POLICE AND CRIME COMMISSIONER AND NORTH YORKSHIRE POLICE

REPORT FOR A DECISION OF THE EXECUTIVE BOARD

22 MARCH 2016

ACCOUNTING POLICIES

1. Report Purpose

1.1 To review the accounting policies to be used in preparation of the Statement of Accounts for 2015/16.

2. Key Information

2.1 The accounts are prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom, supplemented by additional guidance set out in CIPFA's Local Authority Accounting Panel Bulletins.

2.2 The Code indicates that Group Accounts need to be prepared by the Commissioner, with, for financial accounts purposes, the Chief Constable corporation sole accounted for as a fully controlled subsidiary.

2.3 The format of the accounts will be similar to that used in 2014/15.

2.4 The accounting policies to be used for both the Commissioner and the Chief Constable will be similar to those used in 2014/15, subject to changes outlined in section 3.

For information copies of the 2014/15 Accounting Polices are provided as Appendix 1 and Appendix 2.

3. Amendments to the Accounting Policies

3.1 This report discusses the Group Accounting Policies in detail. These Accounting Policies apply to the whole Group as appropriate, including to the Chief Constables Financial Statements.

Similar amendments will apply to the Accounting Policies for the Chief Constable's Financial Statements, with AP numbers being changed as appropriate and sections not applicable being deleted.

3.2 **New International Accounting Standards Adopted for the first time in this Financial Period**

AP 4 will be reworded to reflect the new standards adopted in 2015/16.

4. New International Accounting Standards Adopted for the first time in this Financial Period

Under the Code, the amendments to the following International Financial Reporting ("IFRS") Standards and International Accounting Standards ("IAS") apply to these accounts for the first time:

IFRS13 – Fair Value Measurement.

This standard provides guidance on fair value measurement and disclosure requirements for assets and liabilities which the code permits or requires should be measured at fair value. In particular the application of this standard has changed the measurement requirements for surplus assets (ie assets that are not being used to supply services and that do not meet the criteria of assets held for sale).

The Code requires this standard to be adopted with effect from 1 April 2015, but does not require the restatement of opening balances.

The application of this standard is not expected to have a significant impact on the valuations disclosed in the financial statements, although some additional disclosures will be required.

3.3 The implementation of IFRS13 will require the rewording of AP14 Investment Properties.

14. Investment Properties

Investment Properties are properties that are held to earn rentals, and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or for administrative purposes.

Investment Properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains or losses on revaluation are debited or credited to the Financing and Investment Income line in the CIES. The same treatment is applied to gains and losses on disposal, but disposals are otherwise accounted for in accordance with Accounting Policy 19.

Revaluation and disposal gains and losses are not permitted to have an impact on the General Fund Balance. Gains are credited and losses charged to the CIES are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account.

All lease agreements entered into in respect of investment properties let to third parties are operating leases. Rental income from investment property is recognised on a straight-line basis over the term of the lease and is credited to Financing and Investment income and expenditure in the CIES. Any lease incentives granted are recognised as an integral part of the total rental income.

3.4 In addition to new IFRS Accounting Standards adopted this year, the Group is also required to comply with the Accounts and Audit Regulations 2015, in particular Regulation 8 which provides for preparation of a Narrative Statement instead of the Explanatory Forward.

These regulations will not impact on the Accounting Policies.

3.5 **Critical Accounting Judgements and Estimates**

The wording of AP 32 <u>may</u> need to be changed if any additional critical accounting judgements and estimates have been made during the preparation of the accounts. At this stage it is not envisaged that this will be necessary.

3.6 **Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty.**

The wording of AP 33 will be changed at a later stage in the accounts production process to update the monetary values and %'s included to the 2015/16 figures.

The wording of AP 33 may also need to be changed to include any other major sources of estimation uncertainty identified during the preparation of the accounts. At this stage is it not anticipated this will be necessary.

3.7 **Accounting Standards that have been issued but have not yet been adopted**

AP 34 will be amended to reflect new accounting standards issued but not yet adopted.

34. Accounting Standards that have been issued but have not yet been adopted.

The following standards have been issued but will not yet have been adopted at 31 March 2016:

CIPFA Code of Practice on Transport Infrastructure Assets. This will be implemented in the 2016/17 Code, and will require Transport Infrastructure Assets to be measured on a Depreciated Replacement Costs basis. The Group does not have any Transport Infrastructure Assets, and the implementation of this Code will not impact on the Group accounts.

IFRS11 - Accounting for Acquisitions of Interest in Joint Operations – amendments May 2014 for periods beginning on or after 1 January 2016
IAS 16 - Property, Plant and Equipment and **IAS 38 Intangible Assets – (Clarification of Acceptable Methods of Depreciation and Amortisation)** – amendments May and June 2014 for periods beginning on or after 1 January 2016
IAS 27- Equity method in separate financial statements –amendments August 2014 for periods beginning on or after 1 January 2016
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – amendments December 2014 for periods beginning on or after 1 January 2016
IFRS14 – Regulatory Deferral Accounts – January 2014 for periods beginning on or after 1 January 2016 (this standard will not apply to local authorities)
IFRS 9 - Financial Instruments – July 2014 for periods beginning on or after 1 January 2018
IFRS15 – Revenue from Contracts with Customers – May 2014, revised September 2015 for periods beginning on or after 1 January 2018
IFRS16 – Leases – January 2016 for periods beginning on or after 1 January 2019.

The Code's adoption of these standards remains under review and they will be included in the 2016/17 Code for the 2016/17 financial statements.

4. Implications

4.1 Finance

4.1.1 There are no direct financial implications of this report.

4.2 Equality and Diversity

4.2.1 There are no direct implications in relation to Equality and Diversity as a result of this report.

4.3 Public Interest

4.3.1 This matter is not considered to be of significant public interest. In due course the accounting policies used will be published as part of the Statutory Accounts.

4.4 Legal

4.4.1 There are no direct legal consequences of this report.

5. Consultations carried out

5.1 This report will be considered by the Joint Internal Audit Committee at its meeting on 15 March 2016. Any recommendations or comments they may make will be reported verbally to Executive Board at the meeting on 22 March 2016.

5.2 The report has been circulated to External Auditors for comment, and their comments will be reported verbally to the JIAC and the Executive Board.

6. Recommendations / Action Required of the Executive Board

6.1 Members of the Executive Board are recommended to endorse the proposed accounting policies.

Report Information

Joint report of Jane Palmer, Chief Constables Chief Finance Officer and Chief Accountant and Michael Porter, Commissioners Chief Finance Officer

Date created: 1 March 2016