

**AUDIT AND GOVERNANCE COMMITTEE**  
**12 MARCH 2021****STATUTORY ACCOUNTS 2020/21 PROGRESS,  
ACCOUNTING POLICIES AND ESTIMATES**

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**Recommendation**

1. The Chief Financial Officer recommends that:
  - a) The work in preparation for the 2020/21 Statutory Accounts be noted;
  - b) The accounting policies for 2020/21 be approved; and
  - c) Management arrangements to identify and evaluate accounting estimates be noted.

**Background**

2. This report provides a review of the County Council's accounting policies and estimates and an update on progress against the 2020/21 statutory accounts workplan.

**Accounting Policies 2020/21**

3. The accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the financial effects of transactions and other events are reflected in the financial statements. As per 2019/20, the notes to the 2020/21 Statement of Accounts will include the relevant accounting policy.
4. Following a review, there are no changes proposed to the Council's accounting policies for 2020/21.

**Statutory Accounts Progress Update**

5. Following the review of staffing resources as part of the Finance Improvement Programme, the statutory accounts team has been strengthened and is on target with both the preparation work for the Statutory Accounts production and with responses to support external audit planning and initial risk assessment activity.
6. The statutory deadline for the 2020/21 accounts process is 30 September 2021. We have prepared a detailed closedown plan to prepare accounts to be audited and ready for approval by this committee to meet the proposed deadline. Additionally, we will present draft accounts for July committee approval.

7. We continue to work closely with Grant Thornton to agree key milestones and establish a plan to address potential challenges arising from continued remote working across our respective teams.

8. We have appointed Wilks Head & Eve to perform the asset valuations in 2020/21 in line with our rolling programme. A work instruction has been issued and valuation work will be undertaken to enable discussion and challenge prior to the presentation of the valuers' formal report in early April 2021.

9. The statutory accounts team has delivered training to finance staff and detailed closedown deadline instructions have been issued to all relevant stakeholders.

10. In 2020/21, Worcestershire County Council (WCC) will prepare group accounts to include the relevant transactions and balances from our material interests in other entities which we have determined to meet the definition of a subsidiary, associate or joint venture. Our assessment of the group boundary remains as per 2019/20:

- Worcestershire Children First (WCF) is a 100% wholly owned **subsidiary** of WCC
- West Mercia Energy (WME) is a **joint venture**

#### **Worcestershire Children First (WCF)**

11. The Council controls the entity, established as company limited by guarantee, by virtue of its 100% shareholding. WCF will be accounted for as a subsidiary with line-by-line consolidation in the group accounts, in accordance with IFRS 10: Consolidated Financial Statements.

#### **West Mercia Energy Joint Committee (WME)**

12. WME is constituted as a Joint Committee; WCC is one of four constituent authorities alongside Shropshire Council, Herefordshire Council, and Telford & Wrekin Council. In accordance with IFRS 11: Joint Arrangements, WME will be accounted for as a joint venture in the 2019/20 Group Accounts on the basis that a collaborative arrangement exists, WCC has joint control, there is a separate vehicle in place and WCC has rights to 25% of the net assets of the arrangement.

#### **IFRS 16: Leases**

13. Due to the impact of COVID-19, the effective date for the implementation of IFRS 16: Leases has been deferred to 1 April 2022.

14. Under the new standard, which replaces IAS 17, leases will no longer be classified as finance or operating leases and all leases will be recognised on balance sheet with the exception of short-term leases (leases of 12 months or less) and low value assets (where the right-of-use asset is less than £10,000).

15. Our approach and proposed IFRS 16 disclosures will be subject to review by Grant Thornton as part of planned audit work in 2020/21. We will continue activity to monitor and record the Council's lease arrangements to ensure complete and accurate disclosure in future reporting periods which is compliant with the requirements of the new standard.

#### **Accounting Estimates 2020/21**

16. The preparation of financial statements requires management to make judgements, estimates and assumptions which affect the value of assets and

liabilities reported at the balance sheet date and amounts recognised as income and expenditure in the year.

17. The material accounting estimates which affect balances and transactions in the financial statements for the year ending 31 March 2021 have been identified by management as: valuation of land and buildings, depreciation and impairment, year end provisions and accruals, measurement of financial instruments, valuation of defined benefit net pension fund liabilities.

18. Our assessment of material accounting estimates in year includes consideration of the requirement for specialised skills and knowledge from management experts, e.g. asset valuations and investments, a review of the methods, models and assumptions used to inform the accounting estimates and consideration of the degree of estimation uncertainty relevant to each accounting estimate.

19. The notes to the 2020/21 financial statements will disclose the material accounting estimates included in our balances and transactions and the models and assumptions on which they are based. Where a risk of material uncertainty has been identified, the notes will include additional information to disclose the sensitivity of values to the assumptions and uncertainties and the range of reasonably expected outcomes relevant to the balance or transaction.

20. Management's assessment of material accounting estimates in 2020/21 is included as an Appendix to this report.

## Contact Points

### Specific Contact Point for this report

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## Supporting Information

- Appendix – Accounting Estimates

## Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following background papers relate to the subject matter of this report:

Statement of Accounts including Accounting Policies 2019/20

[https://www.worcestershire.gov.uk/downloads/file/12714/financial\\_accounts\\_20192020](https://www.worcestershire.gov.uk/downloads/file/12714/financial_accounts_20192020)