

# Agenda Item 7.

<b>TITLE</b>	<b>Update on changes to accounting policies</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 2 June 2021
<b>WARD</b>	None Specific
<b>LEAD OFFICER</b>	Deputy Chief Executive - Graham Ebers

## **OUTCOME / BENEFITS TO THE COMMUNITY**

The report provides the Audit Committee with information on the proposed changes to accounting policies for adoption and inclusion in the Statement of Accounts for the year ended 31 March 2021.

## **RECOMMENDATION**

That the revised Statement of Accounting Policies as per Appendix A are approved for adoption and inclusion in the Statement of Accounts for the year ended 31 March 2021.

## **SUMMARY OF REPORT**

The Statement of Accounting Policies have been reviewed for appropriateness and amended, where appropriate, to take into account changes in the CIPFA Code of Practice.

Details of the changes are summarised below. For 2020/21 except for the two changes in the revaluation policy for the Council's fixed assets there have been no other significant changes to any policies as a result of changes in practice or changes in statutory guidance.

2019/20 policy for revaluations states;

*"The Council operates a five yearly revaluation cycle for all assets, with the exception of Council Dwellings and Investment properties which are reviewed on an annual basis as per the Code's requirements".*

2019/20 proved to be a challenging year for revaluations of assets for many reasons, most notably the impact of Covid-19. The Council have worked with our external auditors, Ernst & Young (EY) throughout the 2019/20 audit to review, amend and improve the processes around asset valuations. This work has been reported to the audit committee as part of the Audit Results Report presented on Monday 22<sup>nd</sup> March 2021 under the section called "Areas of Audit Focus - Valuation of Land and Buildings – Property, Plant and Equipment and Investment Properties". Included in the findings under the heading "Amendment to the cyclical PPE valuation programme", the report states;

*"We also recommend the valuer values a proportion of all the Authority's asset types each year (rather than by category type every five years) so that the Authority has a benchmark for indexation should it need it."*

At the meeting on 22<sup>nd</sup> March, the Assistant Director Finance talked through this recommendation and this has now been included in the 2020/21 accounting policies.

## Changes for 2020/21

1. One of the changes to the accounting policies for 2020/21 is in relation to the valuation cycle as mentioned above. The Council propose to expand from a five yearly revaluation cycle to now also include, an annual revaluation cycle where a mixed selection of assets from of the different categories and types of assets the Council holds are selected for revaluation. The Council will then use the results of these revaluations as a benchmark to see if a general percentage increase or decrease should be applied to all assets within the different classes where material, with the exception being those assets that fall outside of this valuation method. For example, investment properties will continue to be revalued at 'Fair Value' on an annual basis.

The different types of assets which will be included in the basket of assets for revaluation include;

- Nursery & Primary Schools
- Secondary Schools
- Special Schools
- Children / Community Centres
- Libraries
- Sports and Leisure Facilities
- Office and Administrative Buildings
- Car Parks

The benefit of this new method for revaluations is that an annual benchmark will give greater assurance around the balance sheet asset values by removing the uncertainty and potential significant change in value that comes with a five yearly cycle and also ensure the majority of assets are reviewed on a more regular basis.

2. The second change is in relation to the date on which the revaluation is based on. Previously, the Council had revalued assets at the 1<sup>st</sup> April and then reviewed to see if the asset value had changed materially to the following 31<sup>st</sup> March balance sheet date.

Due to the delay from the 2019/20 accounts, for the financial year 2020/21, the proposal is that all assets will be revalued at 31<sup>st</sup> March 2021 rather than 1<sup>st</sup> April 2020. Following this, in future years assets will be revalued at 1<sup>st</sup> January except for Investment properties (and economic development and regeneration PPE assets), which are required to be revalued at 31<sup>st</sup> March.

The Council will continue to review to see if the asset value has changed materially from 1<sup>st</sup> January to 31<sup>st</sup> March each year.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

*The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.*

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	N/A	N/A
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

<b>Other financial information relevant to the Recommendation/Decision</b>
None

<b>Cross-Council Implications</b>
Finance will continue to work closely with our internal valuers to implement the changes.

<b>Public Sector Equality Duty</b>
The accounting policies are produced in relation to the statement of accounts which report on what has happened over the past financial year. Public Sector Equality Duty will be considered at the time the decision to spend money is made which is earlier in the process and doesn't relate to the statement of accounts.

<b>Reasons for considering the report in Part 2</b>
N/A

<b>List of Background Papers</b>
Appendix A - Accounting Policies 2020-21

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