

## Audit Committee

24 February 2017



## Changes to the Code of Practice for Local Authority Accounting in the UK for 2016/17

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**John Hewitt, 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 2016/17 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 2016. It supersedes the 2015/16 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.

### **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 2016/17**

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The table below provides a summary of the changes in the 2016/17 CIPFA Code and their applicability to Durham County Council.

	<b>Change</b>	<b>Relevant to Durham County Council</b>
1	Following the amendments in the Update to the 2015/16 Code as a result of the Accounts and Audit Regulations 2015, amendments to chapter one (Introduction), chapter three (Financial Statements), and Appendix B (Sources and Legislation).	Yes
2	An update of section 2.1 (Concepts) for the issue of the IPSASB <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> , particularly to reflect the description of public sector users and understandability of local authority financial statements.	Yes
3	Amendment to section 2.10 (Fair Value Measurement) to remove the scope exclusion on the disclosures for retirement benefit plan investments measured at fair value in accordance with section 6.5 (Accounting and Reporting by Pension Funds).	Yes
4	Following the amendments in the Update to the 2015/16 Code, amendment 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 and a new recommendation is made to cross refer in the Narrative Report to the new Expenditure and Funding Analysis (see 5 below).	Yes

	<b>Change</b>	<b>Relevant to Durham County Council</b>
5	Amendments to section 3.4 (Presentation of Financial Statements) to reflect the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MRS) and to introduce a new Expenditure and Funding Analysis as a result of the Telling the Story review of the presentation of local authority financial statements. The presentation of financial statements section of the Code has also been amended to reflect the December 2014 changes to IAS 1 <i>Presentation of Financial Statements</i> under the International Accounting Standards Board (IASB) Disclosure Initiative.	Yes
6	An update to section 3.7 (Statement Reporting Reviews of Internal Controls) for the changes to the <i>Delivering Good Governance in Local Government: Framework (2016)</i> published by CIPFA and SOLACE.	Yes
7	An addition to the definition of a related party in section 3.9 (Related Party Disclosures) for the changes to IAS 24 <i>Related Party Disclosures</i> in relation to key management personnel as a result of the <i>Annual Improvements to IFRSs 2010-2012 Cycle</i> .	Yes
8	Introduction in section 4.1 (Property, Plant and Equipment) of the new measurement requirements for the Highways Network Asset in section 4.11 and consequential amendments for the definitions, measurement and disclosure provisions for 2016/17.	Yes – however an update issued by CIPFA in Nov 2016 has deferred implementation until 2017/18
9	Clarification in section 4.1 of the treatment of accumulated depreciation and impairment for items of property, plant and equipment that are not a part of the Highways Network Asset.	Yes
10	Introduction of a new section 4.11 (Highways Network Asset) for the new measurement requirements at depreciated replacement cost for the Highways Network Asset based on the methodologies in the CIPFA <i>Code of Practice on Transport Infrastructure Assets</i> .	Yes – deferred until 2017/18

	<b>Change</b>	<b>Relevant to Durham County Council</b>
11	<p>Amendments to section 6.5 (Accounting and Reporting by Pension Funds) as a result of a review of that section:</p> <ul style="list-style-type: none"> <li>• update to the format of the Fund Account and the Net Asset Statement to be consistent with the new <i>Financial Reports of Pension Schemes – A Statement of Recommended Practice 2015</i></li> <li>• confirmation of the new disclosure requirements for retirement benefit plan investments measured at fair value</li> <li>• recommendations for a new disclosure on investment management transaction costs</li> <li>• a new Annex setting out the application of other sections of the Code, and</li> <li>• other minor drafting improvements.</li> </ul>	Yes
12	<p>Amendments to chapter nine (Group Accounts) for the changes relating to IFRS 11 <i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i> and to include an interpretation of IAS 27 <i>Separate Financial Statements</i> where the option to equity account for investments in subsidiaries, associates or joint ventures is withdrawn.</p>	No
13	<p>Introduction of a new Appendix D listing the amendments to standards included in the 2016/17 Code.</p>	Yes