

BVACOP 2011/12

Consultation on Proposed Changes to:

- **Service Expenditure Analysis, England and Wales**
- **Definition of Total Cost and,**
- **Recommended Standard Subjective Analysis**

Introduction

- 1 BVACOP 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 One of the key changes in the external environment is the UK Government's transparency agenda, which is still developing. At the time this consultation was prepared, it was too early to include specific proposals in respect of the transparency agenda; the proposed changes therefore only reflect the annual updating of BVACOP.
- 3 CIPFA is working with the Local Government Association to support local authorities in implementing transparency requirements. It believes that BVACOP already provides a consistent and coherent framework for reporting aggregated data which will be critical if the increased data publication requirements of the transparency agenda are to be harnessed to provide useful benchmarking information. CIPFA is therefore committed to updating and developing BVACOP as required to ensure transparency requirements can be introduced as smoothly and efficiently as possible while minimising the changes authorities need to make to maximise the potential information gains from this initiative. The published version of BVACOP 2011/12 may therefore need to reflect additional changes to permit this.
- 4 In order to emphasise the developing role that BVACOP is expected to play in delivering the transparency agenda, CIPFA is also proposing to rename BVACOP the 'Transparent Service Reporting Code of Practice'.
- 5 The views of practitioners on these proposed changes would be welcomed, and specific questions are included in section 2 of this consultation.
- 6 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.

- 7 'Total cost' is a key BVACOP 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.
- 8 This consultation paper proposes changes to the BVACOP 2011/12 SEA that authorities in England and Wales will need to follow, together with changes to the 2011/12 BVACOP definition of 'Total Cost' that will be mandatory for authorities in preparing financial information for the following
- 2011/12 Budget
 - 2011/12 Performance Indicators
 - 2011/12 Statement of Accounts
- 9 A separate SEA is in place for Scottish and Northern Irish authorities.
- 10 The proposed changes to the Service Expenditure Analysis, for England and Wales, within this consultation paper (refer to **Section 1** below) are largely based on a series of recommendations made by the practitioners who serve on the network of working groups run by the CIPFA Research and Statistics. These groups review the service information collected by Research and Statistics 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.
- 11 The main proposed change to the BVACOP Definition of Total Cost (Section 2), relates to income and expenditure in respect of the Carbon Reduction Commitment Scheme. The change to Definition of Total Cost is included in Section 2 below.
- 12 The consultation also proposes changes to the Recommended Standard Subjective Analysis in Group 9-Income to reflect updates arising from changes to legislation relating to the Community Infrastructure Levy (England and Wales) and Business Rate Supplements (England).
- 13 CIPFA would welcome comments and feedback on any aspect of this consultation paper or BVACOP generally but the questions at the end of this consultation paper on the proposed change may assist respondents.

Section 1

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

14 Proposals to alter mandatory divisions of service are limited to the following SEA:

- Children's and Education Services
- Housing Services
- Planning Services

15 Remaining SEAs are largely unchanged with alterations for the most part consisting of amendments to the subdivisions and guidance notes.

Adult Social Care SEA

16 There are no proposed changes to the Adult Social Care Services SEA.

Central Services SEA

17 There are no proposed changes to the Central Services SEA.

Children's and Education Services

18 The proposed changes are:

- Nursery Schools.** Propose to rename division of service 'Nursery Schools' to 'Early Years'. To add three new subdivisions of service 'Nursery classes in primary schools', 'Children's centres' and 'PVI providers'. There have also been significant changes to the notes of guidance.
- Children's and Education Services SEA.** To include new division of service 'Young People's learning and development'.
- Children's and Education Services SEA.** To include new division of service 'Services to young people'.
- Services to young People.** The following subdivisions of service 'Adult and community' and 'Other services to young people' are being proposed. There have also been significant changes to the notes of guidance.
- Children's and Education Services SEA.** To replace division of service 'Non-school funding' with 'Other school and educational functions'.
- Other school and educational functions.** A new set of subdivisions of service are being proposed 'Special education', 'Learner support', 'Access' and 'Local authority education functions'. There have also been significant changes to the notes of guidance.
- Service Strategy.** To replace subdivisions of service 'Strategic management' and 'Complaints procedures' with 'Children's and young people's plan', 'Partnership costs', 'Central commissioning function' and 'Commissioning and social work'. There have also been significant changes to the notes of guidance.

