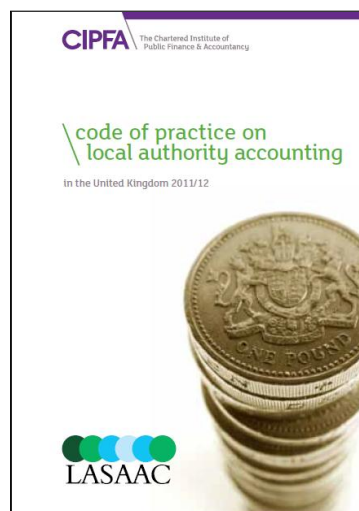


# the code of practice on local authority accounting in the united kingdom

## 2011/12 code update



This 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) Update must be read in conjunction with the 2011/12 Code published by CIPFA in February 2011. The tracked changes to appropriate extracts of the 2011/12 Code include both new and amended paragraphs to form the 2011/12 Code Update.

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# Foreword

This Code of Practice is based on International Financial Reporting Standards (IFRSs), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance. The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2011. This publication is an Update to the edition of the 2011/12 Code published in February 2011.

This edition of the Code applies for accounting periods commencing on or after 1 April 2011. It supersedes the edition published in December 2009 (the 2010/11 Code).

The key accounting changes in this edition of the Code include:

- a) The 2011/12 Code provides guidance on accounting for income from the Community Infrastructure Levy and Business Rate Supplements (see section 2.2). The 2011/12 Code Update provides clarification in relation to the recognition of Business Rate Supplements income and other minor amendments. It also includes additional minor amendments and clarification in relation to the recognition of the Community Infrastructure Levy (see section 2.2).
- b) Following the announcements in the Spending Review, the 2011/12 Code does not include any requirements in respect of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. CIPFA/LASAAC has agreed to defer consideration of this issue until the changes to the scheme are confirmed. CIPFA/LASAAC will issue an update to the 2012/13 Code that will incorporate the required changes to the Code.
- c) The 2011/12 Code requires additional disclosures in respect of remuneration and exit packages; these disclosures affect all jurisdictions. Disclosure of remuneration and pension contributions in respect of senior employees is required in England and Wales; this requirement was introduced in amendments to the Accounts and Audit Regulations. The 2011/12 Code Update includes reference to the Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI 2011 No. 64) which introduces a

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requirement for Scottish local authorities to produce a Remuneration Report as a part of the statutory statement of accounts. In addition, the Code has

introduced a requirement to disclose the number and cost of exit packages agreed. This requirement applies in England, Wales, Scotland and Northern Ireland, and is consistent with the requirement to disclose similar information elsewhere in the public sector (set out in the Government's Financial Reporting Manual) (see paragraphs 3.4.4.1 and 3.4.5.1).

**Deleted:** No equivalent regulation existed in Scotland and Northern Ireland at the time the Code was prepared, although the Scottish Government was consulting on the introduction of a remuneration report. If this is implemented for the 2011/12 financial statements, Scottish authorities will need to follow the regulations or statutory guidance.

- d) The 2011/12 Code introduces a requirement that, within the annual governance statement or the statement on the system of internal financial control, an authority includes a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (see section 3.7). The 2011/12 Code Update incorporates the requirement introduced in the Accounts and Audit (England) Regulations 2011 that the statement of the effectiveness of the system of internal control is the Annual Governance Statement (see paragraph 3.7.1.1).
- e) The 2011/12 Code incorporates the changes made to the Accounts and Audit Regulations in Wales regarding the dates at which the financial statements are required to be approved by members (see section 3.8).
- f) The 2011/12 Code amends the related party disclosures required in respect of central government departments, government agencies, NHS bodies and other local authorities. The 2011/12 Code Update includes the November 2009 amendments to the definition of a related party, related party transactions, close members of the family of a person, the guidance on the treatment of a related party and other minor amendments (see section 3.9).
- g) The 2011/12 Code incorporates the effect of regulations and statutory guidance introduced to mitigate the impact of the transition to IFRS on the General Fund (see sections 4.2.3, 4.3.3, 6.2.5 and 8.2.3).
- h) The 2011/12 Code adopts the requirements of FRS 30 *Heritage Assets* (see section 4.10). Heritage assets are carried at valuation where possible, and additional disclosures are required. The Code also permits, but does not require, authorities to adopt the measurement and disclosure requires within FRS 30 for community assets (see paragraphs 4.1.2.28 and 4.1.4.5). These changes amount to changes in accounting policy that may require additional disclosures in both the 2011/12 and 2010/11 financial statements. The disclosure requirements are set out in Appendix C. The 2011/12 Code Update includes a minor amendment to the disclosure of the reconciliation of the carrying amount of heritage assets (see paragraph 4.10.4.2).
- i) The 2011/12 Code incorporates changes in regulations that require police and fire authorities in Scotland to maintain a pension account, and that require LGPS administering bodies in Scotland to produce an annual report (see section 6.5).
- j) The 2011/12 Code clarifies that financial instrument disclosures are required in respect of leases and PFI, PPP and similar schemes (see section 7.1).

**Deleted:** Additional guidance on the definition of a related party is also included

- k) The 2011/12 Code incorporates minor changes to the disclosures of the nature and extent of risks arising from financial instruments. Additional disclosures are also required where the level of soft loans granted by an authority is material (see section 7.4).
- l) The 2011/12 Code includes clarification that where an authority is a party to a joint venture, does not have joint control of that joint venture but does have significant influence, the interest in the joint venture should be accounted for as if it were an associate in line with IAS 31. The 2011/12 Code Update removes references to Scottish police and fire boards in relation to this provision in the Code (see paragraph 9.1.2.46).
- m) The 2011/12 Code Update does not include any amendments that were proposed in the consultation on the 2011/12 Code Update in relation to the recognition of non-current schools' assets. The response to the separate Invitation to Comment on the consultation provided inconclusive evidence in terms of the recognition criteria for voluntary controlled schools. In addition, a review group is being established in relation to accounting for schools.
- n) The 2011/12 Code Update incorporates the new requirements of the Housing Revenue Account (Accounting Practices) Directions 2011 (section 3.5).
- o) The 2011/12 Code Update incorporates the Accounts and Audit (England) Regulations 2011 including the changes regarding the dates at which the financial statements are required to be approved by members and clarifying the impact on the authorised for issue date in England) (see section 3.8) and also featuring changes to the relevant bodies that may be permitted or required by the Regulations to follow the Code (see paragraph 1.2.4).
- p) The 2011/12 Code Update includes a revision to the Accounts Direction – Northern Ireland District Councils requirements in relation to the treatment of short-term accumulated compensated absences. The Direction now requires that the accrued element of short-term accumulating compensated absences is to be held within the Accumulated Absences Reserve until the liability is discharged (see paragraph 6.2.5.1).
- q) The 2011/12 Code Update incorporates the requirements of the Scottish Government Finance Circular No. 1/2011 Accounting for Local Authority Pension Funds (Scotland). The Code sets out in accordance with the circular that administering authorities in Scotland are no longer required to include the pension fund accounts in the local authority financial statements but are required instead to make the disclosures stipulated by the Circular (section 6.5).
- r) The 2011/12 Code Update includes reference in Appendix B to the new statutory guidance issued by the Scottish Government including Scottish Government Finance Circulars Accounting for Investments – Icelandic Banks (Circular 5/2011), Accounting for Grant Contributions and Donated Assets (Circular 6/2011) and Accounting for Investment Properties (Circular 7/2011).
- s) The 2011/12 Code Update removes references to 'Area Based Grant'.
- t) The 2011/12 Code and 2011/12 Code Update clarify the requirements in a number of areas where uncertainty was identified in the 2010/11 Code:

**Deleted:** This confirms the existing consolidation arrangements for Scottish police and fire boards.

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- 1) The fair value of surplus assets should be based on the existing use value of the asset in its last operational use (see paragraph 2.1.2.26).
- 2) The adaptations of IAS 20 *Government Grants* apply equally to capital and revenue grants (see paragraph 2.3.1.2). [The 2011/12 Code includes clarifications to the recognition requirements and the treatment of general and unringfenced grants \(see paragraphs 2.3.2.9 and 2.3.2.10\). It also includes the definition of a stipulation from IPSAS 23 Revenue from Non-Exchange Transactions \(Taxes and Transfers\) \(see paragraph 2.3.2.6\).](#)
- 3) The 2011/12 Code replaces the term 'Machinery of Government changes' with 'combinations of public sector bodies' and clarifies the requirements for combinations involving authorities and other public sector bodies, and for transfers of functions from authorities to non-public-sector bodies (eg social enterprises) (see section 2.5 and chapter nine).
- 4) The 2011/12 Code confirms that the difference between the net cash received from the Collection Fund and the major preceptor's share of cash collected from council tax debtors by the billing authority (England only) is a non-cash item that is not reported in the Cash Flow Statement (see paragraph 2.8.2.6).
- 5) The 2011/12 Code confirms that irrecoverable VAT can be included in the cost of an asset where appropriate (see paragraph 2.9.2.7).
- 6) The 2011/12 Code recommends that the proper officer in Scotland signs and dates the Statement of Accounts, stating that they give a true and fair view (see paragraph 3.2.4.1).
- 7) The presentation of the financial statements (section 3.4) and HRA statements (section 3.5) have been clarified. [The 2011/12 Code Update clarifies the statutory reporting requirements in the Movement in Reserves Statement in respect of the HRA and Major Repairs Reserve \(see paragraph 3.4.2.40\). The 2011/12 Code Update includes a minor clarification to the Balance Sheet and a number of minor clarifications to the Cash Flow Statement \(section 3.4\).](#)
- 8) The statutory accounting requirements in respect of the HRA and Major Repairs Reserve have been clarified (see paragraph 4.1.3.7).
- 9) The 2011/12 Code clarifies the criteria to be used in classifying leases (see paragraphs 4.2.2.7 and 4.2.2.9). Additional or amended guidance has been incorporated in respect of changes to lease terms (paragraph 4.2.2.8) and the allocation of minimum lease payments between land and buildings (paragraph 4.2.2.10).
- 10) The 2011/12 Code clarifies that the disclosures in respect of non-current assets held for sale apply to investment properties that meet the criteria under section 4.9 of the Code (see section 4.4).
- 11) The 2011/12 Code clarifies that this section of the Code applies to leased intangible assets after initial recognition (see paragraph 4.5.1.3), and that an intangible asset is only recognised if the cost of the asset can be measured

reliably (see paragraph 4.5.2.3).

12) The 2011/12 Code requires authorities to present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups) (see paragraph 4.9.4.2).

13) The 2011/12 Code Update includes the clarification that the disclosures relating to partnership schemes should also include schemes under s33 of the National Health Service (Wales) Act 2006 (see paragraph 3.4.4.1).

14) The 2011/12 Code Update includes the statutory requirement to disclose the audited Memorandum Account of a fund established under Section 15(1) (c) of the Community Care and Health (Scotland) Act 2002.

15) The 2011/12 Code Update clarifies that for local authorities in Scotland the Accounts Commission has set a non-statutory date for providing the audit opinion on the financial statements.

16) The 2011/12 Code Update includes additional clarification that local authorities in Scotland are able to post capital receipts to a statutory capital fund (see Chapter Four).

17) The 2011/12 Code Update includes clarification in relation to the accounting treatment of IAS 19 *Employee Benefits*, IAS 32 *Financial Instruments Presentation*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* in relation to pension funds, particularly in relation to disclosures concerning the financial instruments held by funds (see paragraph 6.5.1.2).

Under the oversight of the Financial Reporting Advisory Board, the CIPFA/LASAAC Code Board is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances.

In England and Wales, the local authority Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. In Scotland, the local authority Code constitutes proper accounting practice under section 12 of the Local Government in Scotland Act 2003. In Northern Ireland, the status and authority of the local authority Code derives from regulation 3(1) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 and through the relevant accounts direction issued by the Department of the Environment (Northern Ireland) of that Act.

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**Deleted:** It is anticipated that an update will be issued to provide accounting guidance on any regulations issued in respect of the Carbon Reduction Commitment Scheme. Guidance on other legislative developments may also need to be covered in an update in 2011/12.

## STATEMENT BY THE FINANCIAL REPORTING ADVISORY BOARD ON THE 'UPDATE TO THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM 2011/12'

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The Financial Reporting Advisory Board's role is to promote the highest possible standards in financial reporting by Government and to help to ensure that any adaptations of, or departures from, GAAP are justified and properly explained. The Financial Reporting Advisory Board (FRAB) is responsible for providing independent advice to the relevant authorities on financial reporting principles and standards. The 'relevant authorities' for this purpose are HM Treasury in respect of central government, the Scottish Government, the Northern Ireland Assembly and the Welsh Government in respect of central government and the health sector in their territories, the Department of Health and Monitor in respect of the health sector in England, and CIPFA/LASAAC in respect of local authority accounts across England, Wales, Scotland and Northern Ireland.

The CIPFA/LASAAC Local Authority Code Board (the Code Board), a standing committee of CIPFA and LASAAC, is responsible for developing the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code), and shares the FRAB's aim of promoting the highest possible standards in financial reporting. In developing the Code, the Code Board has followed the Memorandum of Understanding between the Relevant Authorities.

