APPENDIX B

New Accounting Policies

1 Presentation of Financial Statements

The Statement of Accounts has been prepared in accordance with International Financial Reporting Standards (IFRS) and includes a Movement in Reserves Statement, Comprehensive Income and Expenditure Statement (with service information analysed on a BVACOP basis), Balance Sheet, Cash Flow Statement and Notes to the Accounts (including additional segment reporting based on internal financial management arrangements, and including a subjective analysis and reconciliations). A third balance sheet as at 1 April 2009 is reported in the Balance Sheet.

In the opening IFRS Statement of Accounts as a starting point for accounting under IFRS, the following has been done:

- All the required assets and liabilities have been recognised,
- The appropriate assets and liabilities have been derecognised,
- Items have been reclassified that were recognised under UK GAAP as one type of asset, liability or component of equity, but are different types under IFRS,
- The Code has been applied in measuring all assets and liabilities,
- Generally, changes have been applied retrospectively except for certain exemptions.

Operating segments are defined on the same basis as for the "chief operating decision maker" and an explanation of the basis used for segment reporting, together with a reconciliation of the related amounts in the Statement of Accounts are included.

2 Property, Plant and Equipment

Non-Specialised Operational and Non-Operational Assets

Non-specialised operational and non-operational land and buildings are carried at Fair Value normally determined from market based evidence, which is generally taken to mean open market value, but the Code allows these assets to be carried forward at the existing use value.

Assets of a Specialised Nature

For assets of a specialised nature where there is no market evidence, an estimate of fair value has been based on Depreciated Replacement Cost (DRC), the valuation being that of a Modern Equivalent Asset (MEA) using the "instant build" approach. Fire stations are included under this category.

Land and Buildings

Land and buildings have been accounted for separately, and land is assumed to have an infinite life.

Assets Under Construction

Assets under construction have been valued at historic cost.

Surplus Assets

Surplus assets have been valued at Fair Value that is considered to be open market value. Where the asset is not held for generating cashflows, the value in use is the PV of the asset's remaining service potential, assumed to be at least equal to the cost of replacing that service potential and used as a measure of fair value.

If the surplus asset is of a specialised nature, then DRC has been used as an estimate of fair value. Surplus assets have been depreciated, with the depreciation being shown against "non-distributed costs" rather than a specific service.

Component Accounting

A component of property, plant and equipment is an item that has a cost that is significant in relation to the total cost of the asset. Components should be depreciated individually over their useful lives. However, on transition to the Code, component accounting has only been applied when a component is replaced or part enhanced, and the old component has been derecognised, and so there is no adjustment to the 31 March 2009 or 31 March 2010 balance sheets.

Revaluation

When an asset is re-valued, an entry has been made between the Revaluation Reserve and the Capital Adjustment Account which represents the difference between depreciation based on historic cost and the re-valued amount.

Revaluation Losses

A revaluation loss that is due to a clear consumption of economic benefit, if there is a previous revaluation surplus on that asset, is first charged against the surplus to the extent of the surplus, with the balance of the loss being charged to the Comprehensive Income and Expenditure Account.

3 Impairment of Assets

Assets are carried at no more than their recoverable amount, and impairment is measured by comparing the carrying value with the higher of fair value less costs to sell (equivalent to net selling price) and value in use. Impairment is assessed annually, and the indicators to reverse an impairment are the same for tangible and intangible assets. All impairment losses on re-valued assets are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each individual asset.

4 Intangible Assets

Internally generated intangible assets are capitalised where the recognition criteria are met. The criteria are as follows: it must be possible to separate the asset from the entity, the entity must control the asset, there must be future economic benefit from the asset, it must be probable that the economic benefits will flow to the entity, and the cost of the asset can be measured reliably. The intangible asset will be initially measured at cost, all revaluations are charged initially to the revaluation reserve, and there is no maximum useful life for the asset.

5 Investment Property

Investment Property is carried at fair value, normally open market value. Revaluations have been taken to the surplus or deficit on provision of services, not the Revaluation Reserve, and investment properties are not depreciated. A property interest held by a lessee under an operating lease has been accounted for as an investment property if it otherwise would meet the investment property definition. The lease is accounted for as a finance lease and fair value is determined.

6 Non-Current Assets Held for Sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value (market value), and are not subject to depreciation. Following reclassification as held for sale, the amount of any subsequent revaluation gains should not be in excess of previous impairment losses. To be classified as held for sale, an asset must be non-operational and available for sale immediately in its current condition, the sale must be highly probable, the asset must be actively marketed for sale at a reasonable price, and must be expected to be sold within a year.

7 Leases

Property leases have been classified and accounted for as separate leases of land and buildings. The land element is treated as an operating lease unless title is expected to pass to the lessee at the end of the lease term. The Code requires the Council to account for leases under IFRS in its opening balance sheet as at 1 April 2009.

Where an operating lease has been reclassified as a finance lease, an asset and a liability have been recognised equal to the fair value of the asset. If the fair value is not known, it has been estimated as the present value of the minimum lease payments.

Arrangements have been assessed to determine whether they contain the substance of a lease. The assessment considered whether fulfilment of the arrangement is dependent on the use of a specific asset(s) and whether the arrangement conveys the right to use the asset. Where this is the case, a lease has been recognised and accounted for in accordance with the lease provisions.

8 Employee Benefits

Short-term benefits have been accrued as earned, and they include wages and salaries, compensated balances, bonuses, and non-monetary benefits considered to fall due wholly within 12 months following the period when the service was rendered by the employee. An accrued expense has been recognised where there is a liability to pay wages, salaries and social security benefits at the year end. The cost of all benefits during employment has been accounted for in the period in which the benefit is earned by the employee. The main impact has been in relation to holiday pay which has been accrued where material.

9 Associates, Subsidiaries and Joint Ventures

Associates

An associate is defined as "an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture". Significant influence is defined as "the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies".

Subsidiaries

A subsidiary is defined as "an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent)". Control is defined as the "power to govern the financial and operating policies of an entity so as to obtain benefits from its activities".

Joint Ventures

The definition of a joint venture includes JANEs (Joint Arrangement Not an Entity) that are identified by the following types of joint ventures: jointly controlled entities, jointly controlled operations and jointly controlled assets. A joint venture is defined as "a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control".

The Authority has reassessed group relationships to determine whether any of the above come within the boundary, and where necessary consolidated the bodies into its' group accounts.

10 Inventories

Inventories have been valued using FIFO or weighted average cost formulae. Where there are deferred payment terms for the purchase of inventories, this is regarded as a financing arrangement and the difference between the price that would have been paid for "normal" credit terms and the actual amount paid has been recognised as an interest expense over the period of the financing.

11 Borrowing Costs

The option exists to capitalise borrowing costs relating to qualifying assets, but this option has not been exercised.

12 Accounting for Government Grants

Government grants cannot be offset against fixed assets, but government grants (and other contributions) are immediately recognised in the Comprehensive Income and Expenditure Account when the required conditions have been satisfied. The income is subsequently transferred to the Capital Adjustment Account or Capital Grants Unapplied Account, dependent upon whether it has been applied. In essence Government Grants awarded for capital schemes are used as a source of financing for the capital programme.

13 Errors

All material errors have been retrospectively corrected. Material omissions or misstatements are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. The nature and amount of a change that has an effect in the current period or is expected to have an effect in future periods (except where impracticable) have been disclosed.