

Accounting Policy (update shown in red)

Accounting for schools

The accounting policies for Schools are in line with the Council's and therefore are compiled on an accruals basis. Schools balances are consolidated into the Council's accounts, with income and expenditure being attributed to the appropriate service line in the Comprehensive Income and Expenditure Statement and assets and liabilities included on the Balance Sheet. The Schools Reserve is held in a separate reserve and are located within Usable Reserves.

Non-current assets for maintained schools are included on the balance sheet where they are owned or controlled by the Authority or the school governing body. Each school is considered on an individual basis taking into account ownership rights and, where relevant, the circumstances under which the school is using the asset.

Accounting for schools changes

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. It was hoped that this guidance would provide consistency on schools accounting nationally but this has not proved to be the case. Accounting treatment of schools still requires significant judgements to be made and now each schools has to be considered on an individual basis, we can no longer make broad judgements based on the class of the school (VA, VC, Foundation). 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.

We have reviewed the ownership of all schools according to the Land Registry and where necessary have followed up with the owners the circumstances under which schools occupy their buildings. We have assessed the arrangements against the relevant accounting standard (IAS16 or IAS17 for leased properties) and where relevant have considered whether the rights of owners are substantive or protective under IFRS10.

Our review confirmed that:

- for those schools owned by religious bodies or individual trustees linked to a religious body, control of the school remains with the religious body and therefore we do not recognise them on our balance sheet.

- for those schools owned by charities or trusts, if the charity/trust is a separate entity with a remit wider than just the school itself control has generally not passed to the governing body and therefore the school is not recognised on our balance sheet unless the owners have confirmed otherwise. If the charity/trust is purely operating for the purpose of the school then the school is recognised on our balance sheet.

- any schools owned by the Authority or the school Governing Body are on balance sheet.

In practice this has led to:

- most VA schools remaining off balance sheet as they are predominantly owned by religious bodies. A handful of VA schools are owned by the Authority / Governing Body and are therefore being recognised for the first time in our accounts.
- most VC schools being written out of our balance sheet as they are predominantly, but not exclusively, owned and controlled by religious bodies. 74 VC schools will remain on our balance sheet as they are owned by the Authority or school governing body.
- most Foundation schools being recognised on our balance sheet as they are owned either by the Authority, school governing body or a foundation trust that exists purely to govern the school.

We are writing out approximately £87m of schools and recognising approximately £203m. As this is a material change in accounting policy we will have to restate 2013/14 comparatives and produce a 3rd balance sheet as at 1.4.2013 within the 2014/15 statement of accounts.