CIPFA The Chartered Institute of Public Finance & Accountancy

LAAP BULLETIN 98

Closure of the 2013/14 Accounts and Related Matters

March 2014

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, SeRCOP and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the Code, SeRCOP or Prudential Code.

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INTRODUCTION

1. This bulletin is the seventh in a succession of LAAP Bulletins covering the closure of accounts and related matters. In response to frequently asked questions and matters arising at various events held by the Financial Advisory Network (FAN), this bulletin provides further guidance and clarification to complement the 2013-14 Code Guidance Notes. Most of the material in earlier “year-end” bulletins remains relevant and the latest guidance can be found in the Guidance Notes

2. The bulletin focuses on those areas that are expected to be significant for most authorities. Inevitably, there will be issues that are relevant to some authorities that are not covered in this bulletin. The bulletin is not intended to replace authorities’ processes for identifying issues, but to complement those processes.

3. In addition, the bulletin addresses matters that will generally be applicable to authorities across England, Wales, Scotland and Northern Ireland. However, some areas will be more relevant in some jurisdictions than others and are indicated as such.

4. Police only issues are included in a separate LAAP Bulletin-**LAAP 98A-***Closure of the 2013/14 Accounts in the Single Entity Financial Statements of Police and Crime Commissioner and Chief Constable,* which Police bodies should refer to. LAAP Bulletin 98A also includes a forward looking section relating to the Stage 2 transfers.

SECTION A - ADDITIONAL GUIDANCE AND CLARIFICATION IN RESPONSE TO FAQS

5. This section provides clarification and further guidance in response to issues identified by practitioners and auditors.

6. The additional guidance, set out below, aims to clarify any areas of uncertainty in the 2013/14 Code that will affect the 2013/14 accounts. It also aims to resolve any significant ambiguities in the 2013/14 Code Guidance Notes and assist practitioners to successfully produce their 2013/14 financial statements, in accordance with the 2013/14 Code of Practice.

PUBLIC HEALTH REFORM [England only]

Background

7. On 1 April 2013 public health staff and services were transferred from primary care trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant.

Accounting for the NHS Pension Scheme for transferred staff who remain in NHS pension Scheme

8. Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and

who had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme on transfer at 1 April 2013[1].

9. The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers it is a multi-employer defined benefit scheme. In the NHS, the scheme is accounted for as if it were a defined contribution scheme:

"NHS bodies shall account for the NHS Superannuation Scheme as a defined contribution plan". (NHS Manual full reference)

10. As the NHS bodies account for the scheme as a defined contribution plan, it would be extremely unlikely that local authorities would be able to identify the underlying scheme assets and liabilities for staff transferred who are in the NHS pensions plan. Therefore, the Local Authority Accounting Panel recommends that Local Authorities should also account for the NHS pension scheme on a defined contribution basis in accordance with paragraph 6.4.1.7 of the 2013-14 Code and, where material[2], provide the disclosures required by paragraph 6.4.3.42 *14)*.

Accounting for the transfer

11. As discussed in LAAP 96, practitioners are reminded that accounting for the transfer depends on local determination. Authorities will need to consider the arrangements set out in section 2.5 of the 2013/14 Code-*Local Government Reorganisation and Other Combinations*. Further detailed guidance is provided in Module 2, Section E of the 2013-14 Code Guidance Notes.

12. A new Service Expenditure Analysis (SEA) for Public Health was added to section 3 of the 2013/14 Service Reporting Code of Practice (SeRCOP) and explains how expenditure on these responsibilities, funded by a grant from the Department of Health, and any additional expenditure on these responsibilities, should be recorded. The mandatory lines are set out in section 3 of the 2013/14 SeRCOP.

Senior officers' remuneration

13. Section 57 of Schedule 5 to the Health and Social Care Act 2012 defines the director of public health as a statutory chief officer by amendment to section 2(6) of the Local Government and Housing Act 1989. The director is thereby brought within the scope of the senior officers' remuneration note required by the Accounts and Audit (England) Regulations 2011.