### Statement

The FRAB has reviewed the Code (including the Update), and concluded that it is consistent with International Financial Reporting Standards as applied by the Government Financial Reporting Manual for 2011-12, except for the differences shown in the Annex.



Kathryn Cearn  
CHAIRMAN  
FINANCIAL REPORTING ADVISORY BOARD

Date: 18<sup>th</sup> January 2012



# ANNEX

## **Differences between the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) and the Government's Financial Reporting Manual (the FReM)**

Section 3.1 of the Code requires authorities to produce an explanatory foreword (note the Code does not include a requirement to prepare a sustainability report but neither does the Code prevent an authority including such information within its Explanatory Foreword). The FReM requires a directors' report to be produced including the management commentary (which in turn includes the requirement to produce a sustainability report).

The content of the statement of responsibilities in section 3.2 of the Code is less detailed than that in the FReM.

The formats of the financial statements in section 3.4 of the Code are different to those in the FReM, reflecting the differing governance positions and different audiences for the financial statements.

Section 3.8 of the Code includes an interpretation to reflect regulations in respect of the authorised for issue date. No interpretation is required in the FReM.

Section 4.1 of the Code retains the use of the cost model for certain classes of asset (such as infrastructure assets and community assets). All classes of asset are carried at fair value under the FReM.

Section 4.5 of the Code requires intangible assets to be carried at historical cost (less accumulated amortisation and impairment) where no active market exists. The FReM requires such assets to be revalued using indices or some suitable model.

Section 4.8 of the Code permits authorities to select an accounting policy of expensing or capitalising borrowing costs on qualifying assets (IAS 23 *Borrowing Costs* requires borrowing costs in respect of qualifying assets to be capitalised). The FReM includes a different interpretation.

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Unlike the FReM, section 4.9 of the Code withdraws the option to present assets held for sale in the notes as opposed to on the face of the Balance Sheet.

Section 6.2 of the Code permits authorities to account for certain long-term disability payments in the same way as post employment benefits. This is not permitted by the FReM.

The FReM specifies the presentation of the pension liabilities in pension fund accounts whereas section 6.5 of the Code retains the options set out in IAS 26.

Chapter seven of the Code includes minor interpretations and additional guidance covering 'regular way' trades of financial assets; a prohibition on the designation of the category of a financial instrument; soft loans advanced and received by an authority – 'prevailing interest rate'; Lender Option Borrower Option Loans (LOBOs); accounting for immaterial transaction costs on initial recognition; and exchanges of debt instruments.

Chapter nine of the Code requires an authority to produce Group Accounts where it has investments in associates and/or interests in joint ventures (jointly controlled entities) but no interests in subsidiaries. The Code also defines an 'investor in a joint venture' as applying to a local authority when it has an interest (which need not be an investment) in that joint venture, but does not have control over that joint venture." The FReM includes criteria for the consolidation of entities into the departmental accounting boundary based on control criteria used by the Office for National Statistics for sector classification purposes (rather than the provisions of IFRS) which are not relevant to local authorities.

In addition, a number of sections of the Code incorporate additional guidance on non-exchange transactions that is not explicitly included in the FReM. These interpretations of IAS 39 are in sections 2.7, 5.3 and 8.1 of the Code.

# CHAPTER ONE

## Introduction

### 1.1 OBJECTIVE OF THE CODE

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- 1.1.1 The *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority, including group financial statements where a local authority has material interests in subsidiaries, associates or joint ventures.
- 1.1.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
- Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2011 and for Wales by the Accounts and Audit (Wales) Regulations 2005.
  - the audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England, and by sections 39 and 58 of the Public Audit (Wales) Act 2004 for Wales.

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### 1.2 APPLICABILITY OF THE CODE

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- 1.2.1 This Code has effect for financial years commencing on or after 1 April 2011.
- 1.2.2 In England and Wales, the Code is part of the 'proper practices' requirements governing the preparation of an authority's Statement of Accounts referred to in section 21 of the Local Government Act 2003. However, the Code does not apply to any parish or community councils, even those required to prepare Statements of Accounts. Alternative guidance is applicable to these councils. All authorities to which section 21 applies that are required to prepare a Statement of Accounts by the Accounts and Audit Regulations under section 27 of the Audit Commission Act 1998 or section 39 of the Public Audit (Wales) Act 2004, except parishes and community councils, therefore have a statutory duty to comply with Code requirements.
- 1.2.3 In practice this definition includes principal councils, police authorities, fire and rescue authorities, and the Greater London Authority and its functional bodies. More specialised bodies should check against the definitions to decide whether

they are covered. It is expected that bodies covered by the Accounts and Audit Regulations requirements to prepare a Statement of Accounts but not by the definition of proper practices in section 21 of the Local Government Act 2003 will adopt the Code as a source of proper practices, unless adoption is ruled out by legislation or a more specialised accounting code applies to them.

1.2.4 The Accounts and Audit (England) Regulations 2011 introduced a new threshold for smaller relevant bodies below which a statement of accounts is not required to be prepared. However, these bodies are permitted by legislation to follow the requirements for larger relevant bodies in relation to the statement of accounts which might mean the requirements of the Code. In addition the Regulations require Passenger Transport Executives to prepare a statement of accounts as if proper practices in relation to accounts were, as appropriate, applicable to an Executive. They also require that Internal Drainage Boards charge a revenue account with an amount equal to the payments and contributions statutorily payable in a year under an arrangement accounted for as a defined benefit pension plan or as other long-term employee benefits (as defined in accordance with proper practices). Passenger Transport Executives and Internal Drainage Boards should apply the Code in accordance with the requirements of the Regulations.

1.2.5 Scottish local authorities have a duty under section 12 of the Local Government in Scotland Act 2003 to observe proper accounting practices. The Code is recognised as setting out proper accounting practices in this regard. Local authorities are defined as a council constituted under section 2 of the Local Government (Scotland) Act 1994, the Strathclyde Partnership for Transport, and those bodies to which section 106(1) of the Local Government (Scotland) Act 1973 applies (ie committees, joint committees and joint boards, the members of which are appointed by local authorities, charities, etc; the trustees of which are local authorities or their members and transport partnerships created under the Transport (Scotland) Act 2005). Where a section 106 body complies with the accounting requirements of the Charities and Trustee Investment (Scotland) Act 2005 and associated regulations it should follow the Charities SORP. Where a Common Good Fund (or other trust fund) is a registered charity, it should follow the financial reporting requirements of the Office of the Scottish Charity Regulator. Where the fund is not a registered charity, it should follow the requirements of this Code.

1.2.6 In Northern Ireland, district councils are required to prepare Statements of Accounts under Regulation 4 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 and the Code is part of the proper practices governing their preparation.

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1.2.7 This is the second edition of the Code to be prepared under International Financial Reporting Standards. This version of the Code reflects a number of changes to accounting practice since the 2010/11 Code. These changes are set out at the

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end of each section.

1.2.8 Proper practice, as defined by regulations, also includes the requirements of other codes of practice, such as the *Service Reporting Code of Practice* (SeRCOP). In preparing their accounts, authorities shall comply with the requirements of these other codes of practice as well as the requirements of this Code.

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## 1.6 PUBLICATION

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1.6.1 The Statement of Accounts should be prepared promptly by authorities in a form which fulfils the purpose outlined above in accordance with the statutory timetable and CIPFA's *Standard of Professional Practice on Financial Reporting*. The accounts must be prepared by 30 June. In England and Wales, each authority is required to prepare its accounts by 30 June and to approve and publish them by 30 September. In Scotland, the proper officer is required to submit the unaudited accounts to the authority and the Controller of Audit by 30 June. The audited accounts must be laid before a meeting of the authority and published within two months of receipt of the audit certificate. In Northern Ireland, the requirement is to prepare and approve accounts by 30 June and to publish them by 31 October.

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# CHAPTER TWO

## Concepts and principles

### 2.2 BUSINESS IMPROVEMENT DISTRICT SCHEMES (ENGLAND, WALES AND SCOTLAND); BUSINESS RATE SUPPLEMENTS (ENGLAND); AND COMMUNITY INFRASTRUCTURE LEVY (ENGLAND AND WALES)

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#### 2.2.2 Accounting Requirements

##### Business Rate Supplements

2.2.2 The collection of a Business Rate Supplement by a billing authority that is not a levying authority is in substance an agency arrangement, and shall be accounted for in accordance with section 2.6 of the Code.

2.2.3 BRS income is not the income of a billing authority that is not a levying authority and shall not be included in its Comprehensive Income and Expenditure Statement. Amounts deducted from BRS income to meet administrative expenses are a billing authority's income and shall be included in the Comprehensive Income and Expenditure Statement on an accruals basis.

2.2.4 Levying authorities shall account for BRS income in Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement,

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2.2.5 A levying authority may only use BRS income to finance a project to which the Business Rate Supplement relates. A levying authority is also required to refund BRS levies that have not been used to finance a project where the imposition of the Business Rate Supplement has come to an end (see also paragraph 2.2.2.7). BRS income is therefore subject to a condition, and authorities shall initially recognise receipts of BRS levies as a creditor. A levying authority shall recognise BRS levies as income in the Comprehensive Income and Expenditure Statement at the point the condition is satisfied (ie at the point the related expenditure, whether revenue or capital, is incurred).

2.2.6 Revenue expenditure relating to a BRS project shall be recognised as expenditure in the relevant service revenue account(s) as it is incurred. Capital expenditure relating to a BRS project shall be recognised as an asset. Any BRS expenditure meeting the definition of Revenue Expenditure Funded from Capital under Statute shall be accounted for in accordance with the requirements of section 4.6 of the Code,

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2.2.2.7 Where, at the end of an imposition of a BRS, a levying authority is required to refund business ratepayers for unused levies, refunds shall be charged to the creditor as this represents unapplied BRS levies. Where the authority is not required to refund business ratepayers the creditor shall be transferred to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement. These transactions must be carried out in accordance with the requirements of BRS legislation.

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### Community Infrastructure Levy

2.2.2.8 Where an authority is a charging authority, CIL charges (including amounts applied to meet the administrative expenses of the charging authority in accordance with the CIL Regulations) shall be accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Statement as income. The recognition criteria for CIL charges will be met at the commencement date of the chargeable development.

2.2.2.9 Surcharges and interest received by a charging authority in accordance with the CIL Regulations shall be accounted for as if they were receipts of CIL charges.

2.2.2.10 CIL charges received by a collecting authority that is not a charging authority are not the income of the collecting authority. The collecting authority is acting as an agent and shall account for the amounts received on that basis (see section 2.6 of the Code).

2.2.2.11 CIL charges applied to meet the administrative expenses of a collecting authority that is not a charging authority in accordance with the CIL Regulations are the income of the collecting authority. Such amounts shall be accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Statement as income. Administrative expenses of a collecting or a charging authority shall be charged to service revenue accounts in accordance with the requirements of the Service Reporting Code of Practice.

## 2.2.3 Statutory Accounting Requirements

### Business Rate Supplements

2.2.3.2 A levying authority shall transfer an amount equal to the BRS income recognised in the financial year (net of administrative expenses) from its General Fund to its Business Rate Supplement Revenue Account; this transfer shall be reported in the Movement in Reserves Statement. Any difference between the cumulative income transferred to the Business Rate Supplement Revenue Account and the amount required by regulation to be transferred to that account shall be credited or debited to that account, with the corresponding debit or credit being made to the Collection Fund Adjustment Account.

2.2.3.3 Where revenue expenditure is incurred in respect of a BRS project, a levying

authority shall transfer an amount equal to that expenditure from the Business Rate Supplement Revenue Account to the General Fund as the expenditure is incurred. Where capital expenditure in respect of a BRS project is funded directly from BRS levies, a levying authority shall transfer an amount equal to the capital expenditure from the Business Rate Supplement Revenue Account to the Capital Adjustment Account as the capital expenditure is incurred. Where capital expenditure in respect of a BRS project has been funded from borrowing, a levying authority shall transfer from its Business Rate Supplement Revenue Account to its General Fund an amount equal to the sum of the Minimum Revenue Provision and interest charged to the General Fund in the year in respect of the BRS project. These transfers shall be reported in the Movement in Reserves Statement. Depreciation and impairment of assets financed from BRS levies are not BRS expenditure.

2.2.3.4 Where the Business Rate Supplement Revenue Account is in deficit, a levying authority shall transfer an amount equivalent to the deficit from its General Fund to the Business Rate Supplement Revenue Account; this transfer shall be reported in the Movement in Reserves Statement.

2.2.3.5 Where the Business Rate Supplement Revenue Account is in surplus, a levying authority shall transfer the surplus to its General Fund to the extent that this reverses any amounts charged to that fund in the ten years immediately preceding the financial year; this transfer shall be reported in the Movement in Reserves Statement.

2.2.3.6 Where, at the end of the imposition of a BRS, the Business Rate Supplement Revenue Account is in surplus, this amount shall be transferred to the Collection Fund Adjustment Account.

**Deleted:** a BRS project

### Community Infrastructure Levy

2.2.3.7 Income from CIL charges, with the exception of amounts applied in accordance with the CIL Regulations to meet administrative expenses, must be applied to fund infrastructure to support the development of the area.

2.2.3.8 Where CIL charges to be applied to fund capital expenditure have been received prior to the commencement date for the chargeable development, the CIL charges shall be transferred from the General Fund to the Capital Grants Unapplied Account until such a time that the charges are applied to capital expenditure. When CIL charges have been applied to fund capital expenditure the CIL charges shall be transferred from the General Fund (or the Capital Grants Unapplied Account) to the Capital Adjustment Account.

