

Service Reporting Code of Practice- Consultation on 2012/13 SeRCOP update and proposed changes for 2013/14 SeRCOP

Invitation to comment

Introduction

- 1 SeRCOP was first issued in February 2000 and CIPFA is committed to keeping it up to date by reviewing it each year and developing it in response to:
 - changes in the external environment, including legislative changes and changes in the Code of Practice on Local Authority Accounting in the United Kingdom; and
 - suggestions made for the improvement or clarification of specific issues.
- 2 Practitioners were informed in the 2012-13 SeRCOP that the timescale for the introduction of changes to the statutory arrangements in relation to the self-financing regime for the Housing Revenue Account (HRA) in England would be outside the timetable for the production of the 2012/13 SeRCOP. Any changes to SeRCOP as a result of these changes would need to be implemented via a 2012/13 SeRCOP Update.
- 3 In the interests of assisting practitioners with the interaction of these statutory arrangements and SeRCOP, the Local Authority Accounting Panel has decided to issue a 2012/13 SeRCOP Update. Therefore, this invitation to comment consults on the update to the 2012-13 SeRCOP regarding the statutory arrangements in relation to the self-financing regime for the Housing Revenue Account (HRA) in England (in Section A) and the proposed changes to the 2013-14 SeRCOP (in Section B). There is also an update for Police Services, details of which are shown under point 13. Practitioners should note that, subject to the approval process, the changes resulting from this consultation will be updated to the CIPFA website in October 2012.

SECTION A – Update to SeRCOP 2012/13

Housing Revenue Account Reform (England)–The New Self Financing Regime and Police Services update

4. The Invitation to Comment on the 2012/13 SeRCOP noted the introduction in England of the self-financing regime for the Housing Revenue Account (HRA). However, the statutory arrangements for the regime had not been confirmed at the time the 2012/13 SeRCOP was authorised for publication. The Localism Act 2011 has now been enacted and the suite of determinations required to implement the regime are now in place.
5. Respondents in authorities with an HRA will be aware that the 2012/13 financial year has seen significant changes to the HRA in England. In February 2011, the DCLG set out its plans for the replacement of the Housing Revenue Account Subsidy System in England in the policy document Implementing Self-Financing for Council Housing on the future financial arrangements for council housing. The Localism Bill published in December 2010 included measures to repeal the existing subsidy system and replace it with powers for the Secretary of State to introduce the self-financing system.
6. The self-financing system was implemented through a one-off settlement payment to replace the subsidy system, leaving authorities with a level of HRA debt deemed affordable from rental income.
7. This consultation paper proposes changes to the SeRCOP 2012/13 SEA that reflect the above mentioned changes and that authorities in England will need to follow in preparing financial information for:
 - 2012/13 Performance Indicators
 - 2012/13 Statement of Accounts
8. The update to the 2012-13 SeRCOP in relation to the self-financing regime for the Housing Revenue Account (HRA) does not affect Welsh, Scottish and Northern Irish authorities.
9. This consultation paper also proposes the removal of the Movement on the Housing Revenue Account Statement (for England and Wales HRA) on the basis that comprehensive guidance in relation to this statement and the related line items is provided in the *Code of Practice on Local Authority Accounting in the United Kingdom-Guidance Notes for Practitioners*.
10. The 2012/13 SeRCOP update also consults on proposed changes to the Police Services Expenditure Analysis. These are set out in paragraph 13 below.
11. CIPFA would welcome comments and feedback on any aspect of this consultation paper but the questions at the end of this consultation paper on the proposed change may assist respondents.

Housing Services SEA

12. The proposed changes are:
- (a) Removal of mandatory lines 'HRA Subsidy Receivable (Note 4)' and 'Transfer of HRA Subsidy Surplus to CLG (Note 4)'.
 - (b) Removal of related notes (Note 4).
 - (c) Removal of the line items relating to the Movement on the Housing Revenue Account Statement

Invitation to comment questions

- Q1. *Do you agree with the removal of the mandatory lines 'HRA Subsidy Receivable (Note 4)' and 'Transfer of HRA Subsidy Surplus to CLG (Note 4)'?*
- Q2. *If you agree with Q1, do you agree with the related guidance notes at 'Note 4'?*
- Q3. *Do you agree with the removal of the Movement on the Housing Revenue Account Statement (for England and Wales HRA) on the basis that comprehensive guidance in relation to this statement is provided in the Code of Practice on Local Authority Accounting in the United Kingdom-Guidance Notes for Practitioners'?*

Police Services SEA

13. The proposed changes are:
- a) Discretionary line, 'Local investigation' has moved from 'Local Policing' service division line to 'Investigation' service division line.
 - b) Under 'Criminal Justice Arrangements', the discretionary line, 'Custody/prisoner handling' has been amended to read, 'Custody'.
 - c) The mandatory line, 'Specialist Investigation' has been amended to read, 'Investigation'.
 - d) Under 'Investigative support', the discretionary line, 'Fingerprint/DNA bureau' has been amended to read, 'Fingerprint/Internal forensic costs'.
 - e) The mandatory line, 'Police Authority' has been amended to read, 'Police Authority/Police Crime Commissioner'.

