VALE of GLAMORGAN
BRO MORGANNWG

Agenda Item: 7

Meeting of:	**Governance and Audit Committee**
Date of Meeting:	**Tuesday, 25 April 2023**
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Proposed Accounting Policies and Timescales for the 2022/23 Statement of Accounts
Purpose of Report:	.To present to those charged with governance the proposed Accounting Policies and timescales for the preparation and audit of the 2022/23 Statement of Accounts.
Report Owner:	Report of the Director of Corporate Resources
Responsible Officer:	Matt Bowmer Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	None
Policy Framework:	The proposals in this report are in accordance with Policy Framework and Budget

Executive Summary:

- The 2022/23 Statement of Accounts preparation has commenced.
- This report outlines the proposed timescales and resource considerations for completion in 2023.
- This report includes the proposed accounting policies for 2022/23 which are included at Appendix 2 to this report and a summary of key issues of note impacting the preparation of the accounts.
- A high level indicative timetable is attached at Appendix 1 of this report.

Recommendations

1. That the proposed timescales and resource considerations set out in Appendix 1 of the report be approved.
2. That the proposed accounting policies set out in Appendix 2 of the report be approved.

Reasons for Recommendations

1. To ensure that the members of the Governance & Audit Committee, as those charged with governance, have considered proposed timescales for the preparation of the 2022/23 accounts.
2. To ensure that the members of the Governance & Audit Committee, as those charged with governance, have considered the proposed accounting policies governing the preparation of the 2022/23 accounts.

1. Background

1.1 The Council is responsible for the preparation of the Financial Statements that presents fairly its financial position as at 31st March 2023. The Auditor General for Wales is responsible for reporting whether, in his opinion, this is indeed the case. The audit of the 2022/23 accounts will be undertaken by the Audit Wales, as the Council's Engagement Lead, on behalf of the Appointed Auditor.

1.2 The Statement of Accounts for 2021/22 was prepared by the 5 July 2022 and on 11 July 2022 the unaudited copy was presented to this Committee, the audited accounts were brought to this Committee, and then Council for approval in January 2023 following some delays due to issues associated with the accounting for Infrastructure Assets and some delays due to resource issues on both sides.

1.3 The 2022/23 statutory deadlines are shown in the table below. In the last three years, Welsh Government has continued to recognise resourcing issues in finalising local authority accounts, from preparation, through to external audit and final approval. Extensions to the statutory deadlines have been agreed in the past two years and these will continue for 2022/23 pending a wider review on resourcing and approached to audit across Wales. In accordance with the statutory guidance the Council will publish an advert of the website setting out the delay against the statutory deadlines and the reasons for the delay.

Reporting Item	Statutory Deadline	Extended Deadline
Draft Statement of Accounts 2023	31 May 2023	31 August 2023
Audited Statement of Accounts	31 July 2023	30 November 2023

1.4 It is proposed that the Draft 2022/23 Statement of Accounts are prepared with a target date of between 15^{th} and 30^{th} June this delay reflects capacity issues with the service and specifically a backlog of work associated with the delayed 2021/22 accounts. Other key factors are the significant resource requirements as part of the implementation of the new Oracle Fusion financial system and the indicated likely delayed Audit timetable for 2022/23 accounts by Audit Wales.

2. Key Issues for Consideration

2.1 The Council's Statement of Accounts is a technical document, which relies on information received from many Directorates and relies on technical expertise and capacity in order to meet timescales for preparation. Preparation and audit of the accounts needs to consider the significant assumptions required and materiality of their impact to users of the accounts and these are set out for the reader of the accounts through the accounting policies.

2.2 The proposed Accounting Policies are including in Appendix 2 to this report and it should be noted that there are no changes made to the draft policies or assumptions that would significantly impact on the reporting of financial performance historically or in the future. Amendments are minimal although a specific area of change for consideration is the approach to the valuation of non-current assets, following CIPFA and Audit Wales guidance and reflecting the inflationary pressures on the cost of construction schemes specifically impacting the valuation of assets on a depreciated replacement cost basis.

