

REPORT TITLE: PLANNING FOR THE AUDIT OF 2024/25 ACCOUNTS

25 FEBRUARY 2025

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Performance

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WARD(S): ALL WARDS

PURPOSE

The purpose of this report is to update the committee on the actions taken to ensure that the Statement of Accounts for 2024/25 is fully compliant with statutory requirements and to make the committee aware of changes impacting on the statements.

RECOMMENDATIONS:

1. That the committee notes this report in respect of the council's Statement of Accounts for 2024/25.
2. That the committee approves the changes in accounting policies for the implementation of IFRS 16 Leases.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Your Services, Your Voice. The preparation of the annual accounts is fundamental to open and transparent accountability for public finances. Ensuring strong financial reporting and transparent stewardship of public funds underpins the council's ability to deliver all its outcomes but in particular the priority to ensure stable council finances.

2 FINANCIAL IMPLICATIONS

- 2.1 The planned fee for the audit of the 2024/25 accounts published by Public Sector Audit Appointments (PSAA) who are the appointing body on behalf of the council is £172,922.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Local authorities in the UK are required to prepare their accounts in accordance with 'proper (accounting) practices' as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code). The Code specifies the principles and practices of accounting, required to prepare financial statements that give a true and fair view of the financial position and transactions of a local authority.
- 3.2 The Audit and Accounts Regulations 2015 require an authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and include a statement reporting on the review alongside the Statement of Accounts.
- 3.3 The necessity to conform to these Regulations and the Code is recognised accurately in this report.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 A public notice is published to inform interested parties of their rights to inspect the statement of accounts and records relating to them. The public notice also details how to access this information and how to ask questions of and make objections to the council's external auditor. This is published the day following publication of the unaudited Annual Financial Report.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 Not required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<p>Reputation</p> <p>The financial statements receive an adverse external audit opinion.</p>	<p>The statements are prepared in accordance with the CIPFA code of practice.</p> <p>Accounts staff attend regular public sector accounting workshops delivered by CIPFA.</p> <p>Early engagement with external audit on potential issues identified.</p>	
<p>Timescales</p> <p>Failure to meet the statutory deadline for publication of the financial statements.</p>	<p>A project plan for the delivery of the accounts closedown is used to ensure the Statement of Accounts and Annual Financial Report are produced by the statutory and audit deadlines.</p> <p>A comprehensive set of working papers was produced in advance of the external audit and an effective plan for the efficient transfer of information and update meetings was agreed with the audit team.</p>	

11 SUPPORTING INFORMATION:

Background

- 11.1 The Statement of Accounts is prepared in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations. The purpose of this report is to inform the committee of significant Code and other changes applicable to the 2024/25 financial year that will impact on the council's financial statements.

Implementation of IFRS 16 Leases

- 11.1 The implementation of IFRS 16 Leases has been deferred from that of the rest of the public sector and is mandatorily implemented in the Code for 2024/25. All transactions taking place in 2024/25 are to be accounted for wholly in accordance with new IFRS 16 accounting policies.
- 11.2 The majority of the work involved in implementing IFRS 16 is related to applying a new accounting treatment to property, plant and equipment held by the council (as a lessee) under operating leases. All leases with more than a year to run will be converted to a finance lease treatment, bringing a liability onto the balance sheet for outstanding rents payable, matched with a right-of-use asset costed at the amount of the liability. The council has a small number of property leases and vehicles leases which are captured by the new lease accounting requirements.
- 11.3 IFRS 16 allows bodies to apply two exemptions from the accounting requirements: The exemptions are for low value leases and short term leases (those with a lease term of less than 12 months). The low value exemption level is not specified in the standard and is for individual entities to determine. The council's accounting policy will set the low value threshold at £10,000 to harmonise the de minimis for both capital expenditure and leases. Using £10,000 as a de minimis will not result in a material amount of right-of-use assets being left off of the balance sheet.
- 11.4 The definition of a lease has been extended to include arrangements where no rents are payable (or nothing more than a peppercorn). Although these arrangements will have no actual lease liabilities, authorities are required to recognise right-of-use assets for them and if material, they will need to be brought onto the balance sheet at a valuation. The council has a small number of peppercorn lease which have a material value.

Housing Company

- 11.5 Venta Living Ltd is the council's wholly owned housing company. The company became operational in 2024, leasing 41 newly built one bedroom apartments from the council and making them available for rent to private tenants. The company has to prepare its own accounts under UK GAAP (Generally Accepted Accounting Practice) and we also have to consider

whether to prepare consolidated group accounts which include the relevant transactions of both Venta Living Ltd together with those of the council. We have considered whether the relevant modifications to the financial statements would make a material difference to the usefulness of the financial statements for users. As a result of this assessment we consider that group accounts are not required.

Other Changes to the Council's financial statements

- 11.4 There are no other accounting changes within the 2024/25 Code that will have a significant impact on the council's 2024/25 Statement of Accounts.

Other Changes to the Council's Accounting Policies

- 11.5 There are no other proposed changes to the council's accounting policies in 2024/25.

Revised Timetable

- 11.6 The Accounts and Audit Regulations 2015 were amended in 2024 to include the local audit backstop dates. The inspection period for the statement of accounts for 2024/25 through to 2027/28 must be commenced by the first working day of July, giving an effective date for the publication of the unaudited accounts (and other documents) by 30 June, the equivalent date for the 2023/24 unaudited accounts was 31 May. The date the council must have approved and published its audited 2024/25 accounts is 27 February 2026.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None.

Other Background Documents:-

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

APPENDICES:

None.