



**Addendum to the Guidance on  
Accounting for Coronavirus (COVID-  
19) Grants / Funding Streams**

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Further information about LASAAC can be obtained at:

<http://www.cipfascotland.org.uk/technical/lasaac.cfm>

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# ADDENDUM TO GUIDANCE ON ACCOUNTING FOR CORONAVIRUS GRANTS

## PERSONAL PROTECTIVE EQUIPMENT (PPE) STOCKS

### Background

1. National Services Scotland (NSS) has been supplying PPE to Scottish Health Boards free of charge. LASAAC are aware that the Scottish Government has advised boards that, where it is health board staff that are consuming the PPE, the boards are the 'customer' in terms of IFRS 15. This will mean that they are required to account for the PPE as principal which entails recognising a non-cash amount at fair value and an equivalent amount of notional expenditure. NSS has provided boards with the necessary financial information to complete the accounting entries required.
2. LASAAC has become aware from practitioners and Audit Scotland that this should also be a consideration for councils and Integration Joint Boards (IJBs) where NSS has supplied PPE free of charge. Therefore, LASAAC is providing this addendum to its [guidance on Guidance on Accounting for Coronavirus Grants issued on 13 May 2021](#).

### LASAAC Consideration of Roles and Responsibilities

3. In order to determine the appropriate accounting treatment, LASAAC considered the roles and responsibilities of councils and IJBs in relation to PPE. LASAAC's focus was to establish where the consumption of stocks of PPE take place.
4. The role of IJBs is that of a commissioning body for health and social care services. IJBs commission councils (and health boards) to deliver services in line with their agreed integration scheme, and the IJB allocates the budget for delivery accordingly. The council and health board deliver these services within the budget and any other parameters directed by the IJB.
5. LASAAC takes the view that the IJB is acting as an agent regarding PPE transactions and therefore does not recognise any income, expenditure, or stocks of PPE.
6. Councils issue stocks of PPE to internal staff and external providers of services. Where councils are issuing PPE to internal staff, LASAAC considers that they are likely to be acting as a principal as defined in paragraph 2.6.2 of the Code and should recognise income and expenditure in accordance with this guidance. Where issuing to external providers, they are likely to be acting as an agent.
7. Where councils are the principal, where material, they will need to consider accounting for any residual stock held at 31 March 2021 as outlined in the following paragraphs. The treatment is consistent with guidance provided in CIPFA Bulletin 9.

### Accounting Treatment

8. Where councils conclude they are acting as agent, the accounting will follow the treatment set out in Code paragraph 2.6.2.4 and detailed in section 3 of the [guidance on Guidance on Accounting for Coronavirus Grants issued on 13 May 2021](#).
9. Where councils conclude they are acting as 'principal', the following references in the Code provide clarification on the accounting and measurement requirements.

10. Paragraph 5.1.1.5 of the Code explains that the following public sector interpretations from IPSAS 12 - Inventories have been adopted by the Code that are relevant to stock acquired through non-exchange transactions:

- a. *Inventories shall be measured at the lower of cost and net realisable value, except where inventories are acquired through a non-exchange transaction in which case their cost is deemed to be their fair value as at the date of acquisition.*
- b. *Inventories shall be measured at the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge.*

11. The accounting requirements are then set out in paragraphs 5.1.2.8 and 5.1.2.9 (for recognition of the stock) and 5.1.2.18 (for issues from the stock). NSS is providing the required information as they did for health boards. Typical accounting entries for councils acting as principal should be as follows:

Initial receipt of the stock:

Dr Stock

Cr Donated Inventories Account \*

*(measured at the lower of Fair Value on receipt or current replacement cost)*

*(\* note – LASAAC's view is that the Donated Inventories Account should be included in current liabilities on the balance sheet with the inventory being consumed within one year).*

Issues of the stock:

Dr CIES (expenditure charged to appropriate service line)

Cr Stock

*(issue of the stock on the measurement basis above)*

Dr Donated Inventories Account \*

Cr CIES (income credited to appropriate service line)

*(to write down the value of the 'donation' to the CIES)*

12. Any residual stock at 31 March 2021 will be matched with the balance in the donated Inventories account. Where transactions or balances are material, there may be merit in including commentary within accounting policies that explains to readers of the accounts how PPE stock has been accounted for.

13. Should there be a case where the residual stock balances will not be recovered through use due to obsolescence or being no longer fit for purpose, stocks held should be written down to their realisable value in accordance with paragraph 5.1.2.15 of the Code. The accounting entries for any write down will follow the same entries for an issue of stock, resulting in a write down of the stock balance held and the value of the donated inventories account.

14. Councils should have regard to paragraph 3.4.2.27 of the Code covering the Presentation of Financial Statements. This section of the Code permits councils not to provide a specific disclosure if information is not material. If councils do have material stock balances and/or write downs, disclosures should follow paragraph 5.1.4.2. of the Code.

### Further Considerations for IJBs

15. Councils and IJBs should consider the impact of these transactions on the financial statements of IJBs. The appropriate accounting treatment should be consistent with the integration scheme. However, given that the net financial impact of the PPE transactions on councils (and health boards) is nil, it would be reasonable to conclude that these transactions do not need to be reflected in increased funding provided to, and commissioning income received from, the IJB.

### COVID GRANTS PAID AS GRG

LASAAC issued guidance on [Accounting for Coronavirus Grants](#) on 13 May 2021. This guidance provided practitioners with LASAAC's initial view of the accounting treatment for each grant as to whether principal or agent accounting applies which Councils should consider.

1. Following publication of this guidance, LASAAC has become aware of a number of queries regarding grants paid as GRG which LASAAC had assumed would be accounted for in 2020-21 and would be matched to expenditure. LASAAC's initial view on these grants was that they would be accounted for as service income.
2. The grants which have been identified include:
  - a. Free school meals
  - b. Death Registrations
  - c. Environmental Health Officers

The above grants are identified in the guidance available on the [CIPFA website](#)

3. LASAAC has revised its view on these grants and wishes to notify Councils that the above grants should be accounted for as GRG as they would normally be.