- (h) **Children looked after.** To remove subdivision of service 'Children's homes'. To add subdivisions of service 'Residential care', 'Short breaks (respite) for children looked after', 'Children placed with family and friends', 'Advocacy services for children looked after', 'Education of children looked after', 'Leaving care support services', 'Asylum seeker services (children)', 'Unaccompanied asylum children – Assessment and care management' and 'Unaccompanied asylum children – Accommodation'. There have also been significant changes to the notes of guidance.
- (i) **Family Support Services.** To remove subdivisions of service 'Family centres' and 'Services for under 8s'. To add subdivisions of service 'Short breaks (respite) for disabled children', 'Substances misuse services', 'Contributions to health care of individual children' and 'Teenage pregnancy services'. There have also been significant changes to the notes of guidance.
- (j) **Children's and Education Services SEA.** To add new division of service 'Children's and young people's safety'. There have also been significant changes to the notes of guidance.
- (k) **Children's and young people's safety.** To include subdivisions of service 'Child death review process', 'Preventative services', 'LA functions in relation to child protection' and 'Local safeguarding children's board'. There have also been significant changes to the notes of guidance.
- (l) **Children's and Education Services SEA.** Division of service 'Asylum seekers' is being proposed to be moved as a subdivision of service within 'Children looked after'. There have also been significant changes to the notes of guidance.
- (m) **Other Children's and Families Services.** To remove subdivision of service 'Leaving care services'. To add subdivision of service 'Special guardianship support'. There have also been significant changes to the notes of guidance.

Invitation to comment questions

- Q1. *Do you agree that division of service 'Nursery Schools' should be renamed to 'Early Years'?*
- Q2. *Do you agree with the addition of subdivision of services 'Nursery classes in primary schools', 'Children's centres' and 'PVI providers' under division of service 'Early years'?*
- Q3. *If you agree with Q2, do you agree with the notes of guidance for subdivisions of service 'Nursery classes in primary schools', 'Children's centres' and 'PVI providers' under division of service 'Early years'?*
- Q4. *Do you agree with the addition of division of service 'Young people's learning and development' to the 'Children's and Education Services SEA'?*
- Q5. *If you agree with Q4, do you agree with the notes of guidance for division of service 'Young People's learning and development'?*

- Q6. *Do you agree with the addition of division of service 'Services to young people' to the 'Children's and Education Services SEA'?*
- Q7. *If you agree with Q6, do you agree with the new subdivisions of service 'Adult and community' and 'Other services to young people' under division of service 'Services to young people'?*
- Q8. *If you agree with Q6 and Q7, do you agree with the notes of guidance for subdivisions of service 'Adult and community' and 'Other services to young people' under division of service 'Services to young people'?*
- Q9. *Do you agree with the renaming division of service 'Non-school funding' to 'Other school and educational functions'?*
- Q10. *Do you agree with the new subdivisions of services 'Special education', 'Learner Support', 'Access' and 'Local authority education functions' under 'Other school and educational functions'?*
- Q11. *If you agree with Q10, do you agree with the notes of guidance for subdivisions of service 'Learner Support', 'Access' and 'Local authority education functions' under division of service 'Other school and educational functions'?*
- Q12. *Do you agree to replace subdivisions of service 'Strategic management' and 'Complaints procedures' with 'Children's and young people's plan', 'Partnership costs', 'Central commissioning function' and 'Commissioning and social work' under division of service 'Service Strategy'?*
- Q13. *If you agree with Q12, do you agree with the notes of guidance for subdivisions of service 'Children's and young people's plan', 'Partnership costs', 'Central commissioning function' and 'Commissioning and social work' under 'Service Strategy'?*
- Q14. *Do you agree with the removal of subdivision of service 'Children's homes' and addition of subdivisions of service 'Residential care', 'Short breaks (respite) for children looked after', 'Children placed with family and friends', 'Advocacy services for children looked after', 'Education of children looked after', 'Leaving care support services', 'Asylum seeker services (children)', 'Unaccompanied asylum children – Assessment and care management' and 'Unaccompanied asylum children – Accommodation' under division of service 'Children looked after'?*
- Q15. *If you agree with Q14, do you agree with the notes of guidance for subdivisions of service 'Residential care', 'Short breaks (respite) for children looked after', 'Children placed with family and friends', 'Advocacy services for children looked after', 'Education of children looked after', 'Leaving care support services', 'Asylum seeker services (children)', 'Unaccompanied asylum children – Assessment and care management' and 'Unaccompanied asylum children – Accommodation' under division of service 'Children looked after'?*
- Q16. *Do you agree with the removal of subdivisions of service 'Family centres' and 'Services for under 8s' and addition of subdivisions of services 'Short breaks (respite) for disabled children', 'Substances misuse services', 'Contributions to health care of individual children' and 'Teenage pregnancy services' under division of service 'Family support services'.*

