

## Audit Committee

28 February 2014



## Changes to the Code of Practice for Local Authority Accounting in the UK for 2013 / 2014

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**Don McLure, Corporate Director Resources**

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### Purpose of the Report

- 1 The purpose of the report is to provide 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 2013/14 accounts.
- 2 The report is presented 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'**.
- 3 Appendix 2 provides a summary of all changes and their relevance to the Council.

### Background

- 4 The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/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.
- 5 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 latest edition of the Code applies for accounting periods commencing on or after 1 April 2013. It supersedes the 2012/13 Code.
- 6 In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003

- 7 The CIPFA/LASAAC Code Board overseen by the Financial Reporting Advisory Board is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances. The Code is thus intended to provide a comprehensive framework.

**Recommendations and reasons**

- 8 Members are asked to note the changes detailed in Appendix 2.

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## **Appendix 1: Implications**

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### **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 County Council's financial affairs

### **Staffing -**

None

### **Risk -**

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

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

None

### **Accommodation -**

None

### **Crime and Disorder -**

None

### **Human Rights -**

None

### **Consultation -**

None

### **Procurement -**

None

### **Disability Issues -**

None

### **Legal Implications -**

None

## Appendix 2: Changes to the Code of Practice for Local Authority Accounting in the UK for 2013/14

The table below provides a summary of the changes in the 2013/14 CIPFA Code and their applicability to Durham County Council.

	Change	Relevant to Durham County Council
1	The 2013/14 Code (following the amendments introduced in the 2012/13 Code Update) includes requirements for the accounting treatment of allowances in respect of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme in section 2.4.	Yes
2	The 2013/14 Code (following the amendments introduced in the 2012/13 Code Update) includes minor amendments to the HRA Income and Expenditure Statement. It also includes revisions to reflect the changes in the statutory accounting requirements for property, plant and equipment in relation to the transfers to and from the Major Repairs Reserve under the new self-financing arrangements for housing authorities in England. A number of non-statutory disclosures have also been removed from the 2013/14 Code for the HRA in England, Wales and Scotland.	Yes
3	The 2013/14 Code (following the amendments introduced in the 2012/13 Code Update) includes amendments in relation to the Local Government Finance Act (Northern Ireland) 2011, its associated regulations and statutory guidance in relation to the introduction of the new prudential capital finance system in Northern Ireland. The amendments include changes to the recommended wording in the Statement of Responsibilities in section 3.2, the statutory accounting requirements in chapter four Non-current Assets and Appendix B Sources and Legislation.	No – applies only to Local Authorities in Northern Ireland
4	The 2013/14 Code does not include the requirements of IFRS 13 as the adoption of this standard has been deferred until the 2014/15 Code while its adoption is under review by CIPFA/LASAAC.	Yes – for future adoption
5	The 2013/14 Code includes in section 3.4 amendments to the Comprehensive Income and Expenditure Statement as a result of the June 2011 amendments to IAS 1 <i>Presentation of Financial Statements</i> (where relevant to an authority) and the June 2011 amendments to IAS 19.	Yes

	<b>Change</b>	<b>Relevant to Durham County Council</b>
6	The 2013/14 Code has also augmented its provisions on fair presentation in section 3.4 and has included clarification on the treatment of overdrafts within the Balance Sheet and Cash Flow Statement.	Yes
7	The 2013/14 Code includes augmentation of its provisions on service concession (PFI/PPP) arrangements in section 4.3. It has included new definitions and clarifications of the Code's provisions on assets under construction and intangible assets included in service concession arrangements. It does not include changes to the measurement of the liability or the grant of the right to the operator (third party payment) model included in the consultation proposals. Both these issues are under review by the CIPFA/LASAAC Code Board.	Yes
8	<p>The 2013/14 Code includes revisions as a result of the June 2011 amendments to IAS 19 <i>Employee Benefits</i>:</p> <ul style="list-style-type: none"> <li>• amendments to the definitions in section 6.1</li> <li>• updated terminology, amendments to the recognition requirements and clarifications of the disclosure requirements in section 6.2</li> <li>• amendments to the recognition requirements of section 6.3 Termination Benefits and clarification of the disclosure requirements, and</li> <li>• amendments to the classification, recognition, measurement and disclosure requirements in section 6.4 Post-employment Benefits.</li> </ul>	Yes
9	The 2013/14 Code includes the amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> (Offsetting Financial Assets and Liabilities) issued in December 2011 requiring information that will enable users of an authority's financial statements to evaluate the effect or potential effect of netting arrangements.	Yes

	<b>Change</b>	<b>Relevant to Durham County Council</b>
10	The 2013/14 Code has been revised to reflect the amendments to IAS 12 <i>Income Taxes</i> issued in December 2010.	No – not relevant for single entity financial statements
11	<p>The 2013/14 Code includes a number of clarifications and augmentations of the provisions of the Code as a result of the CIPFA/LASAAC post-implementation review. It:</p> <p>1) includes clarification of the recognition and measurement provisions in relation to accounting for property, plant and equipment</p> <p>2) has enhanced the previous provisions of the Code in relation to leases and lease-type arrangements by adding:</p> <ul style="list-style-type: none"> <li>• a number of definitions</li> <li>• minor clarifications to classifications of leases, and</li> <li>• provisions for leases where no premium is paid but for which lease rentals are charged at a peppercorn or other nominal rate, and</li> </ul> <p>3) includes clarification of the recognition requirements for non-current assets held for sale.</p>	Yes
12	The 2013/14 Code does not include any amendments in relation to accounting for schools in local authorities; following the consultation on this issue the CIPFA/LASAAC Code Board received further responses and therefore further investigation and review is required on this important accounting issue.	Yes – for future adoption

	<b>Change</b>	<b>Relevant to Durham County Council</b>
13	The 2013/14 Code includes amendments for the requirements of the localisation of business rates in England and adds new provisions for any business rates schemes where local authorities are permitted to retain an element of business rates growth including the Business Rates Incentivisation Scheme in Scotland (see sections 2.8 and 3.6). Note that the sections of the Code which include these new provisions have been included in sections 2.8 and 3.6 and not moved to sections 2.10 and 3.9 as was set out in the December 2012 consultation.	Yes