2.3 Other specific amendments to the accounts of note are included below;

2.4 As in 2021/22 the 2022/23 Accounts will include amended disclosure in respect of the accounting for infrastructure assets which has been subject to amendments to the CIPFA code and Welsh Government Regulation.

2.5 The Comprehensive Income and Expenditure Statement will be restated to reflect the Directorate restructure that took place during 2022/23 and included the establishment of the Place and Corporate Resources Directorates.

2.6 There may also be further changes that are required during the preparation of the accounts and audit and as any further guidance issued by CIPFA is received.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1 The Council's budget and therefore its expenditure is incurred in order to achieve its corporate priorities as set out in the Corporate Plan 2020-2025 through the 4 well-being outcomes.

4. Climate Change and Nature Implications

4.1 None as a direct consequence of this report

5. Resources and Legal Considerations

Financial

5.1 The delivery of the Statement of Accounts for 2022/23 require additional workload on the part of the local authority finance function and directorates. Additional cost is also incurred to comply with the additional valuation need as outlined in this report increasing the frequency of valuation for some category of assets.

Employment

5.2 None as a direct consequence of this report

Legal (Including Equalities)

5.3 The Statement of Accounts is prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended).

6. Background Papers

None

Appendix 1 High Level Accounts Preparation and Audit Timetable

Activity	Target Date
Final Date for Accruals in the Ledger	28/04/2023
Supply Draft Joint Committee Information to partner authorities	02/05/2023
Capital Spend Closed	08/05/2023
All Capital Funding on ledger	12/05/2023
Final Date for Journals on the Ledger	12/05/2023
Accountants to provide outturn position and reserve requests	16/05/2023
All Enhancements and Valuations on the Ledger	19/05/2023
Reconcile Asset Management system to General Ledger	22/05/2023
Clear down revenue codes	22/05/2023
Close Period	22/05/2023
Run Trial Balance	23/05/2023
Statement of Accounts draft for cash flow statement and Whole of Government Accounts	30/05/2023
Cash flow statement	05/06/2023
Single Entity Accounts Complete and Quality Assurance Complete	05/06/2023
Prepare Group Accounts Calculations	08/06/2023
Group Accounts Cash flow	09/06/2023
Group Accounts Quality Assurance	14/06/2023
Check Working Papers to Statement of Accounts	14/06/2023
Working Papers on Audit Drive	15/06/2023
Provide Finalised Statement of Accounts to Audit Wales	15/06/2023
Audit to Commence	July-Sept
Audit Period	Period to Nov 2023
ISA260 and Final Accounts Issued	Nov-23
Finalised Accounts reported to Governance and Audit Committee	Nov-23

Appendix 2
Statement of Accounting Policies

a	**Accounting Policies**	The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended) which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS) and statutory guidance. The accounts are prepared on a going concern basis.
b	**Revenue/Expenditure**	The transactions of the Council are accounted for in the year that it takes place, not simply when cash payments are made or received. In particular: • Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. • Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. • Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. • Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. There are certain exceptions to this principle. The main items are:- (a) Electricity charges, telephone expenses, leasing and similar periodic payments are included in the Accounts on a payments basis and not accrued to 31st March each year. Payments in respect of a full twelve months are included.