**Deleted:** Where CIL charges are to be applied to fund capital expenditure, the CIL charges shall be transferred from the General Fund to the Capital Grants Unapplied Account.

2.2.3.9 Where CIL charges are to be applied to fund revenue expenditure (such as administration expenses), the CIL charges shall not be transferred out of the General Fund.

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## 2.2.6 Changes since the 2010/11 Code

- 2.2.6.1 Business Rate Supplements came into force in England after the 2010/11 Code had been prepared. The 2011/12 Code incorporates these regulations for the first time; however the provisions in respect of BRS apply from 1 April 2010.
- 2.2.6.2 The CIL Regulations were introduced in England and Wales after the publication of the 2010/11 Code. The 2011/12 Code incorporates these regulations for the first time; however the regulations apply from 6 April 2010.
- [2.2.6.3 The 2011/12 Code Update \(and the 2012/13 Code\) includes clarification on the recognition of BRS income and other minor clarifications.](#)
- [2.2.6.4 The 2011/12 Code Update \(and the 2012/13 Code\) includes additional clarification on the recognition of the Community Infrastructure Levy and other minor clarifications.](#)

## 2.3 GOVERNMENT AND NON-GOVERNMENT GRANTS

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### 2.3.2 Accounting Requirements

#### Definitions

- 2.3.2.1 **Conditions on transferred assets** are stipulations that specify that the future economic benefits or service potential embodied in the asset are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.
- 2.3.2.2 **Donated assets** are assets (including heritage assets) transferred at nil value or acquired at less than fair value.
- 2.3.2.3 **Grants and contributions** are assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.
- 2.3.2.4 **Non-exchange transactions** are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
- 2.3.2.5 **Restrictions on transferred assets** are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future

economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

**2.3.2.6** Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting authority.

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**2.3.2.7** Further definitions are contained in IAS 20 and IPSAS 23.

### Recognition and presentation – grants and contributions

**2.3.2.8** Grants and contributions, including donated assets, shall not be recognised until there is reasonable assurance that:

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- the authority will comply with the conditions attached to them, and
- the grants or contributions will be received.

**2.3.2.9** Grants and contributions relating to capital and revenue expenditure shall be accounted for on an accruals basis, and recognised immediately (when the two criteria in paragraph 2.3.2.8 are met) in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) relating to initial recognition that the authority has not satisfied. Grants and contributions that satisfy the recognition criteria in paragraph 2.3.2.8 but which have a condition attached that remains to be satisfied are recognised initially in the relevant Grants Receipts in Advance Account.

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**2.3.2.10** General grants and contributions, (comprising Revenue Support Grant, NNDR redistribution and unringfenced government grants), are required to be disclosed as one or more items on the face of the Comprehensive Income and Expenditure Statement.

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**2.3.2.11** Donated assets transferred to an authority for nil consideration shall be recognised immediately at fair value as an asset on the Balance Sheet. The asset shall be recognised in the Comprehensive Income and Expenditure Statement as income, except to the extent that the transfer has a condition(s) (as opposed to restrictions) that the authority has not satisfied. In this case the asset is credited to the Donated Assets Account and recognised in the Comprehensive Income and Expenditure Statement once the condition(s) has been satisfied.

**2.3.2.12** Where donated assets have been acquired for less than fair value (ie a non-exchange transaction), the difference between the fair value of the asset and the consideration paid shall be recognised immediately in the Comprehensive Income and Expenditure Statement as income, or in the event that the transfer has a condition(s), recognised in the Donated Assets Account until such time as the condition(s) have been met. The measurement at fair value of an asset, acquired for no consideration or for less than fair value, does not constitute a revaluation.

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**2.3.2.13** A grant, contribution or donated asset may be received subject to a condition that it

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be returned to the transferor (subsequent to initial recognition) if a specified future event does or does not occur (for example, a grant may need to be returned if the authority ceases to use the asset purchased with that grant for a purpose specified by the transferor). In these cases, a return obligation does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such conditions do not prevent the grant, contribution or donated asset being recognised as income in the Comprehensive Income and Expenditure Statement.

**2.3.2.14** After initial recognition, donated assets shall be re-valued and depreciated in line with section 4.1 of the Code (also see IAS 16 *Property, Plant and Equipment*) or section 4.10 of the Code (also see FRS 30 *Heritage Assets*) and impaired in line with section 4.7 of the Code (also see IAS 36 *Impairment of Assets*).

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**2.3.2.15** The benefit of a loan at a below market rate<sup>1</sup> of interest is treated as a grant or contribution. The loan shall be recognised and measured in accordance with chapter seven of the Code (also see IAS 39 *Financial Instruments: Recognition and Measurement*). The benefit of the below market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with chapter seven of the Code and the proceeds received. It is expected that in the majority of circumstances the loan will be for the acquisition or enhancement of an asset and as such the benefit is accounted for in accordance with paragraph 2.3.2.9. An authority shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

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#### Repayment of grants and contributions

**2.3.2.16** A grant or contribution that becomes repayable shall be accounted for as a revision to an accounting estimate in line with paragraphs 3.3.2.14 to 3.3.2.17 of the Code (also see IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*). Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution (ie the balance on the Capital Grants Receipts in Advance). To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

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**2.3.2.17** Circumstances giving rise to repayment of a grant relating to an asset may require consideration to be given to the possible impairment of the asset (see section 4.7 of the Code).

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#### Transfers

**2.3.2.18** IPSAS 23 includes the recognition and accounting treatment of debt forgiveness

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<sup>1</sup> PWLB loans are not loans at below market value for this purpose.

and assumption of liabilities; fines; bequests; gifts and donations, including goods in-kind and services in-kind. In the event that these areas are relevant, authorities should refer to IPSAS 23.

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## 2.3.6 Changes since the 2010/11 Code

2.3.6.1 The 2011/12 Code confirms that the requirements introduced in the 2010/11 Code apply to both capital and revenue grants, and provides additional guidance on conditions.

2.3.6.2 The 2011/12 Code Update adds the definition of stipulations on transferred assets from IPSAS 23, includes minor clarifications to the recognition requirements for grants and the treatment of general grants and removes references to 'Area Based Grant' (England), which ended on 31 March 2011.

## Consequential changes as a result of the Amendments to Section 2.3 of the 2011/12 Code Update

*The internal cross references in the following paragraphs have been updated as a result of the amendments to section 2.3.*

2.3.3.3 Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, no statutory accounting requirements apply; the grant or contribution will be recognised as part of Capital Grants Receipts in Advance in accordance with paragraph 2.3.2.9 of the Code.

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2.3.3.8 Where a donated asset has been received, and conditions remain outstanding at the Balance Sheet date, no statutory accounting requirements apply; the donated asset will be recognised in the Donated Assets Account in accordance with paragraph 2.3.2.11 of the Code.

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2.3.3.11 A capital grant or contribution may become repayable in accordance with paragraph 2.3.2.16 of the Code. Where conditions in respect of the grant or contribution have not been met, the grant or contribution will have been recognised as part of Capital Grants Receipts in Advance rather than as income in the Comprehensive Income and Expenditure Statement. The repayment shall be applied against the Capital Grants Receipts in Advance in accordance with paragraph 2.3.2.16 of the Code, and no statutory accounting requirements will apply.

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# CHAPTER THREE

## Financial statements

### 3.4 PRESENTATION OF FINANCIAL STATEMENTS

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#### 3.4.2 Accounting Requirements

##### Movement in Reserves Statement

**3.4.2.36** A local authority shall present a Movement in Reserves Statement. Where a local authority presents group accounts as well as authority-only accounts, the authority shall present either separate Movement in Reserves Statements for the authority-only accounts and the group accounts, or a single Movement in Reserves Statement showing both the authority-only and group reserves.

**3.4.2.37** An authority shall include a description of the purpose of the statement, either in the explanatory foreword or on the face of the statement (or both). The following description is recommended but not mandatory.

*This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.*

**3.4.2.38** The Movement in Reserves Statement shall show, for each classification of reserves:

- a) balance as at the end of the previous reporting period
- b) surplus or deficit on the provision of services (accounting basis)
- c) other comprehensive income and expenditure
- d) total comprehensive income and expenditure

- e) adjustments between group accounts and authority accounts (group accounts only)
- f) net increase or decrease before transfers (group accounts only)
- g) adjustments between accounting basis and funding basis under regulations
- h) net increase or decrease before transfers to earmarked reserves (England and Wales) or other statutory reserves (Scotland)
- i) transfers to or from earmarked reserves (England and Wales) or other statutory reserves (Scotland)
- j) increase or decrease in year
- k) balance as at the end of the current reporting period.

3.4.2.39 A local authority shall present, either in the Movement in Reserves Statement or in the notes, an analysis of the amounts included in items c), e), g) and i) of the statement. The analysis of item g) shall include the following items where relevant:

- depreciation, impairment and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets
- in England only, the excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy
- amortisation of intangible assets
- movements in the fair value of investment properties
- capital grants, contributions and income in relation to donated assets credited to the Comprehensive Income and Expenditure Statement
- revenue expenditure funded from capital under statute
- costs of disposal funded from capital receipts
- net gain or loss on sale or derecognition of non-current assets and non-current assets held for sale
- amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements
- amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS 19) are different from the contributions due under the pension scheme regulations
- amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation (England only)
- amounts debited or credited to the Business Rate Supplements Revenue Account
- statutory provision for repayment of debt

- capital expenditure charged to the General Fund Balance
- transfers in respect of CIL receipts
- transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool (in England and Wales only)
- any voluntary provision for repayment of debt
- net transfer to or from earmarked reserves required by legislation
- transfers between other reserves required by legislation.

3.4.2.40 The classification of reserves presented in the Movement in Reserves Statement shall include the following items; authorities may choose to present additional items on the face of the statement:

- a) General Fund Balance (in Scotland, includes earmarked portion of General Fund Balance)
- b) Earmarked General Fund Reserves (not Scotland) (recommended but not mandatory)
- c) Housing Revenue Account Balance (in Scotland, includes earmarked portion of Housing Revenue Account Balance)
- d) Earmarked Housing Revenue Account Reserves, ~~(not Scotland) (recommended but not mandatory)~~
- e) Major Repairs Reserve ~~(England and Wales)~~
- f) Revenue statutory funds (Scotland)
- g) Capital Receipts Reserve (England and Wales); Capital statutory funds (Scotland)
- h) Capital Grants Unapplied Account
- i) Total usable reserves
- j) Unusable reserves
- k) Total reserves of the authority
- l) Authority's share of the reserves of subsidiaries, associates and joint ventures (group accounts only)
- m) Total reserves (group accounts only).

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### Comprehensive Income and Expenditure Statement

3.4.2.42 A local authority shall present a Comprehensive Income and Expenditure Statement. Where a local authority presents group accounts as well as authority-only accounts, the authority shall present either separate Comprehensive Income and Expenditure Statements for the authority-only accounts and the group accounts, or a single Comprehensive Income and Expenditure Statement showing both the authority-only and group transactions. An authority shall include a description of the purpose of the statement, either in the explanatory foreword or

on the face of the statement (or both). The following description is recommended but not mandatory.

*This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.*

3.4.2.43 As a minimum, the Comprehensive Income and Expenditure Statement shall include line items that present the following amounts for the period:

- a) Gross expenditure, gross income and net expenditure of continuing operations, analysed by service. Authorities shall present the service analysis on the basis of the *Service Reporting Code of Practice*.
- b) Other operating expenditure (comprising precepts (paid to non-principal authorities in England and all authorities in Wales) and levies; payments to the Housing Capital Receipts Pool; and gains or losses on the disposal of non-current assets).
- c) Financing and investment income and expenditure (comprising interest payable and similar charges; pensions interest cost and expected return on pensions assets; interest income; income, expenditure, and changes in the fair values of investment properties; the surplus or deficit of trading operations which are not allocated back to services; and other investment income).
- d) Surplus or deficit on discontinued operations.
- e) Taxation and non-specific grant income (comprising council tax income, NNDR distribution, unringfenced government grants, and all capital grants and contributions).
- f) Surplus or deficit on the provision of services.
- g) Associates and joint ventures accounted for on an equity basis (group accounts only).
- h) Tax expenses (group accounts only; taxation of group entities and reporting authority's share of taxation of associates and joint ventures shall be shown on separate lines).
- i) Group surplus or deficit (group accounts only).
- j) Surplus or deficit on revaluation of non-current assets.
- k) Impairment losses on non-current assets charged to the revaluation reserve.
- l) Surplus or deficit on revaluation of available-for-sale financial assets.
- m) Actuarial gains or losses on pension assets and liabilities.
- n) Share of other comprehensive income and expenditure of associates and joint ventures (group accounts only).
- o) Other comprehensive income and expenditure.
- p) Total comprehensive income and expenditure.

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## Balance Sheet

3.4.2.52 A local authority shall present a Balance Sheet. Where a local authority presents group accounts as well as authority-only accounts, the authority shall present either separate Balance Sheets for the authority-only accounts and the group accounts, or a single statement showing both the authority-only and group Balance Sheets. An authority shall include a description of the purpose of the statement, either in the explanatory foreword or on the face of the statement (or both). The following description is recommended but not mandatory.

