

## **Audit Committee**

**28 February 2023**



### **Changes to the Code of Practice for Local Authority Accounting in the UK for 2022/23**

---

**Paul Darby, Corporate Director of Resources**

#### **Electoral division(s) affected:**

None

#### **Purpose of the Report**

- 1 This report provides the Audit Committee with a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code). These changes apply to the 2022/23 Statement of Accounts.

#### **Executive summary**

- 2 In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK, which is based upon approved accounting standards.
- 3 The 2022/23 Statement of Accounts will be prepared in accordance with the CIPFA Code 2022/23.
- 4 An exceptional update to the Code was issued in November 2022 to include a temporary relief in respect of the reporting of Infrastructure Assets.
- 5 The key accounting changes to the Code from 2021/22 to 2022/23 are outlined in Appendix 2, detailing their relevance and applicability to the council.

#### **Recommendation**

- 6 Members are asked to note the changes detailed in the report and in Appendix 2, which will be taken into account in the preparation of the 2022/23 statements.

## **Background**

- 7 This report is presented to the Audit Committee in accordance with paragraph 4.2.3 of the Committee's operational terms of reference which requires it 'to maintain an understanding of internal and external reporting requirements'.
- 8 In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK (the Code), which is based upon approved accounting standards.
- 9 The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the joint CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board. It 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.
- 10 The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The latest edition of the Code applies for accounting periods commencing on or after 1 April 2022. It supersedes the 2021/22 Code.
- 11 In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.
- 12 The CIPFA/LASAAC Code Board, overseen by the Financial Reporting Advisory Board, is in a position to issue mid-year updates to the Code in exceptional circumstances. In November 2022, the board issued an update to the 2022/23 Code, which will apply to subsequent years until the 2024/25 financial year, to include a temporary relief in respect of the reporting of in respect of Infrastructure Assets.

## **Main implications**

- 13 Appendix 2 provides a summary of the key accounting changes to the Code and their relevance to the council in preparing its Statement of Accounts for the year ended 31 March 2023.

## Other useful documents

- Audit Committee, 28 November 2022 – Statement of Accounts for the Year Ended 31 March 2022.
- Audit Committee, 28 February 2023 – Audited Statement of Accounts for the year ended 31 March 2022.

---

<b>Contact:</b>	Joanne McMahon	Tel: 03000 261968
	Anita Hawkins	Tel: 03000 266242

---

---

## **Appendix 1: Implications**

---

### **Legal Implications**

It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

### **Finance**

There are no direct financial implications arising for the council as a result of this report, although by implementing the changes in the Code in our financial reporting we are demonstrating efficient arrangements for the proper administration of the council's financial affairs.

### **Consultation**

None.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Climate Change**

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

### **Risk**

This report requires no decision and so a risk assessment has not been carried out.

### **Procurement**

None.

## Appendix 2: Changes to the Code of Practice for Local Authority Accounting in the UK for 2022/23

The table below provides a summary of the key accounting changes in the 2022/23 CIPFA Code and their applicability to Durham County Council.

	<b>Change</b>	<b>Relevant to Durham County Council?</b>
1	Amendments to Section 1.3 (Applicability of the Code) to clarify and expand the applicability of the Code to Welsh authorities and bodies including corporate joint committees.	No
2	Revision of Section 4.2 (Leases) to allow authorities to voluntarily adopt the provisions of IFRS 16 in advance of mandatory implementation, in line with requirements set out in Appendix F.	No, as we are not intending to voluntarily adopt IFRS 16 early
3	Revision of Section 4.3 (Service Concession Arrangements: Local Authority as Grantor) to specify that if IFRS 16 is adopted in advance of mandatory implementation, then the service concession arrangement liability is measured in accordance with the measurement requirements of IFRS 16, as set out in Appendix F. However, at the time of writing, CIPFA LASAAC is considering deferring this to 2023/24 to be consistent with central government adoption.	Only relevant to early adopters of IFRS 16
4	Amendments to Section 8.2 (Provisions, Contingent Liabilities and Contingent Assets) to clarify the treatment of social benefits under IAS 37/IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	Yes
5	Confirmation in Appendix C (Changes in Accounting Policies: Disclosures in the 2021/22 and 2022/23 Financial Statements) of the transitional reporting requirements of the new standards introduced in the 2022/23 Code, while also having regard to requirements in relation to voluntary adoption of IFRS 16.	Yes

	<b>Change</b>	<b>Relevant to Durham County Council?</b>
6	Confirmation in Appendix D (New or Amended Standards Introduced to the 2022/23 Code) of the new or amended standards introduced to the 2022/23 Code.	Yes
7	Minor change to Disclosure Requirements, paragraph 4.1.4.3 (bullet point 5) to clarify that the actual capital financing requirement at the end of the reporting period measured in accordance with paragraph 90 of the Prudential Code.	Yes
8	Update to the Code in respect of Infrastructure Assets: Amendments to Section 4.1 of the Code include a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief is applied from the 2021/22 Code up to and including the Code applicable to the 2024/25 financial year but may also apply to local authority financial statements before this period where the auditor's opinion on those statements has not been given. Where a local authority chooses to apply this temporary relief, the Code requires that additional information is provided to explain an authority's rationale for this decision.	Yes