

## Audit Committee

28 June 2012



## Agreement of Accounting Policies for Application in the 2011/12 Financial Statements

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### Purpose of the Report

1. The purpose of this report is to update the Audit Committee on the County Council's accounting policies to be applied in the preparation of the 2011/12 Statement of Accounts and to seek confirmation from the Audit Committee that appropriate policies are being applied.
2. Appendix 2 provides a summary of all changes to be applied in preparing the 2011/12 Statement of Accounts.
3. Objective 2 of the Audit Committee's Terms of Reference requires it to provide *'Independent assurance over the financial reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of drawing up, auditing and certifying the Council's annual accounts are dealt with properly.to maintain an understanding of accounting policies and internal and external reporting requirements'*.

### Background

4. It is a requirement of the Local Government Act 2003 and the Accounts and Audit Regulations 2003 for the Statement of Accounts to be produced in accordance with proper accounting practices.
5. This report concentrates on the main accounting changes introduced in the Code of Practice on Local Authority Accounting (the Code) in 2011/12.
6. The full list of accounting policies the Council proposes to disclose in its Statement of Accounts notes are detailed in Appendix 2.

### New Accounting Policies

7. New accounting policies are required and have been prepared to cover the following two areas in accordance with Code guidance and subsequent LAAP Bulletins:

- **Heritage Assets:** The Code introduces a new accounting policy in relation to the treatment of heritage assets which will impact on the treatment of those heritage assets managed and held by the Council. The new standard will require that a new class of asset, heritage assets, is disclosed separately in the Council's balance sheet in the 2011/12 financial statements together with comparative data for 2010/11. Heritage assets are assets that are held and managed by the Council 'principally for their contribution to knowledge or culture'. The Code requires that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). In addition to recognising the assets on the balance sheet a significant number of narrative disclosure notes are required, e.g. the nature and extent of the collections held by the Council.
- **Carbon Reduction Commitment Allowances:** LAAP Bulletin 91 introduces a new accounting policy in relation to the obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions. Following the end of 2011/12, participating authorities will submit the annual report on their emissions for the 2011/12 financial year. The retrospective purchase of allowances is anticipated to take place from 1 June 2012. Participating authorities are then required to surrender allowances to the scheme by the last working day in July 2012 in proportion to their reported emissions for the preceding scheme year and in accordance with the scheme requirements.

### Amended Accounting Policies

8. The wording of existing accounting policies in several areas has been improved to more accurately reflect the County Council's approach and improve compliance with Code disclosure requirements:
  - **Government Grants and Contributions:** This policy has been amended to more accurately reflect the County Council's approach and remains in line with Code requirements.
  - **Interests in Companies and Other Entities:** This policy has been amended to reflect the County Council's decision not to produce group accounts on the grounds of materiality in 2011/12.
  - **Private Finance Initiative (PFI) and Similar Contracts:** This policy has been amended to provide more information on the County Council's PFI schemes in line with Code guidance.

### Deleted Accounting Policies

9. The following accounting policy in relation to Area Based Grant has been deleted as it is no longer relevant following changes in the way grant is allocated to councils:

- *“Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.”*

### **Other issues**

10. Whilst not a change in accounting policy, the 2011/12 Code has also introduced a new requirement to disclose the number and cost of exit packages agreed. This disclosure will form part of the officers’ remuneration note. The requirement is to disclose exit packages agreed in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. The packages included in the bands are those agreed by the Council, i.e. those packages for which the Council is demonstrably committed. The costs include all relevant redundancy costs, pension contributions in respect of added years and other departure costs if applicable.

### **Recommendations and reasons**

11. The Committee is recommended to:
  - review the accounting policies; and
  - approve their use in the preparation of the 2011/12 financial statements.

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## **Appendix 1: Implications**

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### **Finance -**

The report considers the Accounting Policies for the County Council's Statement of Accounts for 2011/12.

### **Staffing -**

None

### **Risk -**

None

### **Equality and Diversity / Public Sector Equality Duty -**

None

### **Accommodation -**

None

### **Crime and Disorder -**

None

### **Human Rights -**

None

### **Consultation -**

None

### **Procurement -**

None

### **Disability Issues -**

None

### **Legal Implications -**

None