*The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.*

3.4.2.53 As a minimum, the Balance Sheet shall include line items that present the following amounts:

- a) property, plant and equipment
- b) heritage assets
- c) investment property (including held for sale\* where the authority has opted to disclose this as a separate category)
- d) intangible assets (including goodwill for group accounts only)\*
- e) assets held for sale\*
- f) investments (including net pensions asset)\*
- g) investments in associates and joint ventures (in Scotland where an authority has negative balances in respect of individual associates, eg police and fire boards, the authority shall include any such associates with a net negative balance in a separate 'liabilities in associates' line)
- h) debtors\*
- i) deferred tax asset (group accounts only)
- j) long-term assets (sub-total)

- k) inventories
- l) cash and cash equivalents
- m) current tax asset (group accounts only)
- n) current assets (sub-total)
- o) bank overdraft
- p) borrowing\*
- q) creditors\*
- r) provisions\*
- s) liabilities in disposal groups\*
- t) current tax liability (group accounts only)
- u) current liabilities (sub-total)
- v) other long-term liabilities (comprising net pensions liability, deferred liabilities and any other long-term liabilities)
- w) Donated Assets Account\*
- x) Grants Receipts in Advance\*
- y) deferred tax liability (group accounts only)
- z) long-term liabilities (sub-total)
- aa) net assets (total)
- ab) usable reserves (including group reserves where appropriate)
- ac) unusable reserves (including group reserves where appropriate)
- ad) total reserves (total).

\* asterisked items are shown only once in the list, but should be presented as current and/or non-current items in accordance with their classification (see paragraphs 3.4.2.57 (assets) and 3.4.2.58 (liabilities) of the Code).

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### Cash Flow Statement

**3.4.2.61** A local authority shall present a Cash Flow Statement. Where a local authority presents group accounts as well as authority-only accounts, the authority shall present either separate Cash Flow Statements for the authority-only accounts and the group accounts, or a single Cash Flow Statement showing both the authority-only and group cash flows. An authority shall include a description of the purpose of the statement, either in the explanatory foreword or on the face of the statement (or both). The following description is recommended but not mandatory.

*The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as*

*operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.*

3.4.2.62 An authority shall report cash flows from operating activities prepared using either:

- a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed, or
- b) the indirect method, whereby net Surplus or Deficit on the Provision of Services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

#### **Cash Flow Statement – direct method**

3.4.2.63 As a minimum, the Cash Flow Statement prepared using the direct method shall include line items that present the following amounts:

- a) operating activities
- b) investing activities
- c) financing activities
- d) net increase or decrease in cash and cash equivalents
- e) cash and cash equivalents at the beginning of the reporting period
- f) cash and cash equivalents at the end of the reporting period.

3.4.2.64 The amounts to be included (where relevant) in lines a), b) and c) above are as follows:

#### **Operating activities**

- a) taxation
- b) grants
- c) housing rents (housing authorities only)
- d) sales of goods and rendering of services
- e) interest received
- f) other receipts from operating activities
- g) cash inflows generated from operating activities (sub-total)
- h) cash paid to and on behalf of employees
- i) housing benefit paid out (housing authorities only)
- j) national non-domestic rate payments to national pool (billing authorities only)

- k) precepts paid (billing authorities only)
- l) payments to the Capital Receipts Pool (in England and Wales only)
- m) cash paid to suppliers of goods and services
- n) interest paid
- o) other payments for operating activities
- p) cash outflows generated from operating activities (sub-total)
- q) net cash flows from operating activities.

#### **Investing activities**

- a) purchase of property, plant and equipment, investment property and intangible assets
- b) purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
- c) other payments for investing activities
- d) proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets
- e) proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
- f) other receipts from investing activities
- g) net cash flows from investing activities.

#### **Financing activities**

- a) cash receipts of short- and long-term borrowing
- b) other receipts from financing activities
- c) cash payments for the reduction of the outstanding liability relating to finance leases and on-Balance Sheet PFI contracts
- d) repayments of short- and long-term borrowing
- e) other payments for financing activities
- f) net cash flows from financing activities.

3.4.2.65 A local authority shall consider presenting the detail of the amounts of major classes of gross cash receipts and gross cash payments rising from operating, investing and financing activities (see paragraph 3.4.2.64) in the Cash Flow Statement based on the direct method where such presentation is relevant to an understanding of the authority's cash flow position, or otherwise in the notes.

3.4.2.66 Cash flows from interest and dividends received and paid (dividends paid will only be applicable to group accounts) shall be disclosed separately either in the Cash Flow Statement or in the notes and be classified as operating activities. In the rare event that cash flows of a local authority (or group accounts) arise from

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transactions in a foreign currency, the cash flows shall be recorded in pounds sterling by applying to the foreign currency amount the exchange rate at the time of the cash flow.

#### Cash Flow Statement – indirect method

3.4.2.67 Where an authority presents a Cash Flow Statement prepared using the indirect method, as a minimum the statement shall include line items that present the following amounts:

- a) net surplus or deficit on the provision of services
- b) adjust net surplus or deficit on the provision of services for non-cash movements
- c) adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities
- d) net cash flows from operating activities
- e) investing activities
- f) financing activities
- g) net increase or decrease in cash and cash equivalents
- h) cash and cash equivalents at the beginning of the reporting period
- i) cash and cash equivalents at the end of the reporting period.

3.4.2.68 The amounts to be included (where relevant) in lines b), c), e) and f) above are as follows:

Adjust net surplus or deficit on the provision of services for non-cash movements

- a) depreciation
- b) impairment and downward valuations
- c) amortisation
- d) increase/decrease in impairment for bad debts
- e) increase/decrease in creditors
- f) increase/decrease in debtors
- g) increase/decrease in inventories (stock)
- h) movement in pension liability
- i) carrying amount of non-current assets and non-current assets held for sale, sold or derecognised
- j) other non-cash items charged to the net surplus or deficit on the provision of services.

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities

- ~~a~~) proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and

**Deleted:** a) purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)¶  
b

subsidiaries)

b) proceeds from the sale of property plant and equipment, investment property and intangible assets,

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c) any other items for which the cash effects are investing or financing cash flows.

#### Investing activities

- a) purchase of property, plant and equipment, investment property and intangible assets
- b) purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
- c) other payments for investing activities
- d) proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets
- e) proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
- f) other receipts from investing activities
- g) net cash flows from investing activities.

#### Financing activities

- a) cash receipts of short- and long-term borrowing
- b) other receipts from financing activities
- c) cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts
- d) repayments of short- and long-term borrowing
- e) other payments for financing activities
- f) net cash flows from financing activities.

3.4.2.69 A local authority shall consider presenting the detail of the amounts of major classes of gross cash receipts and gross cash payments rising from operating, investing and financing activities (see paragraph 3.4.2.68) in the Cash Flow Statement based on the indirect method where such presentation is relevant to an understanding of the authority's cash flow position, or otherwise in the notes.

3.4.2.70 Cash flows from interest and dividends received and paid (dividends paid will only be applicable to group accounts) shall be disclosed separately either in the Cash Flow Statement or in the notes and be classified as operating activities. In the rare event that cash flows of a local authority (or group accounts) arise from transactions in a foreign currency, the cash flows shall be recorded in pounds sterling by applying to the foreign currency amount the exchange rate at the time of the cash flow.

## Cash Flow Statement – General

3.4.2.71 In the rare event that cash flows arise from obtaining and losing control of subsidiaries or other businesses, authorities should refer to IAS 7.

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3.4.2.72 Where an authority prepares group accounts, the authority shall also include (where relevant) lines in relation to operating activities – preference dividend paid to minority interest, equity dividends paid, income tax paid; investing activities – net overdraft acquired with subsidiary, net cash acquired with subsidiary; financing activities – purchase/redemption of share capital, issue of share capital and any other lines that may be relevant, and disclosed separately where material in the Cash Flow Statement or in the notes. Cash flows between the reporting authority and an associate or joint venture should be included under the appropriate cash flow heading for the activity giving rise to the cash flow. None of the other cash flows of an associate or joint venture should be included in the Cash Flow Statement of the group account.

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3.4.2.73 Operating, investing and financing transactions that do not require the use of cash and cash equivalents shall be excluded from an authority's (or group) Cash Flow Statement.

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3.4.2.74 An authority (and group accounts) shall disclose the components of cash and cash equivalents in the Cash Flow Statement or in the notes.

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3.4.2.75 The impact on the Cash Flow Statement of the accounting requirements in England for council tax and NNDR are shown in section 2.8 of the Code.

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## Notes to the financial statements

3.4.2.76 A local authority shall present notes to the financial statements. Where a local authority presents group accounts as well as authority-only accounts, the authority shall present either separate notes to the financial statements for the authority-only accounts and the group accounts, or notes to the financial statements showing both authority-only and group information. The notes shall:

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- a) present information about the basis of preparation of the financial statements and the specific accounting policies used
- b) disclose the information required by the Code that is not presented elsewhere in the financial statements, and
- c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

3.4.2.77 An authority shall, as far as practicable, present notes in a systematic manner. An authority shall cross-reference each item in the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement to any related information in the notes.

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3.4.2.78 An authority shall disclose in the summary of significant accounting policies:

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- a) the measurement basis (or bases) used in preparing the financial statements,

and

- b) the other accounting policies used that are relevant to an understanding of the financial statements.

3.4.2.79 An authority shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the authority's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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3.4.2.80 The summary of significant accounting policies shall include the following items where they have a significant effect on the amounts recognised in the financial statements:

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- a) accruals of expenditure and income
- b) acquired operations
- ~~c~~) back pay arising from unequal pay claims
- ~~d~~) Business Improvement District schemes (England, Scotland and Wales)
- ~~e~~) cash and cash equivalents
- ~~f~~) contingent assets
- ~~g~~) contingent liabilities
- ~~h~~) discontinued operations
- ~~i~~) employee benefits
- ~~j~~) events after the Balance Sheet date
- ~~k~~) exceptional items and prior period adjustments
- ~~l~~) financial instruments
- ~~m~~) foreign currency translation
- ~~n~~) government grants and other contributions
- ~~o~~) heritage assets
- ~~p~~) intangible assets
- ~~q~~) inventories and long-term contracts
- ~~r~~) investment property
- ~~s~~) landfill allowances schemes
- ~~t~~) leases (separate policies required for operating and finance leases)
- ~~u~~) non-current assets held for sale
- ~~v~~) overheads
- ~~w~~) PFI schemes
- ~~x~~) property, plant and equipment
- ~~y~~) provisions
- ~~z~~) reserves

Deleted: c) Area Based Grant (England only)¶  
d

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aa) revenue expenditure funded from capital under statute, and

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ab) Value Added Tax.

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3.4.2.81 A local authority shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

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a) their nature, and

b) their carrying amount as at the end of the reporting period.

3.4.2.82 These disclosures are not required for assets and liabilities measured at fair value based on recently observed market prices. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.

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### Segment reporting

3.4.2.83 The aim of segment reporting is to disclose information to enable users of a local authority's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

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3.4.2.84 An authority shall present information on reportable segments within the notes.

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Reportable segments shall be based on an authority's internal management reporting, for example departments, directorates or portfolios. Where more than one presentation is used for internal management reporting, the authority shall select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing the performance of services (for example cabinet, board or senior directors) when considering the allocation of financial resources. Segments may include support services.

3.4.2.85 An authority need not report all segments. A segment shall be reported where its expenditure is 10% or more of the gross expenditure within the net expenditure of continuing operations; or its income is 10% or more of the gross income within the net expenditure of continuing operations. An authority may report segments that do not meet these criteria, either individually or combined with other segments.

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3.4.2.86 Where the reportable segments identified by applying the criteria above do not include at least 75% of the gross expenditure within the net expenditure of continuing operations, additional segments or combinations of segments shall be treated as reportable segments until the reportable segments include at least 75% of the gross expenditure within the net expenditure of continuing operations.

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3.4.2.87 For each reportable segment, an authority shall present an analysis of the income and expenditure for that segment (ie a subjective analysis), to include those items

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of income and expenditure that are reported as part of internal management reporting. Authorities should note that this analysis may include items that do not form part of the Comprehensive Income and Expenditure Statement (for example, that statutory provision for the repayment of debt) and exclude items that do form part of the Comprehensive Income and Expenditure Statement (for example, depreciation).

3.4.2.88 Production of the segment reporting analysis is not intended to be onerous, and it is expected that in most cases authorities will be able to use existing information (for example, outturn reports) as the basis of the analysis.

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3.4.2.89 An authority shall present a reconciliation between the segment reporting analysis and the net cost of services in the Comprehensive Income and Expenditure Statement. The reconciliation will be dependent on the information included in the segment reporting analysis, but is expected to include items from the following areas:

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- additional segments not included in the analysis
- amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement (for example, pension costs calculated in accordance with IAS 19)
- amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement (for example, pension contributions payable to the pension fund).

3.4.2.90 An authority shall present a reconciliation between the segment reporting analysis and an analysis of total income and expenditure (ie a subjective analysis). The analysis of total income and expenditure shall be prepared on a group accounts basis where the authority prepares group accounts and shall include as a minimum the following lines:

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- a) fees, charges and other service income
- b) surplus or deficit on associates and joint ventures
- c) interest and investment income
- d) income from council tax
- e) government grants and contributions
- f) employee expenses
- g) other service expenses
- h) support service recharges
- i) depreciation, amortisation and impairment
- j) interest payments
- k) precepts and levies
- l) payments to Housing Capital Receipts Pool
- m) gain or loss on disposal of non-current assets

n) surplus or deficit on the provision of services.