NON DOMESTIC RATES- PROVISION FOR APPEALS AGAINST THE RATEABLE VALUE OF BUSINESS PROPERTIES [England only]

14. The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013.

15. Billing authorities acting as agents on behalf of the major preceptors, central government and themselves (as principal) are required to make provisions (in

[1] The Local Government Association and the Department of Health outlined the treatment of pensions as part of the Public Health Transfer in a letter dated 17 May 2012. This can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/216815/Treatment-of-pensions-in-public-health-transfer-letter.pdf

[2] Paragraph 3.4.2.26 of the Code allows disclosures to be omitted if the information is not material

accordance with the requirements of the Code (section 8.2) and legislation for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years.

16. Paragraph 8.2.2.12 of the Code requires that a provision can only be established in the accounts of a local authority if it meets the following criteria:

- the authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, ie it is more likely than not that a settlement will take place, and
- a reliable estimate can be made of the amount of the obligation, ie that a fair figure can practicably be assessed for recognising the obligation.

17. The Code requires that if the conditions cited in paragraph 8.2.2.12 of the Code (ie in paragraph 16) above are not met a provision must not be recognised in the financial statements.

18. In the extremely rare case where no reliable estimate can be made, a liability exists that cannot be recognised. That liability is disclosed as a contingent liability (paragraph 8.2.2.20 of the Code).

19. The amount recognised as a provision should be the best estimate at the Balance Sheet date of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround many events and circumstances should be taken into account in reaching the best estimate of a provision. Future events that may affect the amount required to settle an obligation should be reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

20. To achieve this, billing authorities may need to use estimation techniques to establish a range of possible outcomes for ratepayer appeals and the probable financial effect of these outcomes, in order to determine the amount to settle the appeals. Careful analysis of these possible outcomes, the use of judgement, together with their own expertise in making similar provisions should enable billing authorities to establish provisions based on their best estimate of the most likely outcome. Expert advice may be required for more complex or material appeals.

21. The Code's requirements are set out in chapter 8 of the 2013/14 Code and further detailed guidance including illustrations is provided in section B, Module 8 in the 2013/14 Code Guidance Notes.

22. Authorities will be required to separately disclose their respective share of these provisions in accordance with section 8.2.4 of the Code.

23. LAAP understands that there will be mitigation to allow for the spreading of the appeals provision which DCLG indicated will be dealt with in regulations. However, at the time of writing this bulletin the regulations are yet to be finalised. CIPFA will alert authorities via the CIPFA web site, through the CIPFA Networks and TIS On-Line when they are made.

UPDATE ON COMPONENT ACCOUNTING

24. LAAP understands that component accounting is still an area of difficulty for local authorities and there appears to be issues with the application of the requirements of the Code. A sub-group of LAAP has been set up to consider these issues with a

view to providing further guidance. However in the meantime, to assist practitioners, LAAP provides the following guidance to address the main areas of difficulty.

Cost that is significant in relation to the total cost of an item of PP&E

25. To establish whether a new replacement component [of a material asset] is significant and qualifies for separate recognition, it is essential that when comparing the cost of the new component against the overall cost of an asset (including the new component) that the assessments are made as at the same date.

26. This may mean estimating the current-day build cost of the asset (including the new component) and comparing the cost of the new component against that cost. Alternatively, where an authority holds original cost information, the significance of a new component may be achieved by discounting back its cost to the date when the asset was initially recognised and comparing that adjusted cost against the original cost of the asset.

27. Remember that the carrying amount of the old component must be derecognised to avoid double counting

Enhancement/Replacement Expenditure that does not increase the carrying value of an asset carried at fair value

28. It may be the case that, even though a new or replacement component meets the Code's capitalisation criteria in paragraph 4.1.2.16 and it is significant, it does not necessarily increase the carrying value of an item of Property, Plant and Equipment (PP&E) carried at fair value. There is no specific requirement in the Code to confirm whether this is the case by obtaining a new valuation, other than the general provision that carrying amounts in the Balance Sheet are materially correct. Alternatively, the replacement process might provide evidence that the asset could be impaired (see Paragraphs B37 and B38 in Module 4 of the Code Guidance Notes).

29. Where there is reasonable scepticism that a new or replacement component has not increased pound for pound the carrying value of the asset, practitioners will wish to discuss with their property professionals whether a formal revaluation is needed.

