

## Audit Committee

26 February 2015

### Changes to the Code of Practice for Local Authority Accounting in the UK for 2014/15



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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 the 2014/15 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 2014. It supersedes the 2013/14 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

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## Appendix 2: Changes to the Code of Practice for Local Authority Accounting in the UK for 2014/15

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The table below provides a summary of the changes in the 2014/15 CIPFA Code and their applicability to Durham County Council.

	<b>Change</b>	<b>Relevant to Durham County Council</b>
1	The provisions of section 2.5 of the Code (accounting for local government reorganisation and other combinations) have been clarified and augmented including a new definition of a function, clarification of the requirements for a transfer by absorption or a transfer by merger and relevant disclosure requirements.	No
2	The 2014/15 Code includes amendments to section 3.4 on the presentation of financial statements to reflect the amendments to IAS 1 as required by the Annual Improvements to IFRS 2009–2012 Cycle issued in May 2012 and also to include local authority statutory reporting requirements in the complete list of financial statements.	Yes
3	Section 6.4 of the 2014/15 Code includes clarification of the adaptation for the determination of the net defined benefit liability (asset) of the term ‘sufficient regularity’ that the period between the formal actuarial valuations is every four years for police and firefighters’ pension funds.	No – applies only to police and firefighters’ pension funds. Formal actuarial valuations are already required every three years for local government pension scheme funds.
4	Section 6.5 of the 2014/15 Code includes clarification on the reporting requirements for the Statement on the System of Internal Financial Control for pensions administering authorities in Scotland.	No – applies only to local authorities in Scotland

	<b>Change</b>	<b>Relevant to Durham County Council</b>
5	Section 7.4 of the 2014/15 Code includes the amendments to IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Liabilities), December 2011, requiring reference to the amended application guidance for offsetting financial assets and liabilities, where applicable.	Yes
6	Chapter 9 of the Code includes the introduction of the requirements of the five new or amended standards introduced by the IASB in May 2011, i.e. IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (as amended in 2011) and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011).	Yes
7	A new Appendix D has been introduced in the 2014/15 Code to confirm for authorities the changes to the future editions of the Code for the measurement of transport infrastructure assets.	Yes – for future adoption
8	CIPFA/LASAAC has decided to defer adoption of IFRS 13 Fair Value Measurement until the 2015/16, Code while it reviews its application of the standard for local government circumstances.	Yes – for future adoption

	<b>Change</b>	<b>Relevant to Durham County Council</b>
9	<p>The 2014/15 Code introduces a new Appendix E confirming the position for local authority maintained schools.</p> <p>A Local Authority Accounting Panel Bulletin (LAAP 101 – Accounting for Non-Current Assets Used by Local Authority Maintained Schools) focuses on the accounting treatment for non-current assets used by schools</p>	Yes