



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

technical alert - informal comments on  
accounting for schools in local authorities  
(England and Wales)

# technical alert - informal comments on accounting for schools in local authorities (England and Wales)

## Introduction and Background

1. This Technical Alert provides an informal commentary from the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) on accounting for schools in local authorities following the consultation on the Update to the 2012/13 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) and the 2013/14 Code. This Alert is an informal commentary only and does not replace direct reference to the provisions of the Code or other relevant source documentation.
2. Last year's consultation remains available on the archived consultation pages of the CIPFA Website by means of the following link: <http://www.cipfa.org/Policy-and-Guidance/Consultations-archive/The-Code-of-Practice-on-Local-Authority-Accounting-in-the-UK-201213-Code-Update-and-201314-Code>.
3. In summary, the consultation paper proposed that only the transactions in respect of the resources controlled by the governing bodies of community and community special schools in England and Wales should be reported within the local authority group accounts boundary. All other classes of maintained schools<sup>1</sup> were deemed (in the consultation analysis) to be outside of the group boundary.
4. Following the consultation CIPFA/LASAAC requested that its Accounting for Schools in Local Authorities Working Party (the Working Party) consider the consultation responses and additional evidence provided by a number of important stakeholders.

## Commentary

5. The members of the Working Party who considered the original consultation documents were of the view that they were not yet persuaded by the arguments presented to change their views. However, CIPFA/LASAAC and the Working Party are keen to stress that for important changes to accounting for schools a consensus would need to be achieved. The Working Party also had to consider the following factors before making any recommendations to CIPFA/LASAAC:
  - The Working Party and CIPFA/LASAAC will need to undertake the same analysis (ie the consolidation tests) set out in the consultation paper on accounting for schools in local authorities under the new suite of consolidation standards (and principally IFRS 10 *Consolidated Financial Statements*) which are anticipated to be adopted by the 2014/15 Code.
  - In the private sector there appears to be a growing consensus that the adoption of IFRS 10 will not produce significantly different results to reporting entities group boundaries. However, it is possible that the complex and marginal case presented by the relationship of local authorities and their maintained schools might produce a different set of conclusions from that in the consultation paper under the new standards. The Working Party and CIPFA/LASAAC do not consider it would be beneficial on a cost benefit basis to introduce (potentially) two sets of guidance on the requirements for accounting for schools in local authorities in a relatively short period of time.

---

<sup>1</sup> As defined in the School Standards and Framework Act 1998

- Consensus amongst the stakeholders in attendance at the Working Party was not achieved.
  - The complex case that accounting for schools represents and the lack of consensus by all stakeholders on the application of IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities* might mean that there is a range of possible acceptable interpretations of the application of accounting standards to the accounting for schools issues.
6. The Working Party has therefore not recommended any changes to the provisions of the 2013/14 Code to CIPFA/LASAAC in relation to accounting for schools in local authorities.
  7. CIPFA/LASAAC will keep practitioners updated on the progress of the analysis of the Working Party via the consultation process on the 2014/15 Code in the summer of 2013.

### CIPFA/LASAAC Recommendations

8. Following the comments set out above, CIPFA/LASAAC recommends that there should be no change to the 2013/14 Code in respect of Accounting for Schools. It also recommends that local authorities set out clearly in their 2012/13 and 2013/14 financial statements, in the summary of significant accounting policies, their approach to accounting for maintained schools' income, expenditure, assets, liabilities and reserves. These accounting policies need to be consistently applied throughout the complete set of financial statements<sup>2</sup>.

---

<sup>2</sup> As defined in paragraph 3.4.2.17 of the 2012/13 Code

---