

**2010/11 ACCOUNTS- ACCOUNTING POLICIES  
(Report by the Head of Financial Services)**

**1. PURPOSE**

- 1.1 To approve the draft accounting policies for the 2010/11 accounts

**2. BACKGROUND**

- 2.1 The 2010/11 accounts are being prepared for the first time based on International Financial Reporting Standards (IFRS). As a result, some of the accounting policies, on which the accounts will be prepared, need to change.
- 2.2 It is anyway good practice for Members to approve the accounting policies in advance of them approving the accounts

**3. INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- 3.1 IFRS requires Local Authorities to
- Present the main accounts in a new format
  - Account for some assets and liabilities in a different way
  - Provide more detailed explanations of entries and movements in the accounts and notes
  - Introduce new terminology
  - Apply accounting policies that comply with IFRS
- 3.2 Members of the Corporate Governance Panel will be given an introduction to IFRS before they approve the audited accounts in September 2011.

**4. ACCOUNTING POLICIES**

- 4.1 The draft accounting policies are attached at Annex A. They are draft in that during the course of closing the accounts your Officers may need to amend the policies in the light of new information. If they do so, this will be highlighted at your September meeting
- 4.2 It should be noted that the complexity of Local Government finance results in the accounts first having to be prepared in

accordance with IFRS and then a set of additional adjustments having to be made to remove some statutorily defined items from impacting on the Council's bottom line and hence the level of Council Tax.

- 4.3 This section highlights some of the changes to the policies:
- Capital grants and contributions – these were previously credited to the accounts to match the depreciation on the assets. Now, they are credited to the accounts in the year the income is received or is due to be received (subject to certain conditions)
  - The Council's investment properties (industrial and commercial properties) are not used solely to earn rentals but are provided to encourage economic development. The accounting policy therefore requires them to be treated as property, plant and equipment – the new name for fixed assets – and not investment properties
  - Employee benefits – the cost of untaken leave and accrued flexitime as at 31 March has to be included in the Comprehensive Income and Expenditure Account. However regulations allow the cost to be reversed in the Movement in Reserves Statement so that there is no impact on the ices funded by Council Tax

## **5. RECOMMENDATIONS**

5.1 It is recommended that the Panel:

- Approve the draft accounting policies for 2010/11

### **ACCESS TO INFORMATION ACT 1985**

CIPFA Code of Practice on Local Authority Accounting 2010/11

**Contact Officer:** Mrs Eleanor Smith ☎ 01480 388157