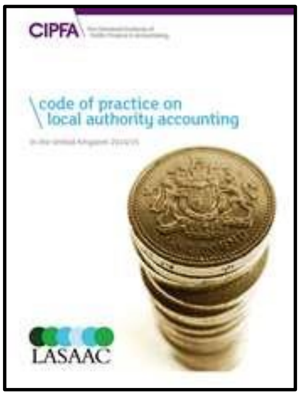
CIPFA The Chartered Institute of Public Finance & Accountancy

\code of practice on local authority accounting in the united kingdom

update to the 2014/15 code



This Update of the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) must be read in conjunction with the 2014/15 Code published by CIPFA in April 2014. The tracked changes to appropriate extracts of the 2014/15 Code include both new and amended paragraphs to form the Update to the 2014/15 Code.

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CIPFA\LASAAC

Foreword

This Code of Practice is based on International Financial Reporting Standards (IFRSs), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance. The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2014. This is with the exception of IFRS 13 *Fair Value Measurement*. CIPFA/LASAAC has decided to defer the adoption of this Standard until the 2015/16 Code while it reviews its application of the Standard for local government circumstances.

This edition of the Code applies for accounting periods commencing on or after 1 April 2014. It supersedes the edition published in April 2013 (the 2013/14 Code). This publication is an Update to the edition of the 2014/15 Code published in April 2014.

The key accounting changes in this edition of the Code include:

a) The provisions of section 2.5 of the Code, ie accounting for local government reorganisation and other combinations, have been clarified and augmented including a new definition of a function, clarification of the requirements for a transfer by absorption or a transfer by merger and relevant disclosure requirements.

b) The 2014/15 Code includes amendments to section 3.4 on the presentation of financial statements to reflect the amendments to IAS 1 as required by the *Annual Improvements to IFRS 2009–2012 Cycle* issued in May 2012 and also to include local authority statutory reporting requirements in the complete list of financial statements.

c) Section 6.4 of the 2014/15 Code includes clarification of the adaptation for the determination of the net defined benefit liability (asset) of the term ‘sufficient regularity’ that the period between the formal actuarial valuations is every four years for police and firefighters’ pension funds.

d) Section 6.5 of the 2014/15 Code includes clarification on the reporting requirements for the Statement on the System of Internal Financial Control for pensions administering authorities in Scotland.

e) Section 7.4 of the 2014/15 Code includes the amendments to IAS 32 *Financial Instruments: Presentation (Offsetting Financial Assets and Liabilities),* December 2011, requiring reference to the amended application guidance for offsetting financial assets and liabilities, where applicable.

f) Chapter nine of the Code includes the introduction of the requirements of the five new or amended standards introduced by the IASB in May 2011, ie IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Ventures*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements* (as amended in 2011) and IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011).

g) A new Appendix D has been introduced in the 2014/15 Code to confirm for authorities the changes to the future editions of the Code for the measurement of transport infrastructure assets.

h) The Code's adoption of IFRS 13 *Fair Value Measurement* remains under review and therefore the 2014/15 Code does not include any provisions in relation to this standard. CIPFA/LASAAC will keep authorities advised on the latest position on the developments of this standard on the CIPFA/LASAAC pages of the CIPFA website.

i) CIPFA/LASAAC consulted on Accounting for Schools in England and Wales from February to April 2014. The results of the consultation were included in an Addendum to the Code and a new Appendix E, Accounting for schools in local authorities in England and Wales in April 2014. This Appendix has been further amended as a new single issue Update to the 2014/15 Code to include transitional provisions for the possible recognition of non-current assets for the first time as a result of the introduction of the accounting policies introduced by Appendix E.

Deleted: In its consultation on the 2014/15 Code CIPFA/LASAAC anticipated consulting on the accounting treatment of local authority maintained schools in the Autumn of 2013. This has been subject to review by a Joint Working Group of HM Treasury and CIPFA/LASAAC.

Under the oversight of the Financial Reporting Advisory Board, the CIPFA/LASAAC Code Board is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances.

In England and Wales, the local authority Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. In Scotland, the local authority Code constitutes proper accounting practice under section 12 of the Local Government in Scotland Act 2003. In Northern Ireland, the status and authority of the local authority Code derives from regulation 3(1) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 and through the relevant accounts direction issued by the Department of the Environment (Northern Ireland) of that Act.

APPENDIX E

Accounting for schools in local authorities in England and Wales

Deleted: ADDENDUM TO THE 2014-15 CODE¶

E.1 REPORTING REQUIREMENTS FOR LOCAL AUTHORITY SCHOOLS WITHIN THE CONTROL OF LOCAL AUTHORITIES IN ENGLAND AND WALES

E.1.1 CIPFA/LASAAC is of the view that local authority maintained schools[1] are capable of being treated as separate entities for control purposes under chapter nine: Group Accounts of the Code.

E.1.2 CIPFA/LASAAC is of the view that, based on the indicators of control identified under the requirements of the Code's adoption of IFRS 10 *Consolidated Financial Statements*, the balance of control lies with local authorities for all maintained schools. The recognition of non-current assets used by schools shall be determined in accordance with the relevant standards adopted by Chapter Four Non-Current Assets of this Code as appropriate to the arrangements for the assets. These assets shall be recognised in a local authority's balance sheet if they meet either the appropriate recognition criteria (see Chapter Four) for the local authority or for a school[2] within the local authority area.

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E.1.3 The following text is required to be added to the definition of single entity financial statements in paragraph 9.1.2.23 of the Code as an adaptation[3] to the definition **the single entity financial statements**:

The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools in England and Wales within the control of the local authority.

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[1] Local authority maintained schools are those schools categorised in the School Standards and Framework Act 1998 ie community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools.

[2] Where the school is an entity in accordance with paragraph E1.1.

[3] This is an adaptation to both IFRS 10 *Consolidated Financial Statements* and consequentially to IAS 27 *Separate Financial Statements* to include the schools (as entities) transactions, that would otherwise be recognised in the group accounts under IFRS 10, in the single entity financial statements.

E.1.4 Following the conclusion in paragraph E.1.1, local authorities will need to disclose relevant information under paragraphs 9.1.4.10 a) i) and b) and 9.1.4.13. CIPFA/LASAAC considers that these disclosures should be made in aggregate and should focus only on those material risks to local authority financial statements.

Transitional Arrangements

E1.5 Where as a result of a changing accounting policy outlined in paragraphs E.1.1 to E1.3 local authorities are required to recognise non-current assets used by schools for the first time in a local authority's balance sheet, these assets should be measured in accordance with the requirements of Section 4.1 of the Code. However, on 1 April 2013 this valuation may be treated as a "deemed cost" with the credit entry recognised in the Capital Adjustment Account.