3.4.2.91 The reconciliation will be dependent on the information included in the segment reporting analysis, but is expected to include items from the following areas:

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- additional segments not included in the analysis
- amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement (for example, pension costs calculated in accordance with IAS 19)
- amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement (for example, pension contributions payable to the pension fund)
- allocation of support service recharges
- allocation of lines in the segment reporting analysis that include items from more than one line of the analysis of total income and expenditure
- amounts reported below the net cost of services in the Comprehensive Income and Expenditure Statement.

3.4.2.92 The analysis of total income and expenditure also satisfies the requirement in IAS 1 to present information regarding the nature of expenses.

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3.4.2.93 If an authority reports segment assets and/or liabilities internally, it shall present an analysis of segment assets and/or liabilities in the financial statements. This analysis shall be on the same basis as that used to report internally (ie assets and/or liabilities that are not reported on a segment basis internally are not presented in the analysis in the financial statements). Where an analysis of segment assets and/or liabilities is presented in the financial statements, the authority shall also present a reconciliation of segment assets and/or liabilities to the total assets and/or liabilities included in the Balance Sheet.

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### 3.4.4 Disclosure Requirements

3.4.4.1 Authorities shall disclose the information in the financial statements as required by this section. Having regard to paragraph 3.4.2.25 of this section of the Code, authorities shall disclose the notes as set out in the other sections of the Code in addition to the following:

- 1) The nature of any acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations.
- 2) The nature, turnover, and surpluses/deficits of any significant trading operation and for Scottish local authorities the cumulative surplus or deficit for the current year and two preceding financial years in accordance with the requirements of the Local Government in Scotland Act 2003.
- 3) The nature and amount of any significant agency income and expenditure.
- 4) A brief explanation of the nature of any scheme under the Transport Act 2000

or Transport (Scotland) Act 2001, including the gross income and expenditure of the scheme, and the net proceeds of the scheme (including for joint schemes the apportionment of such proceeds).

- 5) Sufficient information on any partnership schemes under s75 of the National Health Service Act 2006, under the Community Care and Health (Scotland) Act 2002 and under s33 of the National Health Service (Wales) Act 2006 to allow for the understanding of the authority's financial affairs. As a minimum this includes the purpose of the partnership, the identities of partner bodies, the gross income and expenditure of the partnership and the authority's contribution.

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- 6) The totals of members' allowances (and expenses) paid in the year. In Scotland all elements of members remuneration and reimbursement of actual expenditure under the heads of salaries, allowances and expenses.

- 7) a) Number of employees and police officers whose remuneration in the year was greater or equal to £50,000, grouped in rising bands of £5,000, and/or other disclosures specified in regulations or statutory guidance (Northern Ireland).

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- b) Number of exit packages agreed (grouped in rising bands of £20,000 up to £100,000, and bands of £50,000 thereafter), analysed between compulsory redundancies and other departures. Authorities shall also disclose the total cost of packages agreed in each band. Bands shall be combined where this is necessary to ensure that individual exit packages cannot be identified (except where disclosure of payments to the individuals is required elsewhere under regulations). Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs (England, Wales, Scotland and Northern Ireland). Guidance applicable to Scottish local authorities sets out that the disclosure of exit packages should be included in the Remuneration Report.

**Deleted:** It is anticipated that the Scottish Government will regulate to require disclosure of senior officers' remuneration. If this is not the case, disclosure of exit packages will need to be consistent with the terms of any relevant compromise/confidentiality agreements.

- 8) The following amounts for the year:

- a) Fees payable to auditors appointed by the Audit Commission or the Auditor General for Wales with regard to external audit services carried out by the appointed auditor under the Audit Commission's *Code of Audit Practice* or Auditor General for Wales' *Code of Audit and Inspection Practice* in accordance with s5 of the Audit Commission Act 1998 or s16 of the Public Audit (Wales) Act 2004.
- b) Fees payable to auditors appointed by the Audit Commission or the Auditor General for Wales in respect of statutory inspection under s10 of the Local Government Act 1999.
- c) Fees payable to auditors appointed by the Audit Commission or the Auditor General for Wales for the certification of grant claims and returns by the appointed auditor under s28 of the Audit Commission Act 1998 or s2 of the Public Audit (Wales) Act 2004.
- d) Fees payable to Audit Scotland in respect of external audit services

undertaken in accordance with the *Code of Audit Practice*.

- e) In Northern Ireland, the amount payable to the Comptroller and Auditor General for Northern Ireland in respect of external audit services.
  - f) Fees payable in respect of any other services provided by the appointed auditor over and above the duties described in notes 8 a) to e) above.
- 9) In Wales, the following information is also to be disclosed:
- a) The total non-domestic rateable value at the year-end and the national non-domestic rate multiplier for the year.
  - b) The calculation of the council tax base, ie the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.
  - c) The name of each authority which made a significant precept or demand on the account and the amount included for each authority.
- 10) In Northern Ireland, disclosure of details of the rates receivable by the authority (ie rate in the pound for domestic and non-domestic properties).
- 11) A breakdown of the movement of the amounts shown in the Movement in Reserves Statement that are adjustments between accounting basis and funding basis under regulations to be debited or credited to the General Fund and Housing Revenue Account for the year and the transfers to/from reserves.
- 12) A disclosure that demonstrates whether the Dedicated Schools Grant (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards Framework Act 1998 (England).
- 13) Details of the nature and amount of trust funds where the authority acts as the sole trustee. For other trust funds and other third party funds administered by the authority, a statement providing an indication of the overall nature and amounts administered by the authority. Where land or non-financial assets are managed, occupied or held by the local authority which are impressed with charitable trusts, the nature of those holdings.

#### **Cash Flow Statement**

- 14) An analysis of the components of cash and cash equivalents.

### **3.4.5 Statutory Disclosure Requirements**

**3.4.5.1** There are no statutory disclosure requirements in relation to the presentation of financial statements. Authorities shall disclose the statutory notes as set out in the other sections of the Code in addition to the following:

- 1) a) Number of employees and senior police officers (all police officers in Wales) (except those included in b) below) whose remuneration in the year was greater or equal to £50,000, grouped in rising bands of £5,000 (England and Wales), and

- b) An analysis by job title of the remuneration and employer's pension contributions in respect of senior employees and relevant police officers whose salary is £50,000 or more per year (or by name and job title where the salary is £150,000 or more per year) (England and Wales).
- c) In Wales, the reference to '£50,000' in a) and b) above shall be read as '£60,000'.

2) The audited Memorandum Account of a fund established under Section 15(1) (c) of the Community Care and Health (Scotland) Act 2002 in accordance with the requirements of SSI 2002 No. 533 The Community Care (Joint Working etc) (Scotland) Regulations 2002.

### **Remuneration Report (Scotland)**

3.4.5.2 Local authorities in Scotland shall produce the statutory Remuneration Report in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 1985 (SI 1985, No. 267) as amended by the Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI 2011 No.64) and the guidance issued by the Scottish Government (Scottish Government Finance Circular 8/2011). It is recommended that local authorities in Scotland include the non-statutory disclosures on remuneration, i.e. 3.4.4.1(6) and (7) b), in the Remuneration Report.

## **3.4.6 Changes since the 2010/11 Code**

- 3.4.6.1 The 2010/11 Code did not require segment assets to be reported unless they were reported internally; this was an interpretation of IFRS 8. Following an amendment to IFRS 8 by the Improvements to IFRS issued in April 2009 (and EU adopted in March 2010), IFRS 8 only requires segment assets to be reported where reported internally. The interpretation is therefore no longer required and has been removed; this does not alter the disclosure requirements.
- 3.4.6.2 As a result of changes to the Accounts and Audit Regulations issued since the publication of the 2010/11 Code, additional remuneration disclosures are required in England and Wales. The 2011/12 Code incorporates these amendments for the first time; however the revised regulations apply from 31 March 2010.
- 3.4.6.3 The 2011/12 Code introduces a requirement (in all jurisdictions) to report summary information in relation to exit packages.
- 3.4.6.4 The 2011/12 Code includes an additional disclosure in relation to trust funds where the authority acts as the sole trustee. This note was previously required by the SORP but omitted from the 2010/11 Code.
- 3.4.6.5 Additional guidance on the financial statements has been included in the 2011/12 Code.
- 3.4.6.6 The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI 2011/64) introduced the requirement for Scottish local authorities to produce a Remuneration Report as a part of the statutory accounts. This requirement has

been incorporated as an Update to the 2011/12 Code (and the 2012/13 Code). However, the amended regulations apply from the 2010/11 financial year.

3.4.6.7 The 2011/12 Code Update (and the 2012/13) Code clarifies the statutory reporting requirements in the Movement in Reserves Statement in respect of the HRA and Major Repairs Reserve. It includes a minor clarification in relation to the Balance Sheet and a number of minor clarifications to the Cash Flow Statement and removes references to 'Area Based Grant' from its provisions in relation to significant accounting policies.

3.4.6.8 The 2011/12 Code Update (and the 2012/13) includes the statutory requirement to disclose the audited Memorandum Account of a fund established under Section 15(1)(c) of the Community Care and Health (Scotland) Act 2002.

### **Consequential changes as a result of the Amendments to Section 3.4 of the 2011/12 Code Update**

*The internal cross references in the following paragraph have been updated as a result of the amendments to section 3.4.*

3.5.4.1 The Housing Revenue Account is a statutory memorandum account that forms part of a housing authority's General Fund. No separate HRA Balance Sheet is maintained. Generally, disclosure of HRA items separately from other General Fund items is not required except for the disclosures and statutory disclosures listed below, and any disclosures required under the paragraphs 3.4.2.36 to 3.4.2.41 and 3.4.2.~~83~~ to 3.4.2.~~93~~ of the Code (Movement in Reserves Statement and segment reporting).

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## 3.5 HOUSING REVENUE ACCOUNT

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### 3.5.5 Statutory Disclosure Requirements

3.5.5.1 Having regard to paragraph 3.4.2.25 of the Presentation of Financial Statements section of the Code, a housing authority shall disclose the following information in the notes to the HRA Statements.

England:

- 1) The number and types of dwelling in the authority's housing stock, the total Balance Sheet value of the land, houses and other property within the authority's HRA as at 1 April in the financial year, and the closing Balance Sheet value as at 31 March in the financial year of:
  - a) council dwellings
  - b) other land and buildings; and
  - c) vehicles, plant, furniture and equipment
  - d) infrastructure and community assets
  - e) assets under construction
  - f) surplus assets not held for sale
  - g) investment properties
  - h) assets held for sale
- 2) The vacant possession value of dwellings within the authority's HRA as at 1 April in the financial year.
- 3) An explanation that the vacant possession value and Balance Sheet value of dwellings within the HRA show the economic cost to government of providing council housing at less than market rents.
- 4) The value of, and an explanation of, any charge calculated in accordance with proper practices in respect of revenue expenditure funded from capital under statute attributable to the HRA.
- 5) The value of, and an explanation of, any impairment charges for the financial year in respect of land, houses and other property within the authority's HRA, calculated in accordance with proper practices.
- 6) A breakdown of the amount of HRA subsidy payable to the authority for the financial year in accordance with the elements set out in the general formula in paragraph 3.1 of the General Determination of Housing Revenue Account Subsidy for the year.
- 7) A summary of total capital expenditure on land, houses and other property within the authority's HRA during the financial year, broken down according to the following sources of funding:
  - a) borrowing



- b) credit arrangements
  - c) capital receipts
  - d) revenue contributions (ie the debit under Item 2 of Part II of Schedule 4 to the Local Government and Housing Act 1989)
  - e) the Major Repairs Reserve.
- 8) A summary of total capital receipts from disposals of land, houses and other property within the authority's HRA during the financial year.
- 9) An explanation of the capital asset charges accounting adjustment, calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination for the year.
- 10) The total charge for depreciation for the land, houses or other property within the authority's HRA, and the charges for depreciation<sup>2</sup> for:
- a) council dwellings
  - b) other land and buildings
  - c) vehicles, plant, furniture and equipment
  - d) infrastructure and community assets
  - e) assets under construction
  - f) surplus assets not held for sale
  - g) investment properties
  - h) assets held for sale.
- 11) An analysis of the movement on the Major Repairs Reserve for the financial year showing:
- a) the balance on the Major Repairs Reserve on 1 April in the financial year
  - b) the amount transferred to the Major Repairs Reserve during the financial year
  - c) any amount transferred from the Major Repairs Reserve to the HRA during the financial year
  - d) the debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses and other property within the authority's HRA
  - e) the debits in respect of any repayment, made in the year, of the principal of any amount borrowed where the repayment was met by payment out of the Major Repairs Reserve
  - f) debits in respect of the meeting of any liability, in that year, in respect of credit arrangements, other than any liability, which in accordance with proper practices, must be charged to a revenue account, where the meeting of that liability was met by payments out of the Major Repairs Reserve

**Deleted:** the total Balance Sheet value of the land, houses and other property within the authority's HRA as at 1 April in the financial year, and the closing Balance Sheet value as at 31 March in the financial year, and the separate values as at 1 April and 31 March in the financial year of:¶

- a) operational assets, comprising¶ dwellings¶ other land and buildings, and¶
- b) non-operational assets.¶

2) The vacant possession value of dwellings within the authority's HRA as at 1 April in the financial year.¶

3) An explanation that the vacant possession value and Balance Sheet value of dwellings within the HRA show the economic cost to government of providing council housing at less than open market rents.¶

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<sup>2</sup> Note it is appropriate to calculate depreciation charges on each of these classes of asset in accordance with the relevant sections of Chapter Four of the Code.

g) the balance on the Major Repairs Reserve on 31 March in the financial year.