		(b) The amount included in the accounts for Government Revenue Support Grant for 2022/23 is on the basis of the allocation as approved by Welsh Government in year. Where final figures are not available e.g. Subsidy Entitlement, the amounts included are based on the latest available information. The difference between the amounts charged annually to the Revenue Accounts in respect of items (a) and (b) and the amounts that would be charged if they were accrued to 31st March each year is not significant.
c	**Prior Period adjustments, Changes in Accounting Policies and Estimates and Errors**	A change in accounting policies or to correct a material error can result in a prior period adjustment. Changes in accounting estimates do not give rise to a prior period adjustment but are accounted for prospectively. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions of the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.
d	**Charges to Revenue for Non-Current Assets**	The following amounts are charged to revenue to record the cost of holding fixed assets during the year: • Depreciation attributable to the assets used by the relevant service. • Revaluation and impairment losses on assets chargeable to the service. • Amortisation of intangible non-current assets attributable to the service. Council Tax is not required to be raised to fund depreciation, revaluation, impairment losses or amortisations. However, an annual contribution is required from revenue (Minimum Revenue Provision) towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

e	**Employee Benefits**	**Benefits Payable during Employment** Short term employee benefits are those due to be settled within 12 months of the year end. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. Holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.
		Termination Benefits Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These costs are charged on an accruals basis to the appropriate service or where applicable to Managing Director and Resources.
		Post Employment Benefits Employees of the Authority are members of two separate pension schemes: • The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). • The Local Government Pensions Scheme, administered by Cardiff County Council Pension Authority. Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Authority. The arrangements for the teachers' scheme means that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.
		The Local Government Pension Scheme The Local Government Scheme is accounted for as a defined benefits scheme: • The liabilities of the Cardiff and Vale Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on

		assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees. • Liabilities are discounted to their value at current prices, using a discount rate. • The assets of the Cardiff and Vale Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value. • The actuarial valuation carried out at 31st March 2019 has been adjusted to exclude staff working for the Shared Regulatory Service and Vale and Valleys Adoption Service. The Council's share of these balances based on the Joint Committee balances are the consolidated back into the accounts and set out in Note 39 to these accounts.
		The change in the net pension's liability is analysed into the following components: **Service cost comprising** • Current service cost – the increase in liabilities as a result of years of service earned this year which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked. • Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. Debited to the surplus or deficit of services in the Comprehensive Income and Expenditure. • Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit (asset) during the period as a result of contribution and benefit payments. **Remeasurements comprising:** • The return on plan assets – excluding amounts included in net interest on the net defined liability (asset). This is charged to the Pensions Reserve as

		Other Comprehensive Income and Expenditure. • Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. Statutory provisions require the Council Fund balance be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year in relation to retirement benefits not the amount calculated according to the relevant standards. In the movement in reserves statement this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the council fund of being required to account for retirement benefits on the basis of cashflows rather than as benefits are earned by employees.
		Discretionary Benefits The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.
f	**Events after the Balance Sheet date**	These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Such events could result in the Statement of Accounts being adjusted. Two types of events can be identified: • Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events. • Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the

		events and their estimated financial effect.
g	**Cash and Cash Equivalents**	Cash is represented by cash in hand, bank overdrafts and deposits held with financial institutions which are repayable without penalty on notice of not more than 24 hours as at 31st March 2023. Cash equivalents are highly liquid investments which are readily convertible to known amounts of cash without there being a signicant risk of change in value and refer to instant access call accounts such as those held with Banks and Money Market Funds. Any other short term investments are excluded from cash and cash equivalents and are treated as current assets. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.
h	**Financial Instruments**	**Financial Liabilities** Financial liabilities are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. **Financial Assets** Financial assets are classified into two types: • Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. • Available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments. **Loans and Receivables** Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

		When a soft loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.
i	**Available for Sale Assets**	Available for Sale Assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain /loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred. These are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any net gain / loss for the asset accumulated in the reserve.
j	**Government Grants and Contributions**	Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that: • The Authority will comply with the conditions attached to the payments, and • The grants or contributions will be received.

