By:	Deputy Leader and Cabinet Member for Finance & Procurement – John Simmonds Corporate Director of Finance & Procurement – Andy Wood
To:	Governance and Audit Committee – 29 April 2015
Subject:	Revised Accounting Policies
Classification:	Unrestricted

Summary: This report asks Members to approve the revised accounting policies.

FOR DECISION

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1. The CIPFA Code of Practice requires authorities to follow International Accounting Standard 8 (IAS 8) - *Accounting Policies, Changes in Accounting Estimates and Errors*. Accounting policies are defined as "… the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements".

2. This year, amendments and revisions are needed in respect of accounting for Property, Plant and Equipment and Schools.

    i) Property, Plant and Equipment

    The accounting policy is amended from revaluing all of our assets on a 20% basis which means that all assets are revalued at least every five years to a rolling programme basis where all assets are revalued at least every four years.

    Revaluation gains are written to the Revaluation Reserve after reversing any revaluation loss on the asset previously posted to the Comprehensive Income and Expenditure Statement.

    For the full accounting policy see Appendix 1.

    ii) Accounting for Schools

    Since the introduction of IFRS in 2010-11, KCC has recognised non-current assets of Community and Voluntary Controlled assets on its balance sheet with Voluntary Aided, Foundation and Academy schools being off balance sheet.

    During 2014-15 new guidance relating to accounting for non-current assets used by Local Authority maintained schools has been issued. Accounting treatment of schools requires significant judgements to be made and each school has to be considered on an individual basis. The key is establishing whether the school should recognise the asset and if so, as the school is considered an entity controlled by the Authority under IFRS10, the assets should be consolidated within the Authority's balance sheet.

A review of the ownership of all schools has taken place and the impact of the review is that £87m of schools will be written out and £203m will be recognised on the Balance Sheet.

The full accounting policy and a detailed explanation of the accounting for schools changes is shown in Appendix 2.

These are new requirements for the 2014-15 statement of accounts and therefore new accounting policies have been drafted, derived from the Code of Practice Guidance Notes prepared by the Chartered Institute of Public Finance Accountants.

4. For 2014-15 there are the following new/amended accounting standards

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures

The above standards relate to the accounting treatment for entities the Council has an interest in. The decision in the appropriate accounting treatment is based on the measurement of control. These standards will impact on us should Group Accounts be required in the future.

- IAS 32 – Financial Instruments: Presentation (offsetting Financial Assets and Liabilities

Extra disclosure will be required if we offset financial assets and liabilities.

- IAS 1 – Presentation of Financial Statements

3. **Recommendation**

Members are asked to approve the additions and amendments to the accounting policies as presented.

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