30. Where it is judged that a revaluation is needed, the asset's carrying amount (which includes the enhancement expenditure) will be reduced and the decrease charged to either the Revaluation Reserve or the relevant Cost of Service line in the CIES as a revaluation loss (to the extent that there is no remaining balance on the Revaluation Reserve)- see paragraph 4.1.2.34 of the 2013/14 Code and paragraphs C72 and C73 of Module 4 in the Code Guidance Notes.

Materiality

31. LAAP Bulletin 86 and the Code Guidance Notes assist authorities, through the application of materiality, to determine whether or not to componentise items of PP&E. However, having determined that component accounting is needed, materiality still has relevance in the level of detail to which the Code must be applied which may enable authorities to use a simplified process. Provided that materially accurate depreciation charges are achieved, there is scope to use estimates and simplify calculations in preparing those charges.

32. Where authorities consider that there is an opportunity to use a simplified process towards component accounting they might wish to discuss such an approach with their auditors.

ACCOUNTING FOR PENSION INTEREST COSTS IN RELATION TO CURRENT SERVICE COST AND PENSION ADMINISTRATION COSTS

Interest Costs in relation to Current Service Cost

33. The 2013/14 Code Guidance Notes set out the options for the treatment of interest costs in relation to current service costs (see Module 6, paragraph D29, Row 5). Practitioners are reminded that, where material, the approach taken for such interest costs is appropriately reflected in the accounting policies of the authority.

Treatment of Pension Administration Costs

34. The 2013/14 Code (and IAS 19–*Employee Benefits* Revised) requires that administration costs directly related to the management of plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligation, are recognised as a reduction in the return on plan assets and recorded in Other Comprehensive Income and Expenditure.

35. Other administration costs must not be deducted from the return on plan assets (paragraph 6.4.3.36 of the 2013/14 Code). Instead they are required to be recognised in Surplus or Deficit on the Provision of Services.

36. The 2013/14 Code does not prescribe a specific accounting treatment for administration costs that are not deducted from the return on plan assets. Therefore, LAAP considers that authorities might account for such costs in either:

- Cost of services
- Other Operating Expenditure in their Comprehensive Income and Expenditure Statement

DISCLOSURE REQUIREMENTS FOR DEDICATED SCHOOLS GRANT (DSG) [England]

37. In response to a request for clarification from the DfE regarding Early Years January 2014 adjustment, the DfE have confirmed that the guidance to support **line item A - *Final DSG for 2013/14 before academy recoupment*** set out in the illustration on pages 224 and 225 of the 2013-14 Code Guidance Notes is amended to state:

"*A: DSG figure as issued by the Department in July 2013 (This does not include the Early Years January 2014 adjustment)*"

SECTION B - OTHER ISSUES AFFECTING THE 2013/14 CLOSURE OF ACCOUNTS

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED:

38. Paragraph 3.3.2.13 of the 2013/14 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 (and IAS 8) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards that paragraph 3.3.4.3 of the Code are likely to apply to are:

- **IFRS 10 *Consolidated Financial Statements* (May 2011)**
- **IFRS 11 *Joint Arrangements* (May 2011)**
- **IFRS 12 *Disclosures of Interests in Other Entities* (May 2011)**
- **IAS 27 *Separate Financial Statements* (as amended in May 2011)**
- **IAS 28 *Investments in Associates and Joint Ventures* (as amended in May 2011)**
- **IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (as amended in December 2011)**
- **IAS 1 *Presentation of Financial Statements*— (as amended in May 2011)**

39. Authorities should refer to Appendix C in the 2014/15 Code in relation to their own disclosures regarding the amendments to the above mentioned standards.

IFRS 13 *Fair Value Measurement* - Additional comments

40. Practitioners should note that the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) decided at its meeting in January 2014 to defer the implementation of **IFRS 13 *Fair Value Measurement*** to the 2015/16 Code.

41. This decision was taken by CIPFA/LASAAC to ensure that a further consultative process took place to cover the practical issues on implementation of IFRS 13 raised by respondents to the 2014/15 Code consultation and other stakeholders.

USE OF EXAMPLE FINANCIAL STATEMENTS FOR PREPARATION OF THE 2013/14 ACCOUNTS

42. As stated in previous Year-end LAAP Bulletins, authorities are reminded that the Example Financial Statements included in the appendix to Module 3 in the 2013/14 Code Guidance Notes are provided to illustrate the reporting and disclosure requirements of the 2013/14 Code. These examples satisfy the **minimum reporting and disclosure requirements**, assuming all transactions are material.