- Q17. *If you agree with Q16, do you agree with the notes of guidance for subdivisions of service 'Short breaks (respite) for disabled children', 'Substances misuse services', 'Contributions to health care of individual children' and 'Teenage pregnancy services' under division of service 'Family support services'?*
- Q18. *Do you agree with the addition of division of service 'Children's and young people's safety' under 'Children's and Education Services SEA'?*
- Q19. *If you agree with Q18, do you agree with new subdivisions of service 'Child death review process', 'Preventative services', 'LA functions in relation to child protection' and 'Local safeguarding children's board' under division of service 'Children's and young people's safety'?*
- Q20. *If you agree with Q18 and Q19, do you agree with the notes of guidance for subdivisions of service 'Child death review process', 'Preventative services', 'LA functions in relation to child protection' and 'Local safeguarding children's board' under division of service 'Children's and young people's safety'?*
- Q21. *Do you agree with moving division of service 'Asylum seekers' to a subdivision of division of service under 'Children looked after'?*
- Q22. *Do you agree with the removal of subdivision of service 'Leaving care services' under division of service 'Other children's and families services'?*
- Q23. *Do you agree with the addition of subdivision 'Special guardianship support' under division of service 'Other children's and families services'?*
- Q24. *If you agree with Q23, do you agree with the notes of guidance for subdivision of service 'Special guardianship support' under division of service 'Other children's and families services'?*

Cultural, Environmental, Regulatory and Planning Services SEA

19 The proposed changes are:

- (a) **Cultural, Environmental, Regulatory and Planning Services SEA.** Proposing to separate into three sections 'Culture and Related Services', 'Environment & Regulatory Services' and 'Planning Services'.

Invitation to comment questions

- Q25. *Do you agree that section 'Cultural, Environmental, Regulatory and Planning Services SEA' should be separated out to the following: 'Culture and Related Services', 'Environment & Regulatory Services' and 'Planning Services'?*

Cultural and Related Services SEA

20 The proposed changes are:

- (a) **Culture and Heritage.** To move guidance 'Art and crafts fairs and other events' from subdivision of service 'Theatres and public entertainment' to 'Arts development and support'.

- (b) **Recreation and Sport.** Under subdivision of service 'Community centres and public halls', to change guidance to include 'general purpose halls'.
- (c) **Tourism.** Under subdivision of service 'Tourism policy, marketing and development' to add the following guidance 'Undertaking qualitative and quantitative tourism research', 'Developing and managing public/private tourism partnership', 'Managing conference facilities and conference promotion', 'Managing, conference facilities and conference promotion'.
- (d) **Tourism.** Under subdivision of service 'Tourism policy, marketing and development' to change the following guidance 'Contributions to regional tourist boards' to include 'area tourism partnership and Destination Management Organisations'.

Invitation to comment questions

- Q26. *Do you agree that notes of guidance 'Art and crafts fairs and other events' under subdivision 'Theatres and public entertainment' should be moved to subdivision 'Arts development and support' under division of service 'Culture and heritage'?*
- Q27. *Do you agree that notes of guidance for subdivision of service 'Community centres and public halls', under division of service 'Recreation and sport' should be changed to include 'general purpose halls'?*
- Q28. *Do you agree that the notes of guidance for subdivision of service 'Tourism policy, marketing and development' under division of service 'Tourism' should include the following guidance 'Undertaking qualitative and quantitative tourism research', 'Developing and managing public/private tourism partnership', 'Managing conference facilities and conference promotion', 'Managing, conference facilities and conference promotion'?*
- Q29. *Do you agree that for subdivision 'Tourism policy, marketing and development' under division of service 'Tourism' the notes of guidance should change from 'Contributions to regional tourist boards' to include 'area tourism partnership and Destination Management Organisations'?*

Environmental and Regulatory Services

21 The proposed changes are:

- (a) **Regulatory Services.** Under subdivision of service 'Alcohol and entertainment licensing' remove references to 'Skip Licensing', 'scaffold licensing', 'hoarding licensing' and 'handling applications for felling licenses'.
- (b) **Regulatory Services.** Under subdivision of service 'Food safety' guidance to include 'Scores on the Doors'.
- (c) **Regulatory Services.** Under subdivision of service 'Environmental protection' guidance for noise pollution to include 'Action under the Environmental Protection Act 1990 dealing with noise as a statutory nuisance', 'Include silencing alarms under Clean Neighbourhoods and Environment Act 2005 (costs of work in default which cannot be set as a charge against the property under this legislation)', and 'Dealing with noise construction sites and noise in the street under the Control of Pollution Act 1974'.

