

## **AUDIT AND GOVERNANCE COMMITTEE**

### **11 MARCH 2022**

## **STATUTORY ACCOUNTS 2021/22 PROGRESS, ACCOUNTING POLICIES AND ESTIMATES**

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### **Recommendation**

- 1. The Chief Finance Officer recommends that:**
  - a) The work in preparation for the 2021/22 Statutory Accounts be noted;**
  - b) The accounting policies for 2021/22 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 2021/22 statutory accounts workplan.**

### **Accounting Policies 2021/22**

- 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 in previous years, the notes to the 2021/22 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 2021/22.**

### **Statutory Accounts Progress Update**

- 5. The Financial Reporting team 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 2021/22 accounts process is 30 November 2022. 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. In 2021/22 we appointed new external valuers: Wilks Head & Eve. We will continue to use Wilks Head & Eve to perform the asset valuations in 2021/22 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 2022.

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 2021/22, 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 2020/21:

- 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 2021/22 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.

### **CIPFA Emergency Consultation**

13. Local authorities in the United Kingdom are required to maintain records and prepare accounts which are compliant with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) as prepared by the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC).

14. To alleviate current delays in the publication of audited financial statements, CIPFA has set out two emergency proposals for the update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

15. Options currently under consultation include the pausing of requirements for the professional revaluation of property, plant and equipment assets (to apply to accounting period commencing on or after 1 April 2021) and the deferral of the implementation of *IFRS 16: Leases*.

16. It is expected that the results of the consultation and corresponding revisions to the 2021/22 Code will be communicated before 31 March 2022. The Council has

already instructed professional valuers to undertake valuations in 2021/22 and work to prepare for the accounting requirements of *IFRS 16: Leases* is underway. We will consider the outcome of the consultation and its impact upon the 2021/22 financial statements and disclosures following communications from CIPFA.

## **Accounting Estimates 2021/22**

17. 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.

18. The material accounting estimates which affect balances and transactions in the financial statements for the year ending 31 March 2022 have been identified by management as: valuation of land and buildings, depreciation and impairment, measurement of financial instruments and the valuation of defined benefit net pension fund liabilities.

19. 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.

20. The notes to the 2021/22 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.

21. Management's assessment of material accounting estimates in 2021/22 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 2020/21