

Audit Committee

13 January 2025

Part 1 - Public

Delegated



Cabinet Member	Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officer	Sharon Shelton – Director of Finance and Transformation
Report Author	Amanda Riley – Principal Accountant

Accounting Policies

1 Summary and Purpose of Report

- 1.1 This report presents the Accounting Policies proposed for the 2024/25 Financial Statements for consideration and endorsement.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 The Accounting Statement form part of the assessment of the Council's finances in order to maintain efficient and effective services. The accounting policies underpin the preparation and presentation of these accounts.

3 Recommendations

- 3.1 Members are asked to consider and, subject to any required amendments, endorse the Accounting Policies to be used in the preparation of the 2024/25 Financial Statements as set out at [Annex 1].

4 Introduction and Background

- 4.1 The Accounting Policies to be used in the preparation of the 2024/25 Financial Statements are attached at [Annex 1].

5 Accounting Polices for the 2024/25 Statement

- 5.1 The Accounting Policies remain largely unchanged since 2023/24. The only significant change is in respect of Leases.
- 5.2 From 1st April 2024, a new International Financial Reporting Standard, IFRS 16, came into effect for Local Authorities. IFRS 16 introduces a new 'Right of Use'

asset class to the balance sheet from 2024/25 onwards and recognises the corresponding lease liability. This applies to all leases - property, land, vehicles, plant, and equipment.

- 5.3 IFRS 16 was primarily intended to bring more transparency to leases in companies' financial statements. By reducing the number of leases that are off balance sheet and allowing users of financial statements to make more informed comparisons between companies in particular sectors, this should lead to greater transparency. However, despite not having the same comparative and investment requirements as the private sector, IFRS 16 has also been rolled out to the public sector. From 1st April 2024 any operating leasing commitments must be accounted for on the balance sheet (aside from some exemptions). Most existing operating leases will come on to the balance sheet.
- 5.4 Any new and existing operating leases now create a new debt in the Council's accounts over the life of the lease. This has financial implications for the Council's Treasury Management Strategy, its Capital Programme, and its Financial Statements. Under IFRS 16, all leases are now classified as capital expenditure and must be included in the Capital Programme (requiring Full Council approval).
- 5.5 The Council can set a de-minimus limit to exclude smaller leases from the technical accounting requirements. For TMBC, it is proposed that this will be £10,000 in line with the Council's existing de minimis limit for capital expenditure. The standard also makes provision to exclude any leases that run for less than 12 months or that have less than 12 months remaining on 1st April 2024. There is a requirement to disclose the value and number of leases that fall into this category as part of the Statement of Accounts.
- 5.6 After an initial review, the Council does not believe that this will have a material impact to the Accounts. Work continues to take place to identify any leases that the Council is holding.
- 5.7 Annex 1 includes details of the Accounting Policy for Leases under IFRS16, this is subject to review as Officers continue to look at the Council's Lease liabilities.
- 5.8 This latest review found that no other changes were required to the Accounting Policies to be adopted for the 2024/25 Financial Statements.

6 Financial and Value for Money Considerations

- 6.1 As set out in the Accounting Policies.

7 Risk Assessment

- 7.1 Failure to adequately follow Accounting Policies could result in misrepresentation and potential qualification of the Accounts.

8 Legal Implications

8.1 The Accounts are to be prepared in accordance with the Code of Practice on Local Authority Accounting of which the Accounting Policies form an integral part.

9 Cross Cutting Issues

9.1 Equalities and Diversity

9.1.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Background Papers	None
Annexes	Annex 1 - Accounting Policies 2024/25