

**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**2 MARCH 2020**

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**Title:**

**Update on Statement of Accounts - Accounting Policies**

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**Portfolio Holder:** Councillor Mark Merryweather

**Head of Service:** Peter Vickers

**Key decision:** No

**Access:** Public

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**1. Purpose and summary**

- 1.1 The report provides an update on Waverley Accounting Policies in line with changes to the CIPFA Code of Practice.

**2. Recommendation**

It is recommended that the Audit Committee notes the proposed changes in accounting policy.

**3. Reason for the recommendation**

To enable the Audit Committee to be informed of the statutory guidelines that the Statement of Accounts has to be prepared within.

**4. Background**

- 4.1 Local authorities in the United Kingdom are required to prepare their accounts in compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is developed each year by CIPFA/LASAAC (Local Authority Scotland Accounts Advisory Committee) and has effect for financial years commencing on or after 1 April each year.
- 4.2 The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority.
- 4.3 **2019/2020 Statement of Accounts**

As reported to the Audit Committee on 4 March 2019, the 2019/2020 Code introduced no new substantial reporting requirements due in 2019/2020.

#### 4.4 2020/2021 Statement of Accounts – the year ahead

There is one substantial new financial reporting standard to be implemented for the financial year 2020/2021. International Financial Reporting Standard (IFRS) 16 Lease accounting is applicable from 1 April 2020. This changes how leases are accounted for to represent the value of assets and liabilities relating to leases in the balance sheet.

Change	Area affected	Impact
<b>IFRS 16 Lease accounting</b>  This applies to the Council as lessor. It requires 'right of use' assets within leases and contracts to be identified. It will change how leases are recognised, measured and presented in the accounts depending on the length and value of the lease.	<ul style="list-style-type: none"><li>- 'Right of use' assets will come onto the balance sheet and lease liabilities will be measured and recognised</li><li>- Peppercorn Leases will be valued at fair value</li><li>- Leases built into contracts where Waverley has substantive rights to assets will need to be identified and assessed</li></ul>	The risk is considered 'low' as: <ul style="list-style-type: none"><li>- Work is underway to assess the impact of IFRS16 ahead of the implementation date</li><li>- The Council has a well maintained, complete lease register</li><li>- Transitional arrangements in place allow for current leases within contracts to be carried forward as per the previous lease regulations. Only new contracts will need to be assessed as per IFRS16.</li><li>- Short term leases are exempt</li><li>- Low value assets are exempt</li></ul>

#### 5. Relationship to the Corporate Strategy and Service Plan

5.1 A financially sound Waverley, with infrastructure and services fit for the future.

#### 6. Implications of decision

##### 6.1 Resource (Finance, procurement, staffing, IT)

The accounts will be completed within current agreed budgets and staffing resource.

##### 6.2 Risk management

There is a risk that if the accounts are non compliant with statutory regulations, the Council's Statement of Accounts will receive recommendations, may not be signed off by the councils independent auditors in line with statutory deadlines. This will have reputational risk and require additional resources to rectify issues as appropriate.

##### 6.3 Legal

There are no direct legal implications.

## **6.4 Equality, diversity and inclusion**

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

## **6.5 Climate emergency declaration**

There are no direct implications in this report.

## **7. Consultation and engagement**

7.1 N/A

## **8. Other options considered**

8.1 N/A

## **9. Governance journey**

9.1 The minutes of the meeting will be included on the Council agenda.

## **Annexes:**

N/A

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## **Background Papers**

**There are no** background papers, as defined by Section 100D(5) of the Local Government Act 1972).

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## **CONTACT OFFICER:**

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Agreed and signed off by:

Legal Services: date

Head of Finance: date

Strategic Director: date

Portfolio Holder: date