



Northumberland

County Council

AUDIT COMMITTEE

25 January 2023

Changes to the Code of Practice for Local Authority Accounting in the UK for 2022-23

Report of Jan Willis, Interim Executive Director of Finance and Section 151 Officer

Cabinet Member: Councillor Richard Wearmouth, Portfolio Holder for Corporate Services

1. Purpose of the Report

- 1.1. The purpose of this 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) which will apply to the 2022-23 Statement of Accounts.

2. Recommendations

- 2.1. It is recommended that the Members of the Audit Committee:
 - a. note the changes detailed in the report and in Appendix A which will be taken into account in the preparation of the 2022-23 statement of accounts.

3. Key Issues

- 3.1. In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK, which is based on approved accounting standards.
- 3.2. The 2022-23 Statement of Accounts will be prepared in accordance with the CIPFA Code 2022-23.
- 3.3. The key accounting changes to the Code from 2021-22 to 2022-23 are outlined in Appendix A, detailing their relevance and applicability to the Council.

4. Background

- 4.1. In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK (the Code), which is based upon approved accounting standards.

- 4.2. 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 Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
- 4.3. 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 to accounting periods commencing on or after 1 April 2022. It supersedes the 2021-22 Code.
- 4.4. In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.
- 4.5. The CIPFA/LASAAC Code Board, overseen by the Financial Reporting Advisory Board, is in a position to issue mid-year updates to the Code in exceptional circumstances.
- 4.6. In November 2022, CIPFA/LASAAC issued an *Update to the Code and Specifications for Future Codes for Infrastructure Assets*, providing a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief is applied from the 2021-22 Code up to and including the Code applicable to the 2024-25 financial year but may also apply to local authority financial statements before this period where the auditor's opinion on those statements has not been given. NCC has continued to prepare for the accounts on the basis of the 2022-23 Code as it currently stands. It is anticipated that the longer-term solution for the reporting of infrastructure assets will be implemented from 1 April 2025, and in the intervening period NCC will consider its information systems and inventories of infrastructure assets and what potential improvements can be made to ensure that asset information is complete.
- 4.8. Appendix A provides a summary of the key accounting changes to the Code and their relevance to the Council in preparing its Statement of Accounts for the year ended 31 March 2022.

IMPLICATIONS ARISING OUT OF THE REPORT

Policy:	None.
Finance and value for money:	The report considers the changes to the Code of Practice for Local Authority Accounting in the UK for the County Council's Statement of Accounts 2022-23.
Human Resources:	None.
Legal:	It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.
Procurement:	None.
Property:	None.
Equalities:	None.
Risk Assessment:	The risks within the preparation of the Statement of Accounts are well managed through the embedded processes in place.
Crime & Disorder:	None.
Customer Considerations:	None.
Carbon Reduction:	None.
Consultation:	Portfolio Holder for Corporate Services.
Health & Wellbeing:	The Council's budget is founded on the principle of promoting inclusivity.
Wards:	All.

Background Papers:

Northumberland County Council Draft Statement of Accounts 2021-22

Report sign off

Authors must ensure that officers and members have agreed the content of the report:

	Full Name
Interim Monitoring Officer	Suki Binjal
Interim Executive Director of Finance & Section S151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Interim Chief Executive	Rick O'Farrell
Portfolio Holder	Richard Wearmouth

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Changes to the Code of Practice for Local Authority Accounting in the UK for 2022-23

The table below provides a summary of the key accounting changes in the 2022-23 CIPFA Code and their applicability to Northumberland County Council.

	Change	Relevant to Northumberland County Council?
1	Revision of Section 4.2 (Leases) to allow authorities to voluntarily adopt the provisions of IFRS 16 in advance of mandatory implementation.	Yes
2	Revision of Section 4.3 (Service Concession Arrangements: Local Authority as Grantor) to specify that if IFRS 16 is adopted in advance of mandatory implementation, then the service concession arrangement liability is measured in accordance with the measurement requirements of IFRS 16.	Yes
3	Amendments to Section 8.2 (Provisions, Contingent Liabilities and Contingent Assets) to clarify the treatment of social benefits under IAS 37/IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	Yes
4	Confirmation in Appendix C (Changes in Accounting Policies: Disclosures in the 2021-22 and 2022-23 Financial Statements) of the transitional reporting requirements of the new standards introduced in the 2022-23 Code, while also having regard to requirements in relation to the voluntary adoption of IFRS 16.	Yes
5	Confirmation of the new standards introduced in the 2022-23 Code: <ul style="list-style-type: none"> • Annual Improvements to IFRS Standards 2018-2020 issued in May 2020 • Property, Plant and Equipment: Proceeds before Intended Use (Amendment to IAS 16) issued in May 2020. 	Yes