- (d) **Regulatory Services.** Under subdivision of service 'Environmental protection' guidance for air pollution to include 'Other statutory nuisance work investigating complaints of dust, odour, smoke', and 'Light pollution powers are under the Environmental Protection Act 1990 (as amended by the Clean Neighbourhoods and Environment Act 2005)'.
- (e) **Regulatory Services.** Under subdivision of service 'Environmental protection' guidance for pollution prevention and control to include 'Permitting business under Environmental permitting (England and Wales) Regulation 2007'.
- (f) **Regulatory Services.** Under subdivision of service 'Environmental protection' guidance for anti fly-tipping to include 'Includes littering, dog fouling, fly tipping, enforcement of trade waste and graffiti'.
- (g) **Waste Collection.** Guidance to include 'Re-usable' waste
- (h) **Waste Disposal.** Guidance to include 'Re-usable' waste.

Invitation to comment questions

- Q30. *Do you agree with the removal of 'skip licensing', 'Scaffold licensing', 'hoarding license' and 'handling applications for felling licences' from the notes of guidance under subdivision of service 'Alcohol and entertainment licensing' under division of service 'Regulatory services'?*
- Q31. *Do you agree that the notes of guidance for subdivision of service 'Food safety' should include 'Scores on the doors' under division of service 'Regulatory services'?*
- Q32. *Do you agree that the notes of guidance for air pollution for subdivision of service 'Environmental protection' should include 'Action under the Environmental Protection Act 1990 dealing with noise as a statutory nuisance', 'Include silencing alarms under Clean Neighbourhoods and Environment Act 2005 (costs of work in default which cannot be set as a charge against the property under this legislation)', and 'Dealing with noise construction sites and noise in the street under the Control of Pollution Act 1974' under division of service 'Regulatory services'?*
- Q33. *Do you agree that the notes of guidance for pollution prevention and control under subdivision of service 'Environmental protection' should include 'Permitting business under Environmental Permitting (England and Wales) Regulations 2007' under division of service 'Regulatory services'?*
- Q34. *Do you agree that the notes of guidance for anti fly-tipping under subdivision of service under 'Environmental protection' should include 'Includes littering, dog fouling, fly tipping, enforcement of trade waste and graffiti' under division of service 'Regulatory services'?*
- Q35. *Do you agree that division of service 'Waste Collection' notes of guidance should include 'Re-usable' waste?*
- Q36. *Do you agree that division of service 'Waste Disposal' notes of guidance should include 'Re-usable' waste?*

Fire and Rescue Services SEA

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

Highways and Transport Services SEA

23. There are no proposed changes to the Highways and Transport Services SEA.

Housing

24. The proposed changes are:

- (a) **HRA Income (England)**. To include new division of service 'Reimbursement of costs'. Also to include guidance 'Court costs, insurance and other income'.
- (b) **HRA Income (Wales)**. To include new division of service 'Reimbursement of costs'. Also to include guidance 'Court costs, insurance and other income'.
- (c) **Housing Services SEA**. A proposal to include 'Management fees for ALMOs' was received. Consult on whether authorities would be able to provide this information and where it would be best placed.
- (d) **Housing Services SEA**. A proposal to include 'Tenant Service Authority (TSA) standards' was received. Consult on whether authorities would be able to provide this information and where it would be best placed.
- (e) **Housing Services SEA**. A proposal to include 'Service Charge Accounting' was received. Consult on whether authorities would be able to provide this information and where it would be best placed.

Invitation to comment questions

- Q37. *Do you agree with the addition of division of service 'Reimbursement of Costs' to 'HRA Income (England) under the Housing Services SEA?*
- Q38. *If you agree with Q37, agree with notes of guidance for division of 'Reimbursement of Costs' to 'HRA Income (England) under the Housing Services SEA?*
- Q39. *Do you agree with the addition of division of service 'Reimbursement of Costs' to 'HRA Income (Wales) under the Housing Services SEA?*
- Q40. *If you agree with Q39, do you agree with notes of guidance for division of 'Reimbursement of Costs' to 'HRA Income (Wales) under the Housing Services SEA?*
- Q41. *Do you agree that guidance for 'Management fees for ALMOs' should be included under the Housing Services SEA?*
- Q42. *Do you agree that guidance for 'Tenant Service Authority (TSA) standards' should be included under the Housing Services SEA?*
- Q43. *Do you agree that guidance for 'Service Charge Accounting' should be included under the Housing Services SEA?*

National Parks Services SEA

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

Planning Services

26 The proposed changes are:

- (a) **Planning Services SEA.** To include new division of service 'Economic research'.
- (b) **Planning Services SEA.** To include new division of service 'Business support'.
- (c) **Business Support.** To include the following subdivision of service 'Premise development'; 'Grants/loans and guarantees' and 'Support to business and enterprise'. To remove these subdivisions of services from 'Economic development'.