Invitation to comment questions

- Q4. *Do you agree with the discretionary line, 'Local investigation' moving from 'Local Policing' service division line to 'Investigation' service division line?*
- Q5. *Do you agree that under 'Criminal Justice Arrangements', the discretionary line, 'Custody/prisoner handling' to be amended to read, 'Custody'?*
- Q6. *Do you agree with the mandatory line, 'Specialist Investigation' being amended to read, 'Investigation'?*

Q7. Do you agree that under 'Investigative support', the discretionary line, 'Fingerprint/DNA bureau' to be amended to read, 'Fingerprint/Internal forensic costs'?

Q8. Do you agree with the mandatory line, 'Police Authority' being amended to read, 'Police Authority/Police Crime Commissioner'?

SECTION B – SeRCOP 2013/14 Only

Consultation on Proposed Changes to:

- **Service Expenditure Analysis, England and Wales**
- **The Definition of Total Cost**

- 14 The Service Expenditure Analysis (SEA) defines the mandatory divisions of service at which total cost must be aggregated, and provides further discretionary subdivisions of service.
- 15 This consultation paper proposes changes to the SeRCOP 2013/14 SEA that authorities in England and Wales will need to follow, together with changes to the 2013/14 SeRCOP definition of 'Total Cost' that will be mandatory for authorities in preparing financial information for the following
- 2013/14 Budget
 - 2013/14 Performance Indicators
 - 2013/14 Statement of Accounts
- 16 A separate SEA is in place for Scottish and Northern Irish authorities.
- 17 The proposed changes to the Service Expenditure Analysis, for England and Wales, within this consultation paper are largely based on a series of recommendations made by the practitioners who serve on the network of working groups run by the CIPFA Information Services. These groups review the service information collected by Information Services which are based around the SEA divisions and subdivisions of service, and hence are well-placed to review the relevance of the SEA categorisations and the guidance notes. Informal invitations to comment are also sent to CIPFA Panels, CIPFA Technical Information Services Online (TISonline) editorial boards and other key stakeholders.
- 18 The consultation also proposes changes to the Definition of Total Cost in relation to Employment Benefits to reflect updates arising from proposed changes to the 2013/14 Code. This follows amendments to IAS 19 *Employment Benefits* in June 2011. The most substantial amendments to the Standard included in this consultation are related to post-employment benefits. Respondents should note that these proposed amendments are subject to the Code consultation process.
- 19 CIPFA would welcome comments and feedback on any aspect of this consultation paper or SeRCOP generally but the questions at the end of this consultation paper on the proposed change may assist respondents.

Section B-Part 1

Consultation on Proposed Changes to Section 3 (SEA) for England and Wales

- 20 Proposals to alter mandatory divisions of service are limited to the following SEA:
- Highways and Transportation Services
 - Central Services
 - Police Services
 - Adult Social Care (England only); Wales to have a new section based on 2012-13)
- 21 From 2013-14, responsibility for Public Health will be transferred from the NHS to Local Government. A new chapter has been drafted.
- 22 Remaining SEAs are largely unchanged with alterations for the most part consisting of amendments to the subdivisions and guidance notes.

Adult Social Care SEA

- 23 The proposed changes for England are a complete revision to the mandatory lines. The following new mandatory lines are all split for older people (65+) and adults (18-64):
- Physical: Access and Mobility
 - Physical: Personal Care Support
 - Sensory: Visual
 - Sensory: Hearing
 - Sensory: Dual
 - Mental: Memory and Cognition
 - Mental: Intellectual and Learning
 - Mental: Psychological and Emotional
 - Social: Substance Misuse
 - Social: Asylum Seeker
 - Social: Carer Support
 - Equipment and Tele-care

Further mandatory lines without the older people (65+) and adults (18-64) split:

- Social Work Activities
- Social Care Universal Services
- Development and Infrastructure

For Wales, this section has remained the same as 2012/13 and so forms a new section separate from England.

