, the Code of Practice on Local Government Accounting and IFRS requirements. The policies must therefore be carefully considered to ensure that these obligations are met.

Human Resources implications and risks:

There are no direct human resources implications in this report.

Equalities implications and risks:

There are no direct equalities implications in this report.

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.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS
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None arising directly from this report.

Appendices:

Appendix A – Accounting Policies 2024/25