

**NON EXEMPT**

## **HAVANT BOROUGH COUNCIL**

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**GOVERNANCE, AUDIT & FINANCE BOARD**

**29 July 2020**

### **STATEMENT OF ACCOUNTS: ACCOUNTING POLICIES 2019/20**

#### **FOR DECISION**

**Cabinet Lead: Finance Cllr Inkster**

**Head of Service: Head of Finance**

**Key Decision: No**

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#### **1.0 Purpose of Report**

- 1.1. This report presents the Accounting Policies that will be used in the preparation of the 2019/20 Statement of Accounts and summarises the changes from 2018/19 introduced as a result of the amendments to the Code of Practice on Local Authority Accounting 2019/20 (the Code) or as part of the Council's annual review process.
- 1.2. The report also explains the requirement to include notes on the critical judgements used in the production of the Statement of Accounts which have been presented alongside the Accounting Policies in line with best practice.

#### **2.0 Recommendation**

- 2.1. Governance, Audit & Finance Board:
  - a) Approves the proposed Accounting Policies to be adopted in completing the 2019/20 Statement of Accounts
  - b) Note the critical judgements

#### **3.0 Executive Summary**

##### *Accounting Policies*

- 3.1. The Council's Accounting Policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed as a note to the annual accounts, a copy of the policies can be found at Appendix A.
- 3.2. The Code of Practice on Local Authority Accounting 2019/20 has been examined and accounting policies have been amended/adjusted as necessary.

- 3.3. In applying the accounting policies set out in Appendix A the Council will need to make certain judgements about complex transactions or those involving uncertainty about future events. The external auditors (Ernst & Young) are aware of these issues and are providing technical advice.
- 3.4. The changes introduced by the 2019/20 Code that will be relevant to the financial statements of the Council are as follows:
  - a) IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

#### *Critical Judgements*

- 3.5. In line with International Finance Reporting Standards (IFRS) and the Code the Council is required to disclose those judgements that management have made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements, these are shown in Appendix B. Judgements taken include for example, which properties should be classed as investment property.

#### **4.0 Additional Budgetary Implications**

- 4.1. None.

#### **5.0 Background and relationship to the Corporate Strategy and Directorate Business Plan/s**

- 5.1 The Statement of Accounts aim to provide an understanding of the overarching financial position of the Council, assurance that the financial position of the Council is robust and confidence that the public funds entrusted to the Council have been accounted for appropriately.
- 5.2 In addition, the Statement of Accounts provide a full narrative statement structured to include:
  - a. *Performance against the Corporate Strategy*
  - b. *Overall financial position*
  - c. *Key facts about Havant Borough Council*
  - d. *Financial performance and capital summary*
  - e. *Medium Term Financial Strategy*
  - f. *Explanation of Core Statements*
  - g. *The Council's responsibilities and certification of Accounts*
- 5.3 The Council restructured its directorates during 2019/20 and therefore the presentation of the Statement of Accounts for 2019/20 has been changed to reflect the new structure. The 2018/19 accounts have been re-stated to reflect those changes.

#### **6.0 Options considered and reasons for the recommendation**

- 6.1. It is recommended (in line with best practice) by the Council's external auditors that the proposed accounting policies to be used to prepare the Council's 2019/20 Statement of Accounts are approved by the Council's audit committee (Governance, Audit & Finance Board) before the accounting statements are prepared.

#### *Future events*

- 6.2. National issues as highlighted below may have a bearing on the preparation of the accounts:
- a) There is a high degree of uncertainty in respect of future levels of funding for local government. The current four year settlement gave certainty until 2019/20 and due to political events 2019/20 funding was rolled forward for 2020/21. The outcome of the Fair Funding Review and review of business rate retention is as yet unknown. In addition, auditors will continue to examine the going concern principle if levels of funding continue to decrease together with all major economic assumptions that form the basis of the statement of accounts
  - b) The financial impact of the United Kingdom leaving the European Union is as yet uncertain. It could be positive or negative, but it is likely to affect interest and inflation rates, labour costs and property and rental values. This situation is being carefully monitored in line with other national events and is a standing item for discussion with the auditors and internal valuers.
  - c) The financial impact of the Covid-19 pandemic which emerged towards the end of the financial year 2019-20 represents an unparalleled challenge to local authorities across the nation. In accordance with our business continuity plans, Havant Borough Council acted quickly to ensure critical services continued to function and support for our vulnerable residents was in place. There will be significant financial pressures placed on the authority as a result of the pandemic, the majority of these pressures will be felt in the financial years 2020-21 onwards.

### **7.0 Resource Implications**

- 7.1. Financial Implications – the accounts will be prepared according to the accounting policies approved.
- 7.2. Human Resources Implications – none
- 7.3. Information Governance Implications – none.
- 7.4. Other Resource Implication – none.

### **8.0 Legal Implications**

- 8.1. The Statement of Accounts will be prepared in accordance with the requirements of the Chartered Institute of Public Financial Accounting (CIPFA).

### **9.0 Risks**

9.1. The Council needs to have in place accounting policies that meet the requirements of the relevant local government accounting code of practice. Failure to do so may result in the misreporting of the Council's finances which could adversely affect decision making and cause the external auditor to qualify the accounts.

## **10.0 Consultation**

10.1. Consultation has taken place with the Council's External Auditors, Ernst & Young

## **11.0 Communication**

11.1. The accounting policies will be incorporated into the Statement of Accounts.

## **12.0 Appendices**

Appendix A – Accounting Policies  
Appendix B – Critical Judgements

**13.0** Background Papers: none.

Monitoring Officer: 17/07/20

S151 Officer: 17/07/20

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