43. The Example Financial Statements do not include an HRA, Collection Fund, Business Rate Supplement Revenue or Pension Fund Accounts as illustrations and/or detailed guidance regarding the disclosure requirements are provided in the relevant sections of the Guidance Notes.

44. Authorities should tailor the Example Financial Statements to meet their own reporting needs in order to give a true and fair view of their own financial position and performance.

45. The Code sets out the disclosure and reporting requirements of local authorities under IFRS. Authorities are reminded that the Code paragraph 3.4.2.26 states that authorities need not provide a specific disclosure required by the Code if the information is not material. Early dialogue with external auditors on any disclosures considered not material may help the closedown process run more smoothly.

46. Authorities may also wish to refer to Chapter 2 of the Code and Module 2 of the Code Guidance Notes which provide further guidance on the Qualitative Characteristics of useful financial information in Financial Statements.

47. To assist with the preparation of their year-end accounts, practitioners may also wish to refer to CIPFA's recent publication "*Financial Statements-A Good Practice Guide for Local Authorities*" which may assist in identifying improvements in the way the year end accounts are produced. The publication includes guidance on:

    - Identifying the users (and potential users) of the financial statements, and what information they need

Materiality- information that is important to users, and more importantly, what is not and can therefore be omittedFurther details about this publication can be found at:

http://www.cipfa.org/policy-and-guidance/publications/f/financial-statements-a-good-practice-guide-for-local-authorities-book

LOCAL AUTHORITIES (CAPITAL FINANCE AND ACCOUNTING) (WALES) (AMENDMENT) REGULATIONS 2014 No. 481 (W. 58) [Wales only]

48. The Local Authorities (Capital Finance and Accounting) (Wales) regulations 2003 (as amended in 2007 and 2010) gave discretion to local authorities not to charge to revenue a provision for back pay arising from unequal pay claims until cash settlement takes place. This applied to liabilities recognised before 1 April 2013.

49. The 2014 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) regulations, which come into force on 31 March 2014, have extended this period to apply to liabilities recognised before 1 April 2018.

50. The amendment regulations also permit local authorities to use capital receipts received on or after 1 April 2013 to fund back payments in respect of equal pay.

51. The amendment regulations come into force on 31 March 2014, so that the regulations apply to the current financial year as well as to subsequent ones.

52. The regulations can be found at:

http://www.legislation.gov.uk/wsi/2014/481/pdfs/wsi_20140481_mi.pdf

SCOTTISH WELFARE FUND [Scotland only]

53. The Scottish Welfare Fund was established as a new framework following the UK Government reform of the welfare system. The Scottish Welfare Fund (SWF) is generally similar to the predecessor Social Fund and relates to:
    - Community Care Grants
    - Crisis Grants

54. Guidance on the SWF is available at: http://www.scotland.gov.uk/Topics/People/welfarereform/scottishwelfarefund

55. For 2013/14 closure of the accounts the following may be noted:

    - Funding support from the Scottish Government is General Revenue Grant. It should appear in the CIES under 'Taxation and non-specific grant income and expenditure' - it is not service income
    - The Service Expenditure Analysis (SEA) in SeRCOP does not specifically identify either a mandatory or non-mandatory service classification for SWF expenditure
    - The Scottish Government has indicated that it does not anticipate introducing a analysis request for SWF spend in the Local Financial Returns (LFRs). The Scottish Government has indicated that spend should be classified to the most appropriate SEA category.

56. Due to public interest and political profile it may however be anticipated that requests will be made for details of SWF expenditure (e.g. Freedom of Information requests etc). Authorities may therefore wish to ensure that expenditure made under the SWF scheme can be separately identified and analysed.

57. Additionally spend on SWF may affect agreed SOLACE benchmarking indicators. Therefore authorities may wish to support separate identification and consistency across Scotland.

