

Audit Committee

29 February 2016



Changes to the Code of Practice for Local Authority Accounting in the UK for 2015/16

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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 2015/16 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 the 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 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.
- 5 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 2015. It supersedes the 2014/15 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. A Code update was issued in early February 2016 in respect of:
- amendments as a result of legislative changes and particularly the Accounts and Audit Regulations 2015 for English authorities
 - CIPFA/LASAAC's decision to introduce specific transitional reporting requirements for the measurement of the highways network asset in 2016/17 which relate to the production of preceding year information (i.e. 2015/16).

Recommendations and reasons

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

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Appendix 1: Implications

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 2015/16

The table below provides a summary of the changes in the 2015/16 CIPFA Code and their applicability to Durham County Council.

	Change	Relevant to Durham County Council
1	Amendments to chapter one to underline CIPFA/LASAAC's view of the importance of the consideration of materiality when preparing disclosures for local authority financial statements.	Yes
2	<p>The introduction of a new section on fair value measurement in chapter two (Concepts and Principles) to reflect the adoption of IFRS 13 Fair Value Measurement. The 2015/16 Code also includes a number of consequential amendments following the adoption of the standard. The most substantial of these are the amendments to:</p> <ul style="list-style-type: none"> i) section 2.1 (Concepts) – the table in this section has been updated to summarise the application of the measurement of fair value or current value measurement bases to the transactions of local authorities ii) section 4.1 (Property, Plant and Equipment) introduces the new definition and disclosure requirements for fair value measurement to surplus assets (see 4 below for further consequential amendments to section 4.1 of the Code to property, plant and equipment) iii) the definitions of fair value in sections 2.7 (Revenue Recognition), 4.4 (Investment Property), 4.9 (Non-current Assets Held for Sale and Discontinued Operations), 5.1 (Inventories), 5.3 (Debtors), 6.1 (Employee Benefits – Definitions) and 8.1 (Creditors) of the Code iv) a number of the definitions and disclosure requirements in section 4.7 (Impairment of Assets) v) the definitions of fair value and the disclosure requirements of chapter seven (Financial Instruments). 	Yes

	Change	Relevant to Durham County Council
3	Clarification in section 3.4 (Presentation of Financial Statements) of the reporting requirements for disclosures that support the Movement in Reserves Statement.	Yes
4	Clarification in section 4.1 (Property, Plant and Equipment) of the current adaptation of the measurement requirements for property, plant and equipment following the adoption of IFRS 13 and the introduction of the concept of current value. Current value in section 4.1 includes four measurement bases. Note that the new definition of current value means that the measurement requirements for property, plant and equipment providing service potential for an authority have not changed from the 2014/15 Code. The 2015/16 Code has changed the measurement requirements for assets classified as surplus assets. These assets are now to be measured at fair value in accordance with the definition in IFRS 13 and without any adaptations to that definition.	Yes
5	Introduction in section 4.1 of an interpretation to clarify what a short period means for the measurement of a class of assets for local authorities.	Yes
6	Following adoption of the amendments in the Update to the 2014/15 Code, minor clarifications of the reporting requirements in Appendix E (Accounting for Schools in Local Authorities in England and Wales).	Yes
7	Confirmation in section 4.10 (Heritage Assets) that the measurement of heritage assets shall continue to be made by any method that is appropriate and relevant and rationalises the disclosures of heritage assets following the introduction of FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).	Yes
8	Amendments as an Update to the 2015/16 Code to chapter one (Introduction), chapter three (Financial Statements), chapter four (Non-Current Assets) and Appendix B (Sources and Legislation) as a result of the Accounts and Audit Regulations 2015 for English authorities and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.	Yes

	Change	Relevant to Durham County Council
9	Amendments as an Update to the 2015/16 Code to section 3.1 (Narrative Report) to reflect the new requirements in the Accounts and Audit Regulations 2015 for English authorities for a narrative statement. The section has also been updated to reflect the provisions of Statutory Guidance issued by the Scottish Government on the Management Commentary.	Yes
10	Amendments as an Update to the 2015/16 Code that confirm the decision to measure the Highways Network Asset at Depreciated Replacement Cost in accordance with the requirements in the 2016/17 Code. They include confirmation of the reporting requirements for that change in the 2015/16 financial statements and the transitional reporting requirements for the 2016/17 financial statements (though for the full reporting requirements direct reference will be needed to the 2016/17 Code).	Yes