12 An analysis of the movement on the Housing Repairs Account, where appropriate.

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13 An explanation of the HRA share of contributions to or from the Pensions Reserve.

14 The amount of rent arrears (excluding amounts collectable on behalf of other agencies) and the aggregate Balance Sheet provision in respect of uncollectable debts.

15 Explanation of any sums directed by the Secretary of State to be debited or credited to the HRA.

16 The nature and amount of any exceptional or prior year items not disclosed in the statement.

Wales:

17 The number and types of dwelling in the authority's housing stock.

18 The amount of rent arrears (excluding amounts collectable on behalf of other agencies) and the aggregate Balance Sheet provision in respect of uncollectable debts.

19 The nature and amount of any exceptional or prior year items not disclosed in the statement.

20 An analysis of the movement on the Housing Repairs Account, where appropriate.

21 A summary of total capital expenditure on land, houses and other property within the authority's HRA during the financial year, broken down according to the following sources of funding:

- a) borrowing
- b) the Capital Receipts Reserve
- c) revenue contributions (ie the debit under Item 2 of Part II of Schedule 4 to the Local Government and Housing Act 1989)
- d) the Major Repairs Reserve.

22 A summary of total capital receipts from disposals of land, houses and other property within the authority's HRA during the financial year.

23 The total charge for depreciation for the land, houses and other property within the authority's HRA, and the charges for depreciation for:

- a) operational assets, comprising:
  - dwelling
  - other land and buildings, and
- b) non-operational assets.

24 The value of, and an explanation of, any impairment charges for the financial year in respect of land, houses and other property within the authority's HRA, calculated in accordance with proper practices.

**Deleted:** 6) A summary of total capital expenditure on land, houses and other property within the authority's HRA during the financial year, broken down according to the following sources of funding:

- a) borrowing
- b) the Capital Receipts Reserve
- c) revenue contributions (ie the debit under Item 2 of Part II of Schedule 4 to the Local Government and Housing Act 1989)
- d) the Major Repairs Reserve.

7) A summary of total capital receipts from disposals of land, houses and other property within the authority's HRA during the financial year.

8) The total charge for depreciation for the land, houses and other property within the authority's HRA, and the charges for depreciation for:

- a) operational assets, comprising:
  - dwelling
  - other land and buildings, and
- b) non-operational assets.

9) The value of, and an explanation of, any impairment charges for the financial year in respect of land, houses and other property within the authority's HRA, calculated in accordance with proper practices.

10) The value of, and an explanation of, any charge calculated in accordance with proper practices in respect of revenue expenditure funded from capital under statute attributable to the HRA.

11) A breakdown of the amount of HRA subsidy payable to the authority for the financial year in accordance with the elements set out in the general formula in paragraph 3.1 of the General Determination of Housing Revenue Account Subsidy for the year.

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25 The value of, and an explanation of, any charge calculated in accordance with proper practices in respect of revenue expenditure funded from capital under statute attributable to the HRA.

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26 An explanation of the HRA share of contributions to or from the Pensions Reserve.

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27 Explanation of any sums directed by the Welsh Government to be debited or credited to the HRA.

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Scotland:

28 The number and types of dwelling in the authority's housing stock.

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29 The amount of rent arrears (excluding amounts collectable on behalf of other agencies) and the provision considered to be necessary in respect of uncollectable debts.

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30 The nature and amount of any exceptional or prior year items not disclosed in the statement.

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### 3.5.6 Changes since the 2010/11 Code

3.5.6.1 The 2011/12 Code Update (and the 2012/13 Code) incorporates the statutory disclosure requirements of the Housing Revenue Account (Accounting Practices) Directions 2011. These disclosure requirements apply from 1 April 2010.

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3.5.6.2 There are no other changes to the presentation and disclosure requirements for the HRA in this section of the Code. However changes elsewhere in the Code may require transactions to be accounted for or presented differently.

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## 3.7 STATEMENTS REPORTING REVIEWS OF INTERNAL CONTROLS OR INTERNAL FINANCIAL CONTROLS

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### 3.7.1 Introduction

3.7.1.1 Regulation 4(2) of the Accounts and Audit [\(England\)](#) Regulations 2011, regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 and regulation 2A of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 require English, Welsh and Northern Irish authorities to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any Statement of Accounts. [Regulation 4\(3\) of the Accounts and Audit \(England\) Regulations 2011 requires that for a local authority in England the statement is an annual governance statement.](#) Scottish local authorities are not subject to such statutory requirements but may adopt them voluntarily.

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### 3.7.6 Changes since the 2010/11 Code

3.7.6.1 The 2011/12 Code includes a new requirement to either confirm that the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010) as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*; or, where they do not, an explanation of how the authority's financial management arrangements deliver the same impact.

3.7.6.2 [The 2011/12 Code Update \(and the 2012/13 Code\) recognises that the Accounts and Audit \(England\) Regulations 2011 require that English local authorities prepare an annual governance statement.](#)

## 3.8 EVENTS AFTER THE REPORTING PERIOD

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### 3.8.2 Accounting Requirements

#### Authorised for issue

3.8.2.2 The financial statements of an authority are authorised for issue in accordance with the relevant legislation:

- the Accounts and Audit [\(England\)](#) Regulations 2011,
- the Accounts and Audit (Wales) Regulations 2005
- the Local Government (Accounts and Audit) Regulations (Northern Ireland)

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- the Local Authority Accounts (Scotland) Regulations 1985.

3.8.2.3 Regulations in England, Wales and Northern Ireland require authorities to prepare a Statement of Accounts before 30 June following the reporting date. In Scotland, regulations require a Statement of Accounts to be presented to the auditor by 30 June following the reporting date. The responsible financial officer (proper officer in Scotland/chief financial officer in Northern Ireland) shall certify that the accounts give a true and fair view of the authority's financial position and financial performance. The Statement of Accounts shall reflect events after the reporting period up to the date the accounts were certified by the responsible financial officer, proper officer or chief financial officer. Except in England and Wales (see paragraph 3.8.2.4), regulations require this Statement of Accounts to be approved by members and signed by the chair of the relevant approving body.

3.8.2.4 In Northern Ireland regulations require an authority to publish its audited Statement of Accounts by 31 October, following the reporting period. Where the audit has not been completed by this date, the authority shall publish its unaudited Statement of Accounts by this date and its audited Statement of Accounts as soon as practicable thereafter. In Scotland the Accounts Commission has set the 30 September as a non-statutory date for providing the audit opinion on the financial statements. In England and Wales, regulations require the Statement of Accounts published by 30 September (and in Wales any subsequent Statement of Accounts issued following the conclusion of the audit) to be approved by a committee or local government body and signed by the chair of the relevant approving body. Where an authority is unable to publish its audited financial statements on or before the statutory publication deadlines, the authorised for issue date is the date that the Statement of Accounts on which the auditors are to give their opinion is certified by the Responsible Financial Officer.

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3.8.2.5 The published Statements of Accounts shall reflect events after the reporting period up to the date the accounts were authorised for issue. The date the accounts were authorised for issue shall be:

- Unaudited accounts – the date on which the responsible financial officer (proper officer in Scotland/chief financial officer in Northern Ireland) certifies that the accounts give a true and fair view of the authority's financial position and financial performance in advance of approval (England, Wales and Northern Ireland) or issue (Scotland).
- Audited accounts (where opinion issued in advance of conclusion of audit (England, Wales and Northern Ireland only)) – the date on which the responsible financial officer (chief financial officer in Northern Ireland) re-certifies that the accounts give a true and fair view of the authority's financial position and financial performance. This re-certification shall include a statement on the face of the Balance Sheet regarding the status of the

accounts; examples are “*These financial statements replace the unaudited financial statements approved at the meeting of [insert committee name or body] on [insert date]*”; “*These financial statements replace the unaudited financial statements certified by [responsible financial officer] on [insert date]*”; or “*The unaudited accounts were issued on [insert date] and the audited accounts were authorised for issue on [insert date]*”.

- Audited accounts (where no opinion issued prior to the conclusion of audit) – the date on which the responsible financial officer (proper officer in Scotland/ chief financial officer in Northern Ireland) re-certifies that the accounts give a true and fair view of the authority’s financial position and financial performance. This re-certification shall include a statement on the face of the Balance Sheet regarding the status of the accounts; examples are “*These financial statements replace the unaudited financial statements approved at the meeting of [insert committee name or body] on [insert date]*” (Northern Ireland); “*These financial statements replace the unaudited financial statements certified by [responsible financial officer] on [insert date]*” (England and Wales); “*These financial statements replace the unaudited financial statements issued on [insert date]*” (Scotland); or “*The unaudited accounts were issued on [insert date] and the audited accounts were authorised for issue on [insert date]*”.
- Audited accounts (where opinion previously issued prior to the conclusion of audit (Wales and Northern Ireland only)) – the date on which the responsible financial officer (chief financial officer in Northern Ireland) re-certifies that the accounts give a true and fair view of the authority’s financial position and financial performance. This re-certification shall include a statement on the face of the Balance Sheet that “*These financial statements replace the financial statements certified by me on [insert date]*”.

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### Events after the reporting period

- 3.8.2.6 An authority shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.
- 3.8.2.7 An authority shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.

Deleted: 3.8.2.6 Although not required by regulations, it is good practice for the Statement of Accounts to be re-approved by the same committee or body that originally approved the Statement of Accounts, and for the chair to sign the amended Statement of Accounts.¶

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### Going concern

- 3.8.2.8 An authority shall prepare its financial statements on a going concern basis unless there is an intention by government that the services provided by the authority will no longer be provided. An intention by government to transfer services from one authority to another (for example, as part of local government reorganisation) does not negate the presumption that the authority is a going concern.

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### 3.8.6 Changes since the 2010/11 Code

**3.8.6.1** As a result of changes to the Accounts and Audit Regulations in Wales issued since the publication of the 2010/11 Code, approval of the Statement of Accounts by a committee or local government body in Wales is required prior to the Statement of Accounts being published by 30 September. Approval is also required where any subsequent Statements of Accounts are issued following the conclusion of the audit. Previously a committee or local government body in Wales was required to approve the Statement of Accounts by 30 June. The 2011/12 Code incorporates these amendments for the first time; however the revised regulations apply from 1 April 2009.

**3.8.6.2** As a result of the new Accounts and Audit (England) Regulations 2011 issued since the publication of the 2011/12 Code, approval of the Statement of Accounts by a committee or local government body in England is required prior to the Statement of Accounts being published by 30 September. Previously a committee or local government body in England was required to approve the Statement of Accounts by 30 June. This requirement has been incorporated as an Update to the 2011/12 Code (and in the 2012/13 Code). It should be noted that the Accounts and Audit (England) Regulations 2011 came into force from 31 March 2011.

## 3.9 RELATED PARTY DISCLOSURES

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### 3.9.1 Introduction

**3.9.1.1** Authorities shall identify related party relationships and transactions, identify outstanding balances between the authority and its related parties, and identify the circumstances in which disclosures are required, in accordance with IAS 24 *Related Party Disclosures* except where interpretations or adaptations to fit the public sector are detailed in the Code.

**3.9.1.2** IPSAS 20 *Related Party Disclosures* is based on IAS 24, and provides additional guidance for public sector bodies.

#### Interpretation and adaptation for the public sector context

**3.9.1.3** The following interpretation of IAS 24 applies for the public sector context:

- In considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged 'in the surrounding circumstances'. Materiality should thus be judged from the viewpoint of both the authority and the related party.

## 3.9.2 Accounting Requirements

### Definitions

3.9.2.1 **Close members of the family of a person** are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner,
- children of that person's spouse or domestic partner, and
- dependants of that person or that person's spouse or domestic partner,

**Deleted:** an individual are close relatives of the individual or members of the individual's immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the authority:

**Deleted:** a spouse, domestic partner, dependent child or relative living in a common household

**Deleted:** a grandparent, parent, non-dependent child, grandchild, brother or sister

**Deleted:** the spouse or domestic partner of a child, a parent-in-law, a brother-in-law or a sister-in-law

3.9.2.2 **Key management personnel** are all chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

3.9.2.3 **Government** refers to government, government agencies and similar bodies whether local, national or international.

3.9.2.4 A **government-related** entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

3.9.2.5 **Material.** Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

3.9.2.6 **Oversight** means the supervision of the activities of an authority, with the authority and responsibility to control, or exercise significant influence over, the financial and operating decisions of the authority.

3.9.2.7 **A related party** is a person or entity that is related to the entity that is preparing its financial statements (in this Section of the Code referred to as the 'reporting entity').

