Audit Committee Meeting	
Meeting Date	23 April 2025
Report Title	Accounting Policies 2024-25
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury, Head of Finance and Procurement
Lead Officer	Claire Stanbury, Head of Finance and Procurement
Classification	**Open**
Recommendations	1. To approve the accounting policies for use in the 2024-25 statement of accounts

1 Purpose of Report and Executive Summary

1.1 This report seeks the Audit Committee's approval of the accounting policies for 2024/25. These are the accounting policies that will be used in preparing the financial statements, and are included within the Statement of Accounts document.

1.2 The main changes from previous years are to estimated useful lives of assets, and changes to policies regarding leases due to the introduction of IFRS 16.

2 Background

2.1 The accounting policies are reviewed each year by the Head of Finance and Procurement, and the Director of Resources. They are reviewed for relevance, and in line with any updates to financial reporting standards or changes to the Code of Practice for Local Authorities.

2.2 A full comparison has taken place between existing accounting policies, and those recommended within the guidance to the Code of Practice.

2.3 There is a legal requirement to introduce accounting under Internal Financial Reporting Standard (IFRS) 16 in 2024-25, which relates to accounting for leases.

2.4 Feedback from previous audit findings have also fed into consideration of the accounting policies.

3 Proposals

3.1 There are some minor changes to the policies this year that are simply to improve the reading of the document or to add clarity, an update to the useful life of some asset classes, and a rewrite of the policies relating to leases.

3.2 2024-25 sees the introduction of a new accounting standard, International Financial Reporting Standard (IFRS) 16, which relates to how leases should be accounted for. The introduction of this standard is the reason for the change in this part of the policies. The proposed policy wording follows that recommended in the Code guidance, although there is scope to agree at a local level the amount to be classified as a low-value lease. The recommendation is to class assets valued at less than £10,000 as low-value, as this would be in line with the level at which we capitalise spend on assets. The exception to this, as required by the reporting standard, is for cars that are procured through leasing, as long as the lease term is not less than 12 months.

3.3 Intangible assets (usually software licences) can now be recognised as having a useful life of up to 15 years (previously seven years), to more accurately reflect the reality of how often systems are replaced.

3.4 The IT equipment depreciation methodology has been updated to recognise that assets are often in use longer, so the asset value can now be depreciated up to 15 years (previously seven years). Useful life will be estimated on a case by case basis up to the 15 year limit.

3.5 The discount rate for calculating pension scheme liabilities, currently shows as 4.9%, will be updated when the 2024/25 pension report is received from the actuary.

4 Alternative Options Considered and Rejected

4.1 Accounting policies could remain unchanged, but that would result in the accounts not being compliant with the Code of Practice or International Reporting Standards, and therefore this option is not recommended.

4.2 The useful life of asset limits could remain unchanged. However, this would see the cost of the asset charged over a period shorter than the period of which service benefits are gained, and would therefore not be consistent with Accounting Practices, and as such this option is not recommended.

5 Consultation Undertaken or Proposed

5.1 No consultation has taken place or is proposed.

6 Implications

Issue	Implications
Corporate Plan	Good financial management is key to supporting the Corporate Plan objectives, and a key part of the Running of the Council.
Financial, Resource and Property	The change in policy regarding useful lives will mean that the cost of relevant assets will be spread over multiple years, reducing the amount charged each year. However, this will not be the basis for

	deciding on useful lives – that will be a decision based on the expected period of time that any asset will be in use. The introduction of IFRS 16 will mean that all leases now need to be treated as finance leases, and as a result the underlying assets will be recognised on the balance sheet, along with the liability for the lease. The asset and liability recognised on adoption will be equal, so there will be no change to the overall value of net assets. The regular lease payments will be used to reduce the liability, with interest charged to the revenue accounts, and a charge for Minimum Revenue Provision will be charged to recognise the cost of the asset over time.
Legal, Statutory and Procurement	The accounting standards need to comply with the Code of Practice for Local Authorities, which sets out how the Financial Statements should be produced.
Crime and Disorder	No direct issues.
Environment and Climate/Ecological Emergency	No direct issues.
Health and Wellbeing	No direct issues.
Safeguarding of Children, Young People and Vulnerable Adults	No direct issues.
Risk Management and Health and Safety	No direct issues.
Equality and Diversity	No direct issues.
Privacy and Data Protection	No direct issues.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report.

- Appendix I: Accounting Policies 2024-25

8 Background Papers

8.1 None.