Invitation to comment questions

- Q1. *Do you agree with the new mandatory lines as outlined above?*
- Q2. *If you agree with Q1, do you agree with the new discretionary lines?*
- Q3. *If you agree with Q1 and 2, do you agree with the new guidance?*

- Q4. *Do you agree with having a new section for Wales, separate from England?*
- Q5. *If you have any further comments on the changes of the Adult Social Care SEA, please let us know here:*

Central Services SEA

- 24 The proposed changes are:
- (a) New mandatory line to be added, 'Local Welfare assistance Schemes'
 - (b) Guidance notes updated under 'Local Tax Collection'.
 - (c) The removal of Part 5-Other Operating Income and Expenditure on the basis that comprehensive guidance in relation to such items of income and expenditure is provided in the *Code of Practice on Local Authority Accounting in the United Kingdom-Guidance Notes for Practitioners*

Invitation to comment questions

- Q6. *Do you agree on the addition of the new mandatory line 'Local Welfare Assistance Schemes'?*
- Q7. *Do you agree with the changes to the guidance notes under 'Local Tax Collection'?*
- Q8. *Do you agree with the removal of Part 5-Other Operating Income and Expenditure on the basis that comprehensive guidance in relation to such items of income and expenditure is provided in the Code of Practice on Local Authority Accounting in the United Kingdom-Guidance Notes for Practitioners'?*

Children's and Education Services

- 25 The proposed changes are:
- (a) Two discretionary lines added to the 'Service Strategy' division of service. Proposed lines are 'Strategic management' and 'Complaints procedures'.
 - (b) Discretionary line 'Substance misuse service' to be moved from under the 'Family Support services' division of service to the 'Other Children's and Families' Services' division of service.
 - (c) Under the 'Family Support Services' division of service, the 'Teenage pregnancy services' discretionary line to be split so that:
 - (i) Under 'Family Support Services' division of service, the line should read, 'Teenage pregnancy services (other than the cost of implementing and

co-ordinating local teenage pregnancy strategies to reduce under-18 conceptions’.

- (ii) Under ‘Other Children’s and Families’ Services’ division of service, the line should read, ‘Teenage pregnancy services (the cost of implementing and co-ordinating local teenage pregnancy strategies to reduce under-18 conceptions’.

Invitation to comment questions

- Q9. *Do you agree on the addition of two new lines ‘Strategic management’ and ‘Complaints procedures’ to the ‘Service Strategy’ division of service?*
- Q10. *If you agree with Q8, do you agree with the related guidance notes?*
- Q11. *Do you agree that the discretionary line ‘Substance misuse service’ be moved from under the ‘Family Support services’ division of service to the ‘Other Children’s and Families’ Services’ division of service?*
- Q12. *Do you agree with splitting the ‘Teenage pregnancy services’ discretionary line out to ‘Family support services’ and ‘Other children’s and families’ services’?*

Cultural and Related Services SEA

26 The proposed changes are:

- (a) There is additional guidance for discretionary lines ‘Museums and galleries’, Arts Development and Support and ‘Library service’.

Invitation to comment questions

- Q13. *Do you agree with the additional guidance for ‘Museums and galleries’ and ‘Library service’?*

Environmental and Regulatory Services

27 There are no proposed changes to the Environmental and Regulatory Services SEA.

Fire and Rescue Services SEA

28 There are no proposed changes to the Fire and Rescue Services SEA.

Highways and Transport Services SEA

29 The proposed changes are:

- (a) Amendments to guidance under 'Road safety education and safe routes' and 'Discretionary concessionary fares'.

Invitation to comment questions

Q14. *Do you agree with the amendments made in the guidance for 'Road safety education and safe routes' and 'Discretionary concessionary fares'?*

Housing Services SEA

30 The proposed changes are:

- (a) Removal of mandatory lines 'HRA Subsidy Receivable (Note 4)' and 'Transfer of HRA Subsidy Surplus to CLG (Note 4)'.
- (b) Removal of related notes (Note 4).
- (c) Removal of the line items relating to the Movement on the Housing Revenue Account Statement

Note that the Invitation to comment questions are dealt with in the 2012-13 SeRCOP Update in Section A above.

National Parks Services SEA

31 There are no proposed changes to the National Parks Services SEA.

Planning Services SEA

32 There are no proposed changes to the Planning Services SEA.

Police Services SEA

33 The proposed changes are:

- a) Discretionary line, 'Local investigation' has moved from 'Local Policing' service division line to 'Investigation' service division line.
- b) Under 'Criminal Justice Arrangements', the discretionary line, 'Custody/prisoner handling' has been amended to read, 'Custody'.
- c) The mandatory line, 'Specialist Investigation' has been amended to read, 'Investigation'.
- d) Under 'Investigative support', the discretionary line, 'Fingerprint/DNA bureau' has been amended to read, 'Fingerprint/Internal forensic costs'.