**Deleted: Related party –**

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions apply:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the



others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**3.9.2.8 Related party transaction** is a transfer of resources or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

**3.9.2.9 Remuneration/allowance** is any consideration or benefit derived directly or indirectly by key management personnel from the authority for services provided in their capacity as elected members or otherwise as employees of the authority.

**3.9.2.10 Significant influence** (for the purpose of this section of the Code) is the power to participate in the financial and operating policy decisions of an authority, but not control those policies. Significant influence may be exercised in several ways, usually by representation on the board of directors or equivalent governing body but also by, for example, participation in the policy-making process, material transactions between entities within an economic entity, interchange of managerial personnel or dependence on technical information. Significant influence may be gained by an ownership interest, statute or agreement.

**3.9.2.11** The definitions above should be applied to the determination of related parties and hence the associated disclosure requirements.

#### Related party disclosures

**3.9.2.12** In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**Deleted:** parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. Related parties include:  
¶ entities that the authority directly, or indirectly through one or more intermediaries:  
¶ controls, or is controlled by (eg subsidiaries)  
¶ has an interest in that gives it significant influence over the entity, or  
¶ has joint control over  
¶ associates  
¶ joint ventures in which the authority is a venturer  
¶ an entity that has an interest in the authority that gives it significant influence over the authority  
¶ key management personnel, and close members of the family of key management personnel  
¶ entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, key management personnel, and close members of the family of key management personnel, and  
¶ post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

**Deleted:** related parties

3.9.2.13 Where two entities have a member of key management personnel in common, it is necessary to consider the possibility, and to assess the likelihood, that this person would be able to affect the policies of both entities in their mutual dealings. However, the fact that there is a member of key management personnel in common or the fact that a member of key management personnel of one entity has significant influence over the other entity does not create a related party relationship.

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3.9.2.14 In the context of this section of the Code, the following are deemed not to be related parties:

- providers of finance,
- trade unions;
- public utilities;
- departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity;

Deleted: in the course of their business in that regard and

in the course of their normal dealings with an authority by virtue only of those dealings, and

- an entity with which the relationship is solely that of an agency.

3.9.2.15 Related party relationships where control exists should be disclosed irrespective of whether there have been transactions between the related parties.

3.9.2.16 In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

3.9.2.17 The disclosure of related party transactions and balances shall have regard to materiality. In considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged 'in the surrounding circumstances'. Materiality should thus be judged from the viewpoint of both the entity and the related party.

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### 3.9.3 Statutory Accounting Requirements

3.9.3.1 There are no statutory accounting requirements in relation to related party disclosures.

### 3.9.4 Disclosure Requirements

3.9.4.1 Having regard to paragraph 3.4.2.25 of the Presentation of Financial Statements section of the Code, authorities shall disclose the following notes in relation to related party disclosures:

- 1) Information in respect of transactions with related parties, not disclosed elsewhere, including:

- a) the description of the nature of the related party relationships
- b) the amount of transactions that have occurred
- c) the amount of outstanding balances, and

Related party relationships where control exists should be disclosed irrespective of whether there have been transactions between the related parties.

**3.9.4.2** Transactions with related parties may be disclosed on an aggregated basis (aggregation of similar transactions by type of related party) unless disclosure of an individual transaction, or connected transactions, is necessary for an understanding of the impact of the transactions on the financial statements of the authority or is required by law.

**3.9.4.3** The disclosure requirements of key management personnel under IAS 24 are satisfied by the disclosure requirements for officer remuneration and members' allowances in section 3.4 of the Code.

**3.9.4.4** The disclosure requirements of paragraph 3.9.4.1 do not apply to related party transactions with central government departments, government agencies, NHS bodies and other local authorities. Instead, authorities shall disclose:

- 2)** The name of the government (ie UK Government, Scottish Government, Welsh Government or Northern Ireland Assembly) and the fact that the government exerts significant influence through legislation and grant funding.
- 3)** The following information in sufficient detail to enable users of the **reporting** entity's financial statements to understand the effect of related party transactions on its financial statements:
  - a) the nature and amount of each individually significant transaction, and
  - b) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

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### 3.9.5 Statutory Disclosure Requirements

**3.9.5.1** There are statutory disclosure requirements in relation to officer remuneration in England and Wales. These disclosure requirements are included in section 3.4 of the Code, Presentation of Financial Statements.

The disclosure requirements of key management personnel under IAS 24 are satisfied by the disclosure requirements for officer remuneration and members' allowances in section 3.4 of the Code.

### 3.9.6 Changes since the 2010/11 Code

**3.9.6.1** The disclosures required in respect of central government departments, government agencies, NHS bodies and other local authorities are less detailed than in the 2010/11 Code.

**3.9.6.2** [The 2011/12 Code Update includes the 2009 amendments to IAS 24 including the](#)

definition of a related party, a related party transaction and close members of the family of a person. The amendments also include additional guidance on public utilities, departments and agencies of a government that do not control, jointly control or significantly influence the reporting entity and clarification that in the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

**Deleted:** 3.9.6.2 The 2011/12 Code includes additional guidance regarding the definition of a related party.

## CHAPTER FOUR

# Non-current assets

### Gains or losses on derecognition

- 4.1.3.12 Net gains or losses on derecognition shall be charged to other operating expenditure.
- 4.1.3.13 The gain or loss is not a proper charge to the General Fund or Housing Revenue Account (see part 2 of Appendix B for the legislative basis). As a result the General Fund or Housing Revenue Account should be debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on disposal of the asset (net of any disposal costs), with the double entries being:
- a credit to the Capital Receipts Reserve or (in Scotland) a statutory capital fund of an amount equal to the disposal proceeds (subject to paragraph 4.1.2.49)
  - a debit to the Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset disposal (less any balance transferred from the Donated Assets Account).
- 4.1.3.14 If the asset derecognised was carried at a re-valued amount an additional entry is required; the balance on the Revaluation Reserve in respect of asset derecognised is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement.
- 4.1.3.15 In England and Wales only, the proportion that is required to be paid over to central government as a 'housing pooled capital receipt' should be charged to Surplus or Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance and reported in the Movement in Reserves Statement.

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### Assets disposed of by means of a finance lease

- 4.2.3.5 Gains and losses on the disposal of property, plant or equipment by way of a finance lease are subject to the statutory accounting requirements set out in section 4.1.3 of the Code. The proceeds on disposal are the amount recognised as a receivable.
- 4.2.3.6 Gains and losses on the disposal of an intangible asset by way of a finance lease

are subject to the statutory accounting requirements set out in section 4.5.3 of the Code. The proceeds on disposal are the amount recognised as a receivable.

- 4.2.3.7 Gains and losses on the disposal of an investment property by way of a finance lease are subject to the statutory accounting requirements set out in section 4.4.3 of the Code. The proceeds on disposal are the amount recognised as a receivable.
- 4.2.3.8 A sale and leaseback arrangement that results in a finance lease is not a disposal for the purposes of this section of the Code.
- 4.2.3.9 Amounts received as part of the repayment of a finance lease that reduce the lessee's obligation are classed as capital receipts (see part 2 of Appendix B for the legislative basis). In Scotland, capital receipts fall to be defined in accordance with proper accounting practice. Authorities shall recognise the capital receipt by debiting the Capital Adjustment Account and crediting the Capital Receipts Reserve or (in Scotland) a statutory capital fund.

...

### 4.4.3 Statutory Accounting Requirements

- 4.4.3.1 Statute and proper practice restrict the use of capital receipts, and prescribe the charges that can be made to the General Fund (see part 2 of Appendix B for the legislative basis). To comply with these restrictions, the gain or loss on derecognition of an investment property shall be reversed out of the General Fund. The General Fund shall be debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on derecognition of the investment property (excluding any costs of disposal which are a proper charge to the General Fund). The double entries are a credit to the Capital Receipts Reserve or (in Scotland) a statutory capital fund of an amount equal to the disposal proceeds and a debit to the Capital Adjustment Account equal to the carrying amount of the investment property.
- 4.4.3.2 These entries will be reflected in the Movement in Reserves Statement.
- 4.4.3.3 Gains or losses on fair value debited or credited to Surplus or Deficit on the Provision of Services are not proper charges to the General Fund (see part 2 of Appendix B for the legislative basis). Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.
- 4.4.3.4 Minimum Revenue Provision (England and Wales) and Loans Fund Charges (Scotland and Northern Ireland) are proper charges to the General Fund, but do not appear in Surplus or Deficit on the Provision of Services. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement. The amounts of Minimum Revenue Provision or Loans Fund Charges to be charged to the General Fund for the year are set out in the

appropriate regulations and statutory guidance (see part 2 of Appendix B for the legislative basis).

...

### 4.5.3 Statutory Accounting Requirements

- 4.5.3.1 Statute and proper practice restrict the use of capital receipts, and prescribe the charges that can be made to the General Fund and Housing Revenue Account (see part 2 of Appendix B for the legislative basis). To comply with these restrictions, the gain or loss on the derecognition of an intangible fixed asset shall be reversed out of the General Fund or Housing Revenue Account. The General Fund or Housing Revenue Account shall be debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on derecognition of the intangible asset. The gain or loss that is reversed out of the General Fund or Housing Revenue Account excludes any costs of disposal which either cannot be capitalised under regulation or statutory guidance or which the authority has chosen not to capitalise. The double entries are a credit to the Capital Receipts Reserve or (in Scotland) a statutory capital fund of an amount equal to the disposal proceeds and a debit to the Capital Adjustment Account equal to the carrying amount of the intangible asset.
- 4.5.3.2 In addition, where the intangible asset was carried at fair value, any balance on the Revaluation Reserve in relation to the intangible asset will need to be transferred to the Capital Adjustment Account. The entries required are debit Revaluation Reserve, credit Capital Adjustment Account.
- 4.5.3.3 These entries will be reflected in the Movement in Reserves Statement.
- 4.5.3.4 Amortisation and impairment charged to Surplus or Deficit on the Provision of Services are not proper charges to the General Fund or Housing Revenue Account (see part 2 of Appendix B for the legislative basis). Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.
- 4.5.3.5 Minimum Revenue Provision (England and Wales) and Loans Fund Charges (Scotland and Northern Ireland) are proper charges to the General Fund, but do not appear in Surplus or Deficit on the Provision of Services. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement. The amounts of Minimum Revenue Provision or Loans Fund Charges to be charged to the General Fund for the year are set out in the appropriate regulations and statutory guidance (see part 2 of Appendix B for the legislative basis).

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## 4.7 IMPAIRMENT OF ASSETS

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### 4.7.3 Statutory Accounting Requirements

- 4.7.3.1 General Fund service revenue accounts, central support services, trading accounts and the Housing Revenue Account (as defined in CIPFA's *Service Reporting Code of Practice*) shall be charged with an impairment loss (in excess of any balance on the Revaluation Reserve) and reversal of an impairment loss (net of amortisation or depreciation).
- 4.7.3.2 Impairment loss and reversal of impairment loss charged to Surplus or Deficit on the Provision of Services are not proper charges to the General Fund (see part 2 of Appendix B for the legislative basis). Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.
- 4.7.3.3 The treatment of non-current asset insurance receipts is the subject of review by the Scottish Government with potential guidance being issued for the 2011/12 financial year.



## 4.10 HERITAGE ASSETS

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### 4.10.4 Disclosure Requirements

4.10.4.2 Where heritage assets are reported in the Balance Sheet, the following shall be disclosed:

- i) A reconciliation of the carrying amount of heritage assets (showing separately tangible heritage assets and intangible heritage assets) at the beginning of the financial period and at the Balance Sheet date, including an analysis between those classes or groups of heritage assets that are reported at cost and those that are reported at valuation, showing:
  - a) additions
  - b) disposals
  - c) increases or decreases resulting from revaluations under section 4.1 of the Code (as amended by section 4.10) and from impairment losses recognised or reversed in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve in accordance with section 4.7 (as amended by Section 4.10) of the Code
  - d) impairment losses recognised in Surplus or Deficit on the Provision of Services in accordance with section 4.7 of the Code
  - e) impairment losses reversed in Surplus or Deficit on the Provision of Services in accordance with section 4.7 of the Code
  - f) depreciation (where an asset does not have an indefinite life), and
  - g) other changes.
- ii) Where assets are reported at valuation, sufficient information to assist in an understanding of the valuations being reported and their significance, including:
  - a) the date of the valuation
  - b) the methods used to produce the valuation
  - c) whether the valuation was carried out by external valuers and, where this is the case, the valuer's name and professional qualification, if any, and
  - d) any significant limitations on the valuation.

...

### 4.10.6 Changes since the 2010/11 Code

4.10.6.1 The 2010/11 Code did not require heritage assets to be reported separately. It is therefore expected that heritage assets (other than operational heritage assets, where the accounting remains unchanged) will have been reported as part of community assets if they have been included in the Balance Sheet.

4.10.6.2 The implementation of the heritage assets requirements in the 2011/12 Code amounts to a change in accounting policy under section 3.3 of the Code. Authorities should therefore account for the change retrospectively

4.10.6.2 The 2011/12 Code Update (and the 2012/13 Code) includes a minor clarification in relation to the disclosure of the reconciliation of the carrying amount of heritage assets.

