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The Secretary
CIPFA/LASAAC Local Authority Accounting Code Board Policy and Technical Directorate
CIPFA
3 Robert Street
London
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1 April 2014

Dear Sirs

The 2014/15 code of practice on local authority accounting in the United Kingdom – accounting for schools in local authorities in England and Wales – Invitation to comment

Thank you for the opportunity to comment on the 2014/15 code of practice on local authority accounting in the United Kingdom – accounting for schools in local authorities in England and Wales consultation.

Please find our responses in the attached response sheet.

If you would like to discuss our response further, please contact Matthew Hall (01727 885245) or Mark Redfern (020 70077022).

Yours faithfully

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The 2014/15 code of practice on local authority accounting in the United Kingdom – accounting for schools in local authorities in England and Wales

Invitation to comment

Responses to consultation questions

Q1

Do you agree with conclusions of the Working Group in Appendix A (sections A to E of the report)? If not, why not? What alternatives do you suggest? Please provide any additional commentary you consider relevant to your response.

We agree with the conclusions in sections C and D of the report ie that schools are separate entities for accounting purposes and that community schools, voluntarily controlled, voluntary aided and foundation schools meet the criteria for consolidation into local authority accounts under IFRS.

We acknowledge that whilst the technically correct answer would be to include schools only in consolidated financial statements, the additional administrative burden on more local authorities to prepare consolidated financial statements is also an important consideration.

More emphasis should be given in the Code to consideration of how material the schools may be to the local authority's financial statements, and the level of disclosure given in the notes to the financial statements to provide readers with a clear understanding of the balances and transactions related to the schools.

Paragraph 58 of the report does not refer to materiality and uses the term "not produce a substantially different report". We believe that the Code should include consideration of materiality and give local authorities the option to include schools in consolidated financial statements if they are material.

The Code is also unclear as to the treatment where the local authority already prepares consolidated financial statements. In such cases, the Code could also give the option of including the schools only in the consolidated financial statements.

Q2
Do you agree with the Working Group's comments that "*the inclusion of schools in the local authority's single entity accounts, instead of their group accounts, is unlikely to alter decision making*"? If you agree, please provide evidence to support your response. If you disagree please provide evidence, why not? What alternatives do you suggest?

We agree that where schools' results and financial position are not assessed as being material, there would be minimal impact on decision making. However, with reference to the response to question 1 above, there are additional factors to consider, such as materiality, compliance with IFRS, the information needs of other stakeholders and whether the financial statements give appropriate disclosure to allow a clear understanding of transactions and balances.

Q3
Do you agree with the proposed adaptation to Chapter Nine *Group Accounts* of the 2014/15 Code in relation to the inclusion of schools transactions in the local authority single entity accounts including the aggregation of the disclosure requirements for schools? If not, why not? What alternatives do you suggest?

We suggest that the proposals in the addendum to the 2014/15 code chapter 9 be expanded to include further considerations for the reasons set out in our responses to questions 1 and 2 above.

Q4
Do you agree with CIPFA/LASAAC's comment in paragraph 16 above that the principles of the Working Group's report would apply to community special, foundation special and local authority maintained nursery schools and that the same accounting treatment would also apply? If not, why not? What alternatives do you suggest?

We agree that the analysis and conclusions in sections C and D would equally apply to these types of schools.

Q5
Do you agree with the accounting treatment for non-current assets used by schools outlined in Section F of the Working Group's report? If not, why not? What alternatives do you suggest?

We agree with the conclusion in section F paragraph 68 and believe that further practical guidance regarding the specific circumstances noted in paragraphs 67 and 68 of the report would be useful.

Q6
Do you have examples of non-current assets used by schools in England and Wales for which there is no documentation of ownership, leasehold or other agreements to use the asset and which may require additional guidance to be provided? Please provide the examples of the transactions and the type of guidance you consider might be needed.

No examples were noted.

Q7
The Working Group's report largely focuses on the application of the Code. Do you consider that there are any other areas on the accounting treatment of local authority schools which require additional application guidance? If yes, please specify the areas and the accounting transactions which require additional the guidance.

We do not consider that there are any other areas which require additional application guidance.