

North Lanarkshire Council

Report

Audit and Scrutiny Panel

approval noting

Ref EK

Date 26/03/20

Changes to the Code of Practice on Local Authority Accounting 2020/21

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Executive Summary

The Council's Financial Statements are compiled in accordance with the Code of Practice on Local Authority Accountings in the United Kingdom (the Code) which is based on International Financial Reporting Standards (IFRS) and also the requirements of accounting and statutory guidance of central government.

The purpose of this report is to highlight any significant changes to the Code which may impact on the accounting requirements and presentation of the Council's 2020/21 Annual Accounts.

The 2020/21 Unaudited Annual Accounts are due to be submitted to External Audit by 30 June 2021.

Recommendations

It is recommended that the Audit and Scrutiny Panel:

- (1) Note the contents of the report; and
- (2) Note the actions being taken to ensure the Council submits a fully compliant set of Annual Accounts to External Audit

The Plan for North Lanarkshire

Priority Improve North Lanarkshire's resource base

Ambition statement (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

1. Background

- 1.1 The Council prepares its Annual Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) which sets out proper accounting practices. The Code, which is updated annually, is developed by CIPFA/LASAAC and based on International Financial Reporting Standards (IFRS).
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2. Report

2.1 Review of the Code

- 2.1.1 Financial Solutions maintain an awareness of changes to accounting practices and assess the impact, if any, these changes may have on the Council's procedures and reported financial position.
- 2.1.2 The process for review is carried out throughout the year and includes contributing to consultations on the development of future Codes of Practice; an assessment of the latest edition of the Code; and attending CIPFA run workshops to discuss and share best practice for the implementation of any changes adopted by the Code. This process will highlight where changes are required to our financial reporting.
- 2.1.3 Financial Solutions will work with all relevant parties within the Council to ensure that changes are fully assessed and ensure any necessary amendments to current working practices are implemented, in order to ensure the Council's Financial Statements remain fully compliant with the Code.
- 2.1.4 The review of the 2020/21 edition of the Code, sets out some minor updates in relation to financial disclosures and presentation. It also provides further clarification over certain accounting treatment, however there are no significant changes which will affect the 2020/21 closure of the accounts.

2.2 Accounting Standards Issued but not Yet Adopted

- 2.2.1 As previously reported to the Panel, implementation of *IFRS 16 Leases* was originally expected to take effect from 1 April 2019. Following the decision by the Financial Reporting Advisory Board (FRAB) on 22 November 2018, to defer implementation for the majority of the public sector, CIPFA/LASAAC agreed to delay adoption of the standard until 1 April 2020. However subsequent agreements made by FRAB and CIPFA/LASAAC have further deferred implementation to financial year 2022/23, with an effective date of 1 April 2022 now anticipated. This decision was made in response to pressures on council finance teams as a result of the COVID-19 pandemic. The treatment aligns with the proposals across the public sector.
- 2.2.2 IFRS 16 replaces the current standard on leasing: IAS 17. Amongst other things, IFRS16 removes the distinction between operating leases (which are charged to revenue) and finance leases (which are capitalised) and introduces the concept of 'right of use' in order to determine the accounting treatment for the lease contract/rental agreement.
- 2.2.3 In preparation for the implementation of the standard, Financial Solutions continue to engage with all Services to progress a review of the current lease portfolio held, including operating and finances leases. This review will inform how those leases should be accounted for and identify any impact on the financial position. However, early assessments of this suggests that any impact will be immaterial.

3. Equality and Diversity

3.1 Fairer Scotland Duty

There are no specific impacts to note.

3.2 Equality Impact Assessment

There are no specific impacts to note.

4. Implications

4.1 Financial Impact

There is no financial impact resulting from the contents of this report.

4.2 HR/Policy/Legislative Impact

There are no HR/Policy/Legislative impacts linked to this report.

4.3 Environmental Impact

There are no environmental impacts linked to this report.

4.4 Risk Impact

There is no risk associated with the contents of this report.

5. Measures of success

5.1 The Council continues to implement and follow appropriate Accounting practice.

6. Supporting documents

6.1 No appendices



Elaine Kemp
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