

APPENDIX C

Changes in accounting policies: disclosures in the 2014/15 and 2015/16 financial statements

C.1 INTRODUCTION

- C.1.1** Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.
- C.1.2** A complete set of financial statements is defined in paragraph 3.4.2.17 of the Code. This includes a Balance Sheet as at the beginning of the preceding period (ie a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.
- C.1.3** This appendix sets out the additional disclosures that will be required in the 2014/15 and 2015/16 financial statements in respect of accounting changes that are introduced by the 2015/16 Code.

C.2 DISCLOSURES REQUIRED IN THE 2014/15 AND 2015/16 FINANCIAL STATEMENTS

2014/15

- C.2.1** An authority shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. An authority shall provide known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the authority's financial statements including the group statements in the

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period of initial application. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (ie on or before 1 January 2016 for 2015/16). For this disclosure the standards introduced by the 2015/16 Code include:

- IFRS 13 *Fair Value Measurement*
- *Annual Improvements to IFRSs 2010 – 2012 Cycle*
- *Annual Improvements to IFRSs 2011 – 2013 Cycle*
- *Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)*
- IFRIC 21 *Levies*
- The Changes to the Code in relation to Heritage Assets (see section 4.10)

(Note: it is anticipated that, IFRS 13 which is applied prospectively, Annual Improvements to IFRS 2011 – 2013, Amendments to IAS 19 and IFRIC 21 will not have a material impact on the financial statements. Where this is not the case local authorities will have to ensure they comply with the disclosures in the 2014/15 financial statements listed in C2.2 below).

C.2.2 In complying with paragraph C2.1, an authority considers disclosing:

- a) the title of the new IFRS, indicating that it has been adopted by this Code
- b) the nature of the impending change or changes in accounting policy
- c) the date by which application of the IFRS, as adopted by this Code, is required (ie 1 April 2015)
- d) the date as at which the authority will adopt the IFRS initially (ie 1 April 2015), and
- e) either:
 - i) a discussion of the impact that initial application of the IFRS as adopted by this Code is expected to have on the authority's financial statements, or
 - ii) if that impact is not known or reasonably estimable, a statement to that effect.

2015/16

C.2.3 The adoption of IFRS 13 in the Code is not a change of accounting policy that will require the publication of a third Balance Sheet. CIPFA/LASAAC considers it unlikely that *Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)* and IFRIC 21 *Levies* will require the publication of a third balance sheet. Where authorities consider that they need to include a third balance sheet they will need to comply with the requirements of section 3.3 of the Code and paragraph C.2.5 below.

C.2.4 The changes in the 2015/16 Code for the measurement of heritage assets may for some authorities require a change in accounting policies which will require

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retrospective restatement and the publication of a third balance sheet and therefore authorities will require restatement of a new balance sheet in accordance with section 3.3 of the Code and as outlined below in paragraph C.2.5.

C.2.5 The adoption of the following new or amended standards:

- *Annual Improvements to IFRSs 2010 – 2012 Cycle*
- *Annual Improvements to IFRSs 2011 – 2013 Cycle*¹

in the Code represents a change of accounting policy that may require the publication of a restated Balance Sheet as at the beginning of the preceding period (ie a third Balance Sheet) in the 2015/16 financial statements or in the group financial statements where the changes brought about by the amendments to these standards are material. In addition to the presentation of the third Balance Sheet, the authority is required to:

- a) include narrative description that the change in accounting policy is as a result of the Code's adoption of the amendments to the standards in question
- b) set out the nature of the change of the accounting policy
- c) for the current period and the previous period the amount of the adjustment to each line item in the financial statements affected, to the extent practicable, and
- d) the amount of the adjustments relating to the prior period before the periods presented, to the extent practicable.

Other Changes

C.2.6 Other changes adopted in the 2015/16 Code are not expected to require additional disclosure in the 2014/15 or 2015/16 financial statements. Some changes to the Code relate to changes in circumstances. Other changes clarify the requirements of the Code or provide additional guidance, but do not change the requirements of the Code.

C.2.7 In some cases, the Code refers to accounting standards, but does not incorporate their requirements directly. If an authority is relying on the requirements of the underlying standards, and these have changed, the authority shall make such disclosures as are required to meet the requirements of paragraph 3.3.4.3 of the Code in the 2014/15 financial statements, and shall consider whether the changes will require the publication of a Balance Sheet as at the beginning of the preceding period (ie a third Balance Sheet) in the 2015/16 financial statements.

¹ Note CIPFA/LASAAC considers it possible but unlikely that the amendments introduced by *Annual Improvements to IFRS 2011–2013 Cycle* are such a change in accounting policy.