Invitation to comment questions

- Q44. *Do you agree with the addition of division of service 'Economic research' under the 'Planning Services SEA'?*
- Q45. *Do you agree with the addition of division of service 'Business support' under the 'Planning Services SEA'?*
- Q46. *If you agree with Q45, do you agree with the new subdivisions of service 'Premise development'; 'Grants/loans and guarantees' and 'Support to business and enterprise' under division of service 'Business support'?*
- Q47. *If you agree with Q45 and Q46, do you agree with the notes of guidance for subdivisions of service 'Premise development'; 'Grants/loans and guarantees' and 'Support to business and enterprise' under division of service 'Business Support'?*

Police Services SEA

27 There are no proposed changes to the Police Services SEA.

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

28 Responses to this consultation paper should be sent preferably by email to: (bvacop@cipfa.org.uk) or

Sukhjit Gill
CIPFA
No 1 Croydon
12-16 Addiscombe Road
Croydon
CRO OXT

To arrive no later than noon on **17 September 2010**.

29 During the consultation period, any questions or queries about the proposed changes should be directed to Sukhjit Gill on:
Telephone: 020 8667 8526
Email: bvacop@cipfa.org.uk

Section 2

Consultation on Proposed Changes To Section 2: The Definition of Total Cost in the 2011/12 BVACOP

THE PURPOSE OF 'TOTAL COST'

- 30 'Total cost' is a key BVACOP 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 CHANGES IN LEGISLATION

- 31 The 2011/12 Code introduces the Carbon Reduction Commitment Scheme. It is proposed that Carbon Reduction Commitment transactions are accounted for as central costs and defined as Non Distributed Costs (NDC). The proposals amend BVACOP (Section 2, paragraph 2.45) to reflect the revised requirements.
- 32 However, in proposing a non distributed cost treatment, the Local Authority Accounting Panel (LAAP) have considered the possibility that some of the net Carbon Reduction Commitment Scheme costs or income may relate to housing or schools. After some consideration, the Panel has taken the view that this cost /income is likely to be immaterial in the early years of the scheme. The panel will however review the position as the scheme becomes established.
- 33 Detailed accounting arrangements for the Carbon Reduction Commitment Scheme are included in the consultation on proposed changes to the 2011/12 Code of Practice. Respondents should refer to this consultation for further information.

THE PURPOSE OF THE RECOMMENDED STANDARD SUBJECTIVE ANALYSIS

- 34 A common subjective analysis improves consistency and therefore helps authorities to make effective comparisons for financial reporting requirements. In addition, a subjective analysis provides further information that would be useful for benchmarking analyses and for analysing net costs in service reviews.

UPDATES TO REFLECT CHANGES IN LEGISLATION

- 35 The 2011/12 Code also introduces Business Rates Supplement (England and Wales) and Community Infrastructure Levy (England and Wales).
- 36 Business Rates Supplement is a specific levy to be applied to specific projects expected to promote economic development and should be recognised as income in the appropriate service revenue account and included in the net cost of services.
- 37 Community Infrastructure Levy is a general levy to be spent on infrastructure to support development in the area. It is not project specific and should be recognised as general income and not included in the net cost of services.
- 38 The proposals amend BVACOP Section 4, Group 9-income, to reflect the revised requirements.
- 39 Detailed accounting arrangements for the Business Rates Supplement (England and Wales), Community Infrastructure Levy (England and Wales) are included in

the consultation on proposed changes to the 2011/12 Code of Practice. Respondents should refer to this consultation for further information.

INVITATION TO COMMENT QUESTIONS

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

- Q1 Do you agree that Carbon Reduction Commitment transactions should be accounted for as central costs and defined as Non Distributed Costs (NDC)?
- Q2 Do you agree that Business Rates Supplement (England & Wales) should be recognised as income in the appropriate service revenue account and included in net cost of services?
- Q3 Do you agree that Community Infrastructure Levy (England & Wales) should be recognised as general income and not included in the net cost of services?
- Q4 Do you agree with the proposal to change the name of BVACOP to the 'Transparent Service Reporting Code of Practice'?

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

- 41 Responses to the consultation paper relating to Definition of Total Cost (BVACOP 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 **17th September 2010**.

- 42 During the consultation period, any questions or queries about the changes proposed should be directed to Laura Deery on:

Telephone 0207 5435686
Or e-mail laura.deery@cipfa.org.uk