58. As noted above authorities may adopt their own judgement in respect of SWF spend classification in the SEA. The following, based on an analysis of the guidance, is suggested as an initial treatment for consideration:

	Community Care Grant	Crisis Grants
Objective	enable independent living or continued independent living, preventing the need for institutional care	provide a safety net in a disaster or emergency, when there is an immediate threat to health or safety
Savings	Not allowed if savings > £700 (£1,200 for pensioners)	Not allowed if savings > £700 (£1,200 for pensioners)
Consideration	The objective appears to be support individuals with social needs and low financial resources to remain in the community. The inference drawn is that spend is likely to be associated with social work service objectives.	The objective appears to be support individuals, with low financial resources, when a crisis situation arises which poses a threat or risk. The inference drawn is that spend is likely to be associated with the avoidance of hardship and the ability to remain economically active. This could apply across a wide variety of potential recipients.
Potential Treatment in SEA	SWF Community Care Grant spend could be recorded as expenditure in the Social Work SEA heading. SWF spend would be analysed appropriately (eg by coding or sampling etc) across the Social Work mandatory 'client' groups Use of a separate (voluntary and non-mandatory) discretionary subdivision of service for 'SWF Community Care Grant' may be appropriate.	SWF Crisis Grant spend could be recorded within the following SEA hierarchy: 1) Planning & Development 2) Economic Development 3) Economic Inclusion (discretionary sub-division) 4) Grants to assist individuals (example of economic inclusion) Separate identification of SWF Crisis Grants within this category may be desirable.

TRANSFER OF POLICE & FIRE SERVICES TO CENTRAL GOVERNMENT FROM 1 APRIL 2013 [Scotland only]

59. Police and Fire Services transferred to central government control on 1 April 2013. The transfer is not a discontinued operation (see Code of Practice 4.9.2.4, 4.9.2.33-34). As at 1 April 2013 it is understood that only Unusable Reserves were held by the predecessor bodies. Practitioners should refer to section 2.5 of the 2013/14

Code-*Local Government Reorganisation and Other Combinations.* Further detailed guidance is provided in Module 2, Section E of the 2013-14 Code Guidance Notes..

60. It should be noted that the 2013/14 Group Accounts (or geographically coterminous authorities) will need to eliminate asset, liability and unusable reserve balances that existed as at 31/3/13.

COUNCIL TAX REDUCTION SCHEME [Scotland only]

61. The Code 13/14 requires disclosure of the calculation of the Council Tax charge (see Code 3.6.4.1 (3) & (4)). Following initial discussions with the Scottish Government practitioners should note that the disclosure is expected to require the Band D tax base numbers to be adjusted, as they are for other discounts, to reflect the impact of the Council Tax Reduction Scheme.

62. The CTRS is a reduction in aggregate Council Tax Income. Additional General Revenue Grant support provided by the government as a result of the CTRS should appear in the CIES under 'Taxation and non-specific grant income and expenditure'. It should not be presented in the Council Tax Income Account.

63. The Scottish Government is currently collating CTAS (Council Tax Assumptions) returns and will assess the consistency of returns. Where necessary additional data may be requested directly from authorities.

INSURANCE RECEIPTS – Finance Circular 5/2013 [Scotland only]

64. Authorities are reminded that Finance Circular 5/2013, which provides guidance on the application of insurance receipts, will apply to 2013/14 financial statements.

NON-DOMESTIC RATES - TAX INCREMENTAL FINANCING (TIF) [Scotland only]

65. Details of the TIF scheme are available on the Scottish Government's TIF webpages.

66. The Scottish Government has stated it intends issuing guidance for authorities on how to calculate the amount of TIF NDR income that can be retained by an authority. The guidance is expected to be provided on the Scottish Government Finance Circular webpage.

MINOR AMENDMENT TO CODE 2013/14 GUIDANCE NOTES – Use of Indices

67. The reference to the use of indices in paragraph C49 of Module 4 of the Guidance Notes was intended to mean that indices might be used to support market based evidence that valuations are kept up-to-date rather than to be used to update the valuations. Indices should only be used by appropriate valuations experts, in support of their heir professional judgement, when determining the measurements of items of property, plant and equipment. The Local Authority Accounting Panel has therefore decided to remove the text in brackets "(eg by the use of indices)" in paragraph C49 in Module 4 of the 2013/14 Code Guidance Notes. This paragraph and the required amendment is included below for ease of reference:

C49 Paragraph 4.1.2.35 of the Code requires that items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the Assets reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, the Code allows valuations to be carried out on a rolling basis, but only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date ~~(eg by the use of indices).~~

