

Technical Accounting Alert 3 (Informal commentary and clarification)

Accounting for Local Authority Maintained Schools¹ (England and Wales) 2014/15 Financial Statements²

The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has reviewed the responses from its consultation on accounting for local authority maintained schools in England and Wales.

Following the consultation which commenced in February 2014 CIPFA/LASAAC considers that the application of IFRS 10 *Consolidated Financial Statements*³ to the accounting for local authority maintained schools in the 2014/15 financial statements should be largely consistent with the outcomes of the consultation ie that the balance of indicators of control are such that these schools should be consolidated in local authority financial statements.

This means that in accordance with the adaptation the income, expenditure, assets, liabilities and reserves should be consolidated into the local authority single entity financial statements. Both the accounting treatment and the adaptation have been confirmed in Appendix E/Addendum to the 2014/15 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

It should be noted that CIPFA/LASAAC was not able to make the same conclusions under the 2013/14 Code's adoption of IAS 27⁴ and SIC 12⁵ and therefore the first Technical Alert on accounting for schools remains extant. This is available from the following link: <http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/schools-accounting-technical-alert>.

Recognition of schools' property, plant and equipment will need to be in accordance with the Code's adoption of the relevant standards included in Chapter 4 *Non-Current Assets*. However, CIPFA/LASAAC has not seen any evidence from the consultation responses that would contradict the recognition outcomes in paragraph 66 of the Appendix to the ITC ie the report of the Working Group. This concludes that for:

"... buildings provided at no charge by a religious body," ... " in many cases the school may not have the right to continuing use of the assets and the assets can be taken back by their owners at any point" in such cases "... the assets would not be recognised as

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

² For the 2013/14 financial statements please refer to the first technical alert on schools for further detail

³ As adopted by the 2014/15 *Code of Practice on Local Authority Accounting in the United Kingdom*

⁴ IAS 27 *Consolidated and Separate Financial Statements*

⁵ SIC 12 *Consolidation – Special Purpose Entities*

assets of the school". In such circumstances, as the asset would not be able to be recognised as that of the school then these assets would also not be recognised in local authority financial statements.

Further guidance on this and other issues relating to accounting for local authority maintained schools will be provided in the *Code of Practice on Local Authority Accounting in the United Kingdom, Guidance Notes for Practitioners 2014/15 Accounts*.

DISCLAIMER

Please note that the guidance offered by this Technical Alert should not be taken as an authoritative interpretation of the law and should not be considered as constituting a definition of proper accounting practice.

This Technical Alert is intended to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Technical Alert is intended to be best practice, but is not prescriptive and does not have the formal status of the Code. All reasonable care is exercised in preparing the Alert. However, accounts preparers should always refer to the primary sources before relying on this advice and check any interpretation of published guidance with their own professional advisors and their own circumstances.