

## **Audit Committee**

**28 February 2025**



## **Changes to the Code of Practice for Local Authority Accounting in the UK for 2024/25**

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**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 2024/25 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 2024/25 Statement of Accounts will be prepared in accordance with the CIPFA Code 2024/25.
- 4 The key accounting changes to the Code from 2023/24 to 2024/25 are outlined in Appendix 2, detailing their relevance and applicability to the council.
- 5 Other than the mandatory implementation of IFRS 16 – Leases from 2024/25, the changes have minimal impact on the Council's production of its Statement of Accounts.

### **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 2024/25 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 2024. It supersedes the 2023/24 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.

## **Main implications**

- 12 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 2025.
- 13 The changes are minimal, other than the mandatory implementation of IFRS 16 – Leases from 2024/25. IFRS16 Implementation and Code compliance requirements have been underway since 2023 with an IFRS16 progress report considered at Audit Committee previously at its 29 September 2023 meeting. The Council has incorporated the Code requirements into its final accounts timetable and remains on target for its inclusion in the 2024/25 Statement of Accounts.

## Other useful documents

- Audit Committee, 29 November 2024 – Audited Statement of Accounts for the year ended 31 March 2024.
- Audit Committee 29 September 2023 - Implementation of Accounting Standard IFRS16 - Accounting for Leases

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## **Appendix 1: Implications**

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### **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 2024/25

The table below provides a summary of the key accounting changes in the 2024/25 CIPFA Code and their applicability to Durham County Council.

	Change	Relevant to Durham County Council?
1	<p>A substantial and significant accounting change in the 2024/25 edition of the Code is the full adoption of IFRS 16</p> <p>The impact can be found in the following sections:</p> <ul style="list-style-type: none"> <li>a) Section 2.1 includes clarification on the fair value measurement of leased investment properties.</li> <li>b) Section 2.3 expands the definition of donated assets to include right-of-use assets and sets out the accounting treatment of leases provided at below market rate.</li> <li>c) Section 4.1 includes clarification on the treatment of right-of-use assets for leased property, plant and equipment.</li> <li>d) Section 4.2 sets out significant changes to the classification, recognition, measurement and disclosure of leases.</li> <li>e) Section 4.3 has been updated to set out the treatment of service concession arrangement liabilities following the principles of IFRS 16 <i>Leases</i>.</li> <li>f) Section 4.4 amends the treatment of leased investment properties.</li> <li>g) Section 4.8 includes clarification of borrowing costs in relation to leases.</li> <li>h) Section 4.10 includes clarification that right-of-use assets can be classified as heritage assets.</li> <li>i) Section 7.3 has been amended to include lease liabilities as exempt from fair value disclosures.</li> </ul>	Yes
2	<p>Amendments to Section 3.1 to suggest that narrative reporting might reflect on the risk that a Section 114 notice might be issued.</p>	Yes

	<b>Change</b>	<b>Relevant to Durham County Council?</b>
3	Amendments to Section 4.2 reflecting recent amendments on the treatment of sale and leaseback arrangements.	Yes
4	Amendments to Section 4.3 reflecting changes to the treatment on initial application of IFRS 16 to service concession arrangements which provide for variable payments that depend on an index or rate.	Yes
5	Confirmation in Appendix C (Changes in Accounting Policies: Disclosures in the 2023/24 and 2024/25 Financial Statements) of the transitional reporting requirements of the new standards introduced in the 2024/25 Code, while also having regard to requirements in relation to voluntary adoption of IFRS 16.	Yes
6	Confirmation in Appendix D (New or Amended Standards Introduced to the 2024/25 Code) of the new standards introduced to the 2024/25 Code.	Yes