

ACCOUNTING POLICIES UPDATE FOR THE YEAR 2015/16

1 INTRODUCTION

- 1.1 The purpose of this report is to notify Members that the adoption of the concept of International Financial Reporting Standard (IFRS) 13 Fair Value for the measurement of the Council's assets and liabilities is a requirement for the year 2015/16.
- 1.2 The Council's accounts for the financial year 2015/16 are being prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3 This report refers to "Accounting policies" which are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting its financial statements. Wherever possible the Council's accounting policies are based on the Code of Practice. Where the Code does not specifically apply, the Council must develop and apply an accounting policy that results in information in the Statement of Accounts that is both reliable and relevant to the decision-making needs of users.

2 CHANGES TO THE COUNCIL'S ACCOUNTING POLICIES IN RELATION TO THE CODE APPLICATION OF IFRS 13

- 2.1 The 2015/16 Code adopted the concept of IFRS 13 Fair Value in measuring the value of assets and liabilities. It uses a standardised methodology for the observation of Fair Value as determined in IFRS 13.
- 2.2 The various definitions of "fair value" in earlier accounting standards are now replaced with a uniform one that applies wherever other standards permit or require fair values to be used or disclosed. Fair value is defined for 2015/16 as 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.
- 2.3 IFRS 13 applies to a wide range of assets and liabilities. It should be noted that the new definition of current value does not specifically apply for property, plant and equipment providing service potential for an authority, and measurement of these assets has not changed from the previous Code.

- 2.4 An exception is made in relation to surplus property assets where the basis of valuation has changed from depreciated historic cost to fair value at highest and best use. This has resulted in an impact on their individual values at 31st March 2016 although the overall change on the balance sheet is not material.
- 2.5 There has also been no significant impact in relation to the introduction of IFRS 13 on the total value of the Council's Investment Properties, as these assets have previously been measured at market value.

3 EFFECT ON THE STATEMENT OF ACCOUNTS FOR 2015/16

- 3.1 The definitions of fair value in the Accounting Policies contained within the Council's Statement of Accounts 2015/16 are being updated to ensure that the appropriate references for "fair value" and "current value" are made for Revenue Recognition, Investment Property, Non-current Assets Held for Sale and Discontinued Operations, Inventories, Debtors, Creditors & Employee Benefits.
- 3.2 The definition of fair value and the additional disclosure requirements for Financial Instruments and Impairment of Assets will be adopted. Furthermore, disclosure of more detailed information for Investment Properties will also be contained within the Statement of Accounts 2015/16.

4 ACCOUNTING ESTIMATES

- 4.1 The Licensing and General Purpose Committee approved changes in accounting estimates on 28th May 2015. It should be noted that there are no further amendments proposed regarding the calculation of accounting estimates for 2015/16.

5 CONCLUSIONS

- 5.1 This report states the measurement changes for a wide range of assets and liabilities, and notes that these changes have no material impact on the Council's balance sheet.

6 RECOMMENDATIONS

- 6.1 Members are requested to approve the approach set out in the report for amendment to accounting policies in relation to IFRS13, within the financial statements for 2015/16.

AMANDA FAHEY
HEAD OF FINANCIAL SERVICES