FURTHER USEFUL REFERENCES FOR THE PREPARATION OF THE 2013/14 ACCOUNTS –Technical Alerts

FREQUENCY OF VALUATIONS

68. To provide clarification that the requirements of the Code in relation to paragraph 4.1.2.35 regarding the frequency of valuations of Property, Plant and Equipment a Technical Alert has been issued and can be found at:

http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/local-authority-accounting-panel/technical-accounting-alerts

ACCOUNTING FOR SCHOOLS IN THE 2013/14 ACCOUNTS LOCAL AUTHORITIES [England and Wales]

69. Practitioners should refer to the following technical alert, which is still extant, in respect of accounting for schools in the 2013/14 accounts, which can be found at:

http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/schools-accounting-technical-alert

NOTIFICATION OF THE DISCONTINUANCE OF ICELANDIC AND CAPITAL INTEREST RATES BULLETINS

DISCONTINUANCE OF FURTHER UPDATES TO THE ICELANDIC BULLETINS [LAAP 82]

70. Following the recent successful debt auction of local authority Landsbanki debt through the LGA, the Panel will no longer provide any further updates to the Icelandic Bulletins.

71. However, practitioners can continue to use the spreadsheet ensuring that they update it for relevant information such as: the financial year, any Escrow account implications and any information they receive as a preferred creditor in relation to the size or timing of possible future payments.

72. Further information on successful debt auction of local authority Landsbanki debt matter can be obtained from the following link:

http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/5900667/NEWS

DISCONTINUANCE OF CAPITAL INTEREST RATES BULLETIN

73. The Local Authority Accounting Panel has questioned the necessity of continuing to publish the *Capital Interest Rates* annual bulletin.

74. The Panel has therefore agreed to its discontinuance and will no longer provide any further updates to this bulletin.

SECTION C – LOOKING FORWARD TO 2014/15

INTRODUCTION

75. This section provides a brief summary of the **accounting issues** that will face Local Government accounting in 2014/15.

ACCOUNTING ISSUES AFFECTING LOCAL GOVERNMENT ACCOUNTING IN 2014/15

ACCOUNTING FOR SCHOOLS IN LOCAL AUTHORITIES IN ENGLAND AND WALES IN 2014/15

76. Practitioners are advised that CIPFA/LASAAC has recently issued a single issue consultation–Accounting for Schools in Local Authorities in England and Wales in relation to the 2014/15 Code.

77. The consultation paper seeks views on the report of the *Joint HM Treasury and CIPFA/LASAAC Public Sector Accounting for Schools Working Group*–The Accounting Treatment of Local Authority Maintained Schools in England and Wales.

78. The consultation closes on 4 April 2014 and can be found at:

    http://www.cipfa.org/policy-and-guidance/consultations/single-issue-itc-accounting-for-schools-in-local-authorities

SERVICE REPORTING CODE OF PRACTICE (S*e*RCOP) 2014/15 – Part 2 -Joint Arrangements and Group Accounts

79. The guidance presented in Section 2-*Total Cost* in the 2014/15 SeRCOP in relation to:

    - **Partnerships**-ie jointly controlled entities, jointly controlled operations and jointly controlled assets (paragraphs 2.26 – 2.30) and
    - **Definition of total cost for group accounts** (paragraph 2.49)

    does not refer to the following five new or amended standards introduced by the IASB in May 2011 and adopted by the 2014/15 Code:

    - 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)

80. For the accounting treatment of such transactions, please refer to Chapter 9 of the 2014/15 Code or the application guidance which is currently being drafted.

81. Practitioners should also note that CIPFA is currently updating the Group Accounts Workbook to reflect the requirements of the above new or amended standards as adopted by the 2014/15 Code.

SECTION D FUTURE REQUIREMENTS IN THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM–THE MEASUREMENT OF TRANSPORT INFRASTRUCTURE ASSETS (2016/17)

82. CIPFA/LASAAC has confirmed the position for future adoption on the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets, as amended in 2013 ie measurement on a Depreciated Replacement Cost basis. These measurement requirements will apply for the 2016/17 year and will require full retrospective application.

83. Practitioners with transport infrastructure assets will need to refer to Appendix D in the 2014/15 Code for further information. Appendix D also recommends that authorities should start their preparations now.

84. CIPFA is considering the guidance necessary to support authorities in their implementation of these requirements.