		Grants and contributions advanced for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Once conditions are satisfied, the grants or contributions are credited to the Comprehensive Income and Expenditure Statement. Capital grants are credited to the Comprehensive Income and Expenditure Statement and are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Grants not yet used to finance capital expenditure, are posted to the Capital Grants Unapplied reserve. Once applied, it is posted to the Capital Adjustment Account.
k	**Intangible Assets**	Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
l	**Inventories and Long Term Contracts**	Inventories should be included in the Balance Sheet at the lower of cost and net realisable value. However, some stock is valued at the latest price paid, with an allowance made for obsolete and slow-moving items. The effect of the different treatment is considered to be immaterial. Revenue from contracts with service recipients, is recognised in line with IFRS 15 – Revenue from Contracts with Customers. In essence it means recognition occurs when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet
m	**Jointly Controlled Operations**	Joint operations are arrangements undertaken by the Council in conjunction with other ventures that make use of its assets and resources. Joint Committees are examples of Jointly Controlled Operations. The relevant proportion of the transactions and balances for Joint Committees are included within the Council's Financial Statements. These reflect the transactions and

		balances as per the draft accounts prepared for each Joint Committee. To date there has been no audit opinion issued in respect of any of these Joint Committees.
n	**Leases**	The Council currently has no Finance Leases. The land and buildings elements of a lease are considered separately for classification. **The Authority as Lessee** **Operating Leases** Rentals paid under operating leases are charged to the services in the Comprehensive Income and Expenditure Statement that benefit from the use of the leased property, plant or equipment. **The Authority as Lessor** **Operating Leases** Rental income under an operating lease is credited to the Comprehensive Income and Expenditure Statement; the property, plant or equipment is retained in the Balance Sheet.
o	**Overheads and Support Services**	The accounts have been adjusted to remove internal recharges for overheads and support services from the figures shown in the Comprehensive Income and Expenditure Statement.
p	**Property Plant and Equipment**	Revaluation of the assets of the Authority will be undertaken on a rolling basis over a five year cycle by an external valuer. Due to the continued economic volatility during 2022/23 and the siginificant increase in the construction costs of schemes which would have a particular impact on assets valued on a Depreciated Replacement Cost basis all Land and Building assets valued on this basis were revalued by an External Valuer as part of the preparation of the 2022/23 accounts all other Land and Building assets were revalued in 2021/22. Council Dwellings are regarded by the Authority as operational and were valued using the Beacon approach in 2021/22 (adjusted vacant possession value). The valuer has reviewed these values for material change during 2022/23. Land and Property regarded by the Authority as operational was valued on the basis of constructing modern equivalent buildings, or where this could not be

		assessed because there was no market for the subject asset (i.e. specialised property) the depreciated replacement cost. Land and Property regarded by the Authority as non-operational have been valued on the basis of cost, fair value, or depreciated replacement cost as appropriate. Infrastructure, Vehicles, Plant and Equipment and Community Assets are included at cost (less depreciation where required). Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. A de-minimis rule for capital has been applied – generally no capital expenditure valued at under £10,000 is included within capital spend. Assets are initially measured at cost, comprising: • the purchase price. • any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. • The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. For Land and Building additions any expenditure less than £50k is enhanced and then impaired back out unless it relates to schemes such as boilers, new structures which have previously been shown to be enhancing. Schemes costing between £50k and £250k are enhanced in full subject to some exceptions. Schemes including works to boilers, roofs, rewiring and multiple schemes are enhanced at 65% of the value. Any unusual or schemes exceeding £250k in value were reviewed by a FRICs qualified valuer to assess the level of enhancement. The majority of assets with schemes that fall into this category have been revalued as part of the review of Depreciated Replacement Cost assets for 2022/23. Increases in valuations are matched by credits to the

		Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. Where decreases in value for individual assets are identified, they are accounted for either by setting it off against gains for the asset in the Revaluation Reserve or against the relevant service lines in the Comprehensive Income and Expenditure Statement.
		Component accounting Assets with a net book value in excess of £3 million will be reviewed to determine if there are any significant components that require a separate depreciation calculation and whether it is material. No adjustment for component accounting was made in the accounts.
		Impairment Assets are assessed at each year end as to whether there is an indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount is estimated and if this is less than the carrying amount an impairment loss is recognised for the shortfall. This is either set against the balance of the Revaluation Reserve if there have been previous valuation gains for the asset or it is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
		Depreciation Depreciation is provided for on all Property, Plant and Equipment assets over their useful lives. An exception is where assets are without a determinable finite useful life (i.e. Freehold Land and Community Assets) and assets that are not available for use (i.e. assets under construction). Depreciation is calculated on the following basis: • Dwellings and other buildings - straight line allocation over the useful life of the property as estimated by the valuer. • Vehicles, plant, furniture and equipment - over the

		life of the asset. • Infrastructure – straight line allocation over 40 years. No depreciation is charged in the year of acquisition with a full year charge applied in the disposal year, except for Vehicles which is charged in the month following acquisition. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.
		Disposals and Non Current Assets Held for Sale An asset is reclassified as Held for Sale when it is probable that the carrying amount will be recovered principally through a sale transaction. The asset is revalued immediately before reclassification and carried at the lower of this amount and the fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale. Where assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to non-current assets. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line of the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains that are accumulated for the asset in the Revaluation Reserve are transferred to the Capital

		Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The written off value on disposals is not a charge to Council Tax as the cost for non current assets is separately provided for under separate arrangements for capital financing
q	**Fair Value Measurement**	The authority measures some of its assets held for sale and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either; • In the principal market for the asset or liability, or • In the absence of a principal market, in the most advantageous market for the asset or liability. The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their best economic interest by using the asset in its highest and best use, or selling the asset to another participant. The authority uses valuation techniques that are appropriate in the circumstances maximising the use of observable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, as follows; • Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date. • Level 2 – inputs rather than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. • Level 3 – unobservable inputs for the asset or liability.
r	**Provisions, Contingent Liabilities and Contingent Assets**	**Provisions** Provisions are made when an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefit or service potential, and a reliable estimate can be

		made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. See note X to the accounts.
		Contingent Liabilities A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.
		Contingent Assets A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.
s	**Specific Reserves**	These reserves represent sums of money that are voluntarily set aside for specific purposes. The purpose of

		these reserves is explained in Note X to the accounts.
t	**Revenue Expenditure Funded from Capital under Statute**	Expenditure that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. The total gross expenditure is £X million. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.
u	**Local Authority Schools**	The Council does not include a school's property, plant and equipment in its Balance Sheet where it does not own or have significant control over the economic benefit of these assets. This means that the buildings used by voluntary aided, Roman Catholic aided and voluntary controlled schools are excluded from property, plant and equipment where they are not owned by the Council. However, land owned by the Council and used by these schools is recognised in property, plant and equipment. The property, plant and equipment of community and foundation schools are recognised on the Authority's Balance Sheet. The income and expenditure for all schools is included within the CI&ES and any unspent resources held by schools are included within earmarked reserves in the Council's Balance Sheet.
v	**Value Added Tax**	Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.
w	**Exceptional Items**	When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Statement of Accounts, depending on how significant the items are to an understanding of the Council's financial performance. There are no exceptional items in 2022/23.
x	**Investment in Companies**	The Council currently only has one investment in a company and this is its 100% shareholding in the Big Fresh Catering Company which was established on 1st January 2020. The Council having considered the materiality of the investment and its delivery of core Council services has

		taken the decision to consolidate through Group Accounts. The Council's shareholding is not listed on any quoted market the valuation estimate of the company will be based on its draft set of financial accounts (Level 3).
y	**Inventories**	Inventories are measured and held at the lower of cost or net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount is recognised as expenditure. Where donated inventory has been received it is offset on the balance sheet by a corresponding entry on the Donated Inventory Account.
z	**Adopted Highways**	The Council reviews adoption of highways each year and where material the adoption will be reflected in the Council's infrastructure assets and offset by a corresponding entry on the donated assets account. There were no material adoptions in 2022/23.