- e) The mandatory line, 'Police Authority' has been amended to read, 'Police Authority/Police Crime Commissioner'.

Note that the Invitation to comment questions are dealt with in the 2012-13 SeRCOP Update in Section A above.

New Public Health SEA

34 From 2013/14, responsibility for Public Health will be transferred from the NHS to Local Government.

As a result of this, CIPFA has incorporated a new chapter on Public Health within the SEA, having closely worked with colleagues from the Department of Health. The proposed mandatory lines are as follows:

- Sexual Health
- NHS Health Check Programme
- Health Protection
- National Child Measurement Programme
- Public Health Advice
- Obesity
- Physical Activity
- Substance Misuse
- Smoking and Tobacco
- Children 5-19 Public Health Programmes
- Other Public Health Services

Invitation to comment questions

- Q15. *Do you agree with the mandatory lines as outlined above?*
- Q16. *If you agree with Q21, do you agree with the discretionary lines?*
- Q17. *If you agree with Q21 and 22, do you agree with the guidance*
- Q18. *If you have any further comments on the new Public Health SEA, please let us know here:*

RESPONDING TO THE "SEA for ENGLAND & WALES" SECTION OF THE CONSULTATION

- 35 Responses to this consultation paper should be sent by email to:
(sercop@cipfa.org.uk)

To arrive no later than noon on **1st October 2012**.

- 36 During the consultation period, any questions or queries about the proposed changes should be directed to James Martin on:

Telephone: 020 3117 1840
Email: sercop@cipfa.org.uk

Section B-Part 2

Consultation on Proposed Changes to Section 2: The Definition of Total Cost in the 2013/14 SeRCOP

THE PURPOSE OF 'TOTAL COST'

- 37 'Total cost' is a key SeRCOP concept. It was established to provide a consistent basis for all statutory financial disclosures in relation to formal financial reporting and performance indicators. Total cost must also be used for reporting the cost of services in the Income and Expenditure Account.

UPDATES TO REFLECT DEVELOPMENT ITEMS WHICH WILL BE INCLUDED IN THE 2013/14 CODE

- 38 The International Accounting Standards Board (IASB) issued amendments to IAS 19 Employment Benefits in June 2011. The most substantial amendments to the Standard relate to post-employment benefits. Principally for the Service Reporting Code of Practice this means the change in relation to the new classification of service cost which comprises the following three components:

- (a) current service cost,
- (b) past service cost; and
- (c) gains and losses on settlements.

- 39 The above change represents a substantial implementation issue as the Service Reporting Code of Practice permits only current service cost to be included in the total cost of services. However, it is proposed that the recognition of components at the 2012/13 reporting level are retained.
- 40 Therefore, the definition of current service cost, which remains unchanged, is still recognised in the definition of total cost. The remaining two components of service cost relating to past service cost and gains and losses on settlements are included in Non Distributed Costs in paragraphs 2.45a) and 2.45b).
- 41 The amendments to the Standard also introduce changes to the definition of past service costs, settlements and curtailments. Curtailments are no longer defined separately by the standard. As the amendments made in June 2011 require immediate recognition of unvested past service costs and because IAS 19 now treats plan amendments and curtailments in the same way, the standard now treats gains or losses on a curtailment as one form of past service cost.

INVITATION TO COMMENT QUESTIONS

- 42 It would be helpful if you could support your answers to the following questions with reasons.

- Q1 Do you agree that the split of service cost should be maintained in accordance with past practice? If not, why not? What alternatives do you suggest?
- Q2 Do you agree that the revisions to the definitions of past service costs, settlements and curtailments in paragraphs 2.45a) and 2.45b) will not have practical consequences for the preparation of budget information, the statement of accounts and performance indicators. If not, why not? What alternatives do you suggest?

RESPONDING TO "THE DEFINITION OF TOTAL COST" SECTION OF THE CONSULTATION

- 43 Responses to the consultation paper relating to Definition of Total Cost (SeRCOP Section 2) should be sent preferably by email (laura.deery@cipfa.org.uk) to:

Laura Deery
CIPFA
3 Robert Street
London WC2N 6RL

To arrive no later than noon on **1st October 2012**.

- 44 During the consultation period, any questions or queries about the changes proposed should be directed to Laura Deery at: laura.deery@cipfa.org.uk