

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

Report to:	Audit Committee
Date:	30 March 2015
Subject:	Statement of Accounts 2014/15

Summary:

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2014/15 Statement of Accounts;
- The review of the Council's Statement of Accounts for de-cluttering; and
- The review of the Council's Accounting Policies.

Recommendation(s):

The Executive Director of Finance and Public Protection asks Members of the Audit Committee to:

1. Note the changes required to our Statement of Accounts from the Code of Practice 2014/15; and
2. Approve the notes to be removed from the 2014/15 Statement of Accounts; and
3. Approve the Statement of Accounting Policies (Appendix A) for use in preparing the Council's accounts for the financial year ending 31 March 2015.

Background

1.1 The Council is required to prepare its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice (SeRCOP). These both ensure the accounts are prepared using "proper accounting practice".

Changes to the Code of Practice on Local Authority Accounting for 2014/15

1.2 The Code of Practice for 2014/15 has introduced a number of revisions and clarifications to the accounts and accounting requirements for the 2014/15 Statement of Accounts. The most significant of these relates to the accounting treatment of assets used by schools.

1.3 Clarification has been issued on how assets used by schools should be accounted for, and when they should be recognised on the Council's balance sheet. The accounting standard for property, plant and equipment (IAS 16) defines a non-current asset as "a resource controlled by the Council as a result of a past event from which future economic benefits or service potential are expected to flow". The clarification on how this should be interpreted requires the assets of a school to be controlled by the Council or the Schools governing body for this criteria to be met, and therefore the assets included within the Council's balance sheet.

1.4 All school assets have been reviewed to identify if they are controlled by the Council and should be included on the Council's balance sheet. In general terms all Community Schools and Foundation Schools (which are not controlled by a separate trust) should be included on the Council's balance sheet. Voluntary Controlled and Voluntary Aided Schools where the assets are generally controlled by a Trust (often the Diocese) should not be on the Council's balance sheet.

1.5 The overall effect of the clarification will be dealt with in the Council's balance sheet as a prior period adjustment and the accounts will be restated as at 1 April 2013 and 31 March 2014 as if the Council had always accounted on this basis. The estimated net effect on the balance sheet at 1 April 2014 is a reduction in the property plant and equipment balance of £13.838m, made up of an addition of £85.304m for Foundation Schools coming onto the Council's balance sheet and a reduction of £99.142m for Voluntary Controlled Schools coming off.

1.6 There are also a number of changes to the Code, primarily around group relationships and accounting that do not impact on the County Council in 2014/15. These are:

- IFRS 10, Consolidated Financial Statements;
- IFRS 11 Joint Arrangements; and
- IFRS 12 Disclosure of Interests in Other Entities.

De-cluttering Review of the Statement of Accounts

1.7 The Council revised the format of the Statement of Accounts at the time of converting to accounting under International Financial Reporting Standards in 2010/11. During 2014/15 a review of the disclosures made in the Statement of Accounts has been undertaken to refresh the information reported and remove any information and notes which are:

- not required by the Code;

- where the information can be found elsewhere in the document; or
- where the note is not material (determined to be over £1.000m).

1.8 It is proposed that the following notes are removed from the Statement of Accounts from 2014/15 (a copy of the Statement of Accounts for 2013/14 is attached at **Appendix A** for your information when considering the notes to be removed):

Note	Explanation
Note 8 - Service Expenditure Analysis	<p>This note sets out a more detailed breakdown of gross expenditure and income in the Comprehensive Income and Expenditure Statement.</p> <p>This note not is required by the Code.</p> <p>Note 32 Amounts Reported for Resource Allocation Decisions (Segmental Reporting) provides similar information but analysed by County Council service area rather than statutory headings.</p>
<p>Note 20 - Construction Contracts;</p> <p>Note 34 - Trading Activities;</p> <p>Note 36 - Road Charging Schemes; and</p> <p>Note 52 - Capitalisation of Borrowing Costs</p>	<p>The notes currently included within the Statement of Accounts state that the Council does not undertake these activities.</p> <p>Review on an annual basis to confirm the Council does not have anything to disclose for these activities.</p>
Note 51 - Impairment Losses	<p>The note currently included within the Statement of Accounts state that the Council does not have any impairments to disclose.</p> <p>Review on an annual basis to confirm the Council does not have anything to disclose for these activities.</p>
Note 44 –Landfill Allowance Trading Scheme	The scheme ended on 31 March 2013. All references to the scheme can be removed from the Statement of Accounts from 2014/15.
Note 22 - Cash and Cash Equivalents	The note does not provide any information that is not available in other parts of the Statement of Accounts.
Note 43 - Expenditure on Publicity	The note is not a requirement of the Code, therefore the note can be removed from the Statement of Accounts.

<p>Note 57 - Group Relationships and Other Interests</p>	<p>The Council does not have any material group relationships (where the value to the Council is over £1.000m). Therefore the note can be removed from the Statement of Accounts.</p> <p>Review on an annual basis to confirm the Council does not have any material relationships to disclose.</p>
<p>Note 58 - Trust Funds</p>	<p>The Trust Funds administered by the Council are not material (over £1.000m). Therefore the note can be removed from the Statement of Accounts.</p> <p>Review on an annual basis to confirm the Council does not have any material Trust Funds to disclose.</p>

Statement of Accounting Policies

1.9 An important section of the published Accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the Accounts, together with any estimation techniques adopted. The policies have been reviewed and are attached at **Appendix B** for consideration and approval by this Committee.

1.10 A small number of minor changes have been made to the accounting policies for 2014/15, these include:

- An updated policy on accounting for schools assets to reflect the Code clarifications set out above;
- Removal of the policy for the Landfill Allowance Trading Scheme as this ceased on 31 March 2013 and the accounts now do not contain any references to the scheme; and
- Updated allocations for Central Establishment Charges for the cost of support services.

Conclusion

2.1 Changes to the format and content of the accounts and accounting requirements will be incorporated into the Statement of Accounts for 2014/15 as required by the Code of Practice and review of the Statement of Accounts.

2.2 The Statement of Accounts will be prepared using the Accounting Policies approved by the Audit Committee at this meeting.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Statement of Accounts for Lincolnshire County Council 2013/14 <i>(please note: due to the size of this document it has not been printed. Electronic copies are available at www.lincolnshire.gov.uk/committeerecords)</i>
Appendix B	Statement of Accounting Policies 2014/15

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15	Executive Director of Finance and Public Protection
Service Reporting Code of Practice for Local Authorities	Executive Director of Finance and Public Protection

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