# CHAPTER SIX

## Employee benefits

### 6.2 BENEFITS PAYABLE DURING EMPLOYMENT

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#### 6.2.5 Statutory accounting and disclosure requirements

6.2.5.1 Regulations in England and Wales, [the Accounts Direction in Northern Ireland](#) and statutory guidance in Scotland require that the General Fund is not charged with amounts in respect of short-term accumulating compensated absences until the liability in respect of that absence ceases or is discharged (see part 2 of Appendix B for the legislative basis). Where the Surplus or Deficit on the Provision of Services includes a charge in respect of short-term accumulating compensated absences for which a liability exists on the Balance Sheet, authorities shall credit the General Fund and debit the Accumulated Absences Account (Employee Statutory Adjustment Account in Scotland [and the Accumulated Absences Reserve in Northern Ireland](#)) with an equivalent amount; this transfer shall be reported in the Movement in Reserves Statement. Once the liability is removed from the Balance Sheet, the transfer shall be reversed and reported in the Movement in Reserves Statement.

6.2.5.2 Regulations in England and Wales require that the General Fund is only charged with amounts in respect of other long-term employee benefits when payments are made. In Scotland, statutory guidance requires that the amount chargeable by police and fire authorities to the General Fund is restricted to actual payments made in respect of injury benefits (see part 2 of Appendix B for the legislative basis). This treatment matches that for post-employment (pension) benefits, and authorities shall apply the statutory accounting requirements in respect of pension benefits (see paragraphs 6.4.3.28 to 6.4.3.31) to other long-term employee benefits, with the exception that in Scotland, amounts are to be transferred to the Employee Statutory Adjustment Account rather than the Pension Reserve.

#### 6.2.6 Changes since the 2010/11 Code

6.2.6.1 Regulations and statutory guidance were issued after the publication of the

**Deleted:** 6.2.5.3 The Accounts Direction in Northern Ireland requires short-term accumulating compensated absences to be accounted for in accordance with the Code. However, the Accounts Direction permitted authorities in Northern Ireland to spread the charge to the District Fund in respect of recognising the initial accrual for these absences (recognised in the opening 1 April 2009 IFRS Balance Sheet) over up to three years, ending on 31 March 2012. Therefore, if an authority has a balance outstanding on the Accumulated Absences Account, it shall transfer this balance to the District Fund during 2011/12. This transfer shall be reported in the Movement in Reserves Statement.¶

2010/11 Code. The regulations and guidance mitigated the impact of the Code's provisions in respect of short-term accumulating compensated absences and other long-term employee benefits on the General Fund. The 2011/12 Code incorporates these regulations and statutory guidance for the first time, however the provisions in respect of short-term accumulating compensated absences apply from 1 April 2010, and those in respect of other long-term employee benefits (injury benefits in Scotland) apply from 1 April 2009.

6.2.6.2 In Northern Ireland, the [revision to the Accounts Direction requirements](#) covering the transition to IFRS [now](#) provides [the same](#) mitigation for the impact of the Code's provisions in respect of short-term accumulating compensated absences [as in England, Scotland and Wales](#). The 2011/12 Code [Update \(and the 2012/13 Code\)](#) incorporates this mitigation.

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**Deleted:** ; the Accounts Direction also applies to the 1 April 2009 restated Balance Sheet, restated 2009/10 financial statements and 2010/11 financial statements.

## 6.5 ACCOUNTING AND REPORTING BY PENSION FUNDS

### 6.5.1 Introduction

6.5.1.1 The objective of IAS 26 *Retirement Benefit Plans* is to provide guidance on the form and content of the financial statements prepared by retirement benefit plans (which were referred to as Pension Funds in the 2009 SORP). However, IAS 26 does not require retirement benefit plan statements to be prepared; rather it requires IAS 26 to be applied 'where such statements are prepared'. It complements IAS 19 *Employee Benefits*, which deals with the determination of the cost of retirement benefits in the financial statements of employers. Authorities shall account for retirement benefit plans in accordance with IAS 26, except where interpretations or adaptations to fit the public sector are detailed in the Code.

6.5.1.2 IAS 26 (unlike the Pension SORP under UK GAAP, on which the local authority SORP requirements were based) does not set out to comprehensively specify the requirements for preparing financial statements for a retirement benefit plan; and other relevant provisions of IFRS apply to the extent that they are not superseded by specific IAS 26 requirements. So, for example, to the extent that they are not superseded by specific IAS 26 requirements:

- the IFRS financial instruments standards (IAS 39, IAS 32 and IFRS 7 [\(as interpreted or adapted by the Code\)](#)) govern the recognition, measurement, presentation and disclosure of financial instruments, [as specified in Section 7.4 of the Code](#) (although many requirements are inapplicable since all material financial instruments are carried at fair value through profit or loss), and
- the section of IAS 19 on post-employment benefits [\(as interpreted or adapted](#)

by the Code) governs the measurement of a plan's obligation to provide pension benefits.

### Pension fund annual reports

- 6.5.1.5 Under the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (as amended), administering authorities of LGPS funds are required to prepare a pension fund annual report. The annual report is not required to be included in the administering authority's main Statement of Accounts, but is required to be published separately. Regulations<sup>3</sup> require pension fund annual reports to include a 'Fund Account and Net Assets Statement with supporting notes and disclosures prepared in accordance with proper practices'.
- 6.5.1.6 The proper practices for the preparation of both the pension fund accounts included in an administering authority's Statement of Accounts and those required to be included in the pension fund annual report are contained in the Code.
- 6.5.1.7 After consulting with key stakeholders on the matter, CIPFA/LASAAC has concluded that the statutory requirement for administering authorities to prepare pension fund annual reports does not change the requirement for them to include pension fund accounts in their Statements of Accounts. CIPFA/LASAAC has raised with key stakeholders the issue of whether for the future legislation should be amended to allow administering authorities that publish an annual pension fund report containing pension fund accounts prepared in accordance with proper practices not to include pension fund accounts in their main Statement of Accounts, but rather to disclose how the pension fund annual report can be accessed or obtained. The Scottish Government has specified in Finance Circular 1/2011 that Scottish authorities administering Local Government Pension Schemes should publish separate financial statements for these schemes. The statutory guidance stipulates the minimum disclosure requirements within the administering authority's financial statements. These disclosures are set out in paragraph 6.5.5.2. The guidance that accompanies the statutory guidance confirms that the Code will continue to be regarded as proper accounting practices to be observed in the preparation and publication of Scottish local authority pension fund accounts.

**Deleted:** At the time the Code was developed, the Scottish Government was consulting on this matter. Should the Scottish Government amend the legislation as discussed above, administering authorities in Scotland will include a reference to the pension fund annual report rather than including the pension fund accounts in their main Statement of Accounts.

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### 6.5.5 Disclosures for Defined Benefit Pension Funds (Excluding Police and Fire and Rescue Services Pension Funds)

- 6.5.5.1 The financial statements of a defined benefit retirement benefit fund (excluding

<sup>3</sup> Section 76B of the Local Government Pension Scheme Regulations (England and Wales) or Regulation 31A of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008.

police and fire and rescue services pension funds) shall contain the following information, if applicable and if not disclosed on the face of the financial statements:

- a) A description of the fund and the effect of any changes in the fund during the period.
- b) A summary of significant accounting policies.
- c) Assets at the end of the period suitably classified (see paragraph 6.5.3.4 for the minimum requirements).
- d) The basis of valuation of assets for each significant class of asset.
- e) Where investments are held for which an estimate of fair value is not possible, disclosure shall be made of the reason why fair value is not used.
- f) A reconciliation between the opening and closing value of investments analysed into meaningful categories such as by major asset class, named investment managers or investment strategy. For investments that have purchase costs or sale proceeds, the total amount of sales and purchases should be disclosed. For derivatives, the nature of the amounts included in purchases and sales should be explained.
- g) The market value (current bid price for quoted securities and unitised securities) of the assets (at the Balance Sheet date) which were under the management of fund managers should be disclosed, as should the proportion managed by each manager. Where a market value is not available, assets should be valued at fair value in accordance with the valuation basis specified by the Code.
- h) An analysis of investment assets between 'UK' and 'overseas' and between 'quoted' and 'unquoted'.
- i) The amount of sales and purchases of investment assets should be disclosed including the market value of futures and options at the Balance Sheet date (if any).
- j) A breakdown of derivative contracts by their main types including futures, options, forward foreign exchange contracts and swaps. A summary of the key terms and notional amount of the derivative contracts held at the year end. An explanation of the objectives and policies for holding derivatives and the strategies for achieving those objectives that have been followed during the period.
- k) The effective date of revaluation of property assets; whether an independent valuer was used; the methods and significant assumptions applied in estimating the fair value; the extent to which the item's fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's-length terms or were estimated using other valuation techniques.
- l) Details of any single investment exceeding either 5% of the net assets available for benefits or 5% of any class or type of security.
- m) Liabilities other than the actuarial present value of promised retirement benefits.

- n) A description of the funding policy, ie the basis upon which the contribution rate has been set for both the administering and the scheduled body.
- o) An indication of the actuarial position of the fund, including the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits, and the policy for funding the promised benefits.
- p) A description of the significant actuarial assumptions made and the method used to calculate the actuarial present value of promised retirement benefits.
- q) The total contributions receivable and benefits payable analysed between the administering authority, scheduled bodies and admitted bodies.
- r) Information in respect of material transactions with related parties, not disclosed elsewhere, including investments and loans made at any time during the period.
- s) The total amount of stock released to a third party under a stock lending arrangement within a regulated market at the period end, together with a description of the related collateral.
- t) The amount and nature of any material contingent assets, liabilities and contractual commitments of the scheme at the period end. Details of any material non-adjusting events occurring subsequent to the period end.
- u) The amount of additional voluntary contributions paid by members during the year and the value at the Balance Sheet date of separately invested additional voluntary contributions. It should be disclosed that these amounts are not included in the pension fund accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

### **Statutory Disclosures for Administering Authorities in Scotland in the Local Authority Financial Statements**

**6.5.5.2 Administering authorities in Scotland are required by statutory guidance, (Scottish Government Finance Circular No. 1/2011, Accounting for Local Authority Pensions), to disclose the following in the notes to the local authority financial statements:**

- a) A statement to the effect, that the local authority is an administering authority for the Local Government Pension Scheme.**
- b) A statement listing the pension funds it is responsible for together with a general description of each fund and its membership.**
- c) A statement setting out the statutory requirements for the publication of a separate pension fund annual report, and the contents of that report.**
- d) A note setting out how the pension fund annual report can be accessed or obtained.**

## 6.5.7 Changes since the 2010/11 Code

6.5.7.1 The Code has been updated to reflect changes in pension legislation introduced in Scotland.

6.5.7.2 The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 (SSI 2010 No. 234) introduced the requirement for LGPS administering authorities in Scotland to produce a pension fund annual report.

6.5.7.3 The 2011/12 Code Update (and the 2012/13 Code) has been amended to reflect the introduction of statutory guidance on accounting for local authority pension funds in Scotland. The statutory guidance was issued as Finance Circular 1/2011 after the publication of the 2011/12 Code. The statutory guidance specifies the minimum disclosures required in administering authority financial statements.

6.5.7.4 The Police Pension Account (Scotland) Regulations 2010 (SSI 2010 No.232) introduced the requirement for police authorities to operate a police pensions account, whilst the Firefighters' Pension Scheme Amendment (Scotland) (No. 2) Order 2010 (SSI 2010 No.332) and the Firefighters' Pension Scheme (Scotland) Order 2007 Amendment (No. 2) Order 2010 (SSI 2010 No.333) introduced the requirement for fire authorities to operate a firefighters' pension account.

6.5.7.5 Whilst these requirements are included in the 2011/12 Code and the 2011/12 Code Update for the first time, the regulations, orders and statutory guidance apply from 1 April 2010.

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# CHAPTER SEVEN

## Financial instruments

### 7.3 ACCOUNTING FOR FINANCIAL ASSETS AFTER INITIAL RECOGNITION

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#### 7.3.3 Impairment and Uncollectability of Financial Assets

##### Regulations/statutory guidance on impairment of financial assets

7.3.3.11 Regulations or statutory guidance (see part 2 of Appendix B for the legislative basis) permitted authorities to defer the impact of the impairment of certain investments on the General Fund until no later than 2010/11 [in England and 2011/12 in Wales. Statutory guidance issued by the Scottish Government sets out the value of impairment of certain investments which is charged to the General Fund.](#)

# CHAPTER NINE

## Group accounts

### 9.1 GROUP ACCOUNTS

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#### 9.1.2 Accounting Requirements

##### Investors in joint ventures with significant influence

9.1.2.46 Where an authority is a party to a joint venture, does not have joint control over that joint venture, but does have significant influence over that joint venture, the authority shall account for that joint venture as if it were an associate in accordance with IAS 28 (as required by IAS 31).

**Deleted:** (for example, police and fire boards in Scotland).

# APPENDIX B

## Sources and legislation

### PART 1 – STATUTORY SOURCES

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#### Great Britain

- 1 Local Government and Housing Act 1989 (*including HRA in England and Wales*)
- 2 Local Government Finance Act 1992 (*Council tax*)
- 3 Waste and Emissions Trading Act 2003 (*Landfill allowances*)

#### England and Wales

- 1 Local Government Act 1972
- 2 Superannuation Act 1972 (*Pension funds*)
- 3 Local Government Finance Act 1988 (*General Fund and Collection Fund*)
- 4 Audit Commission Act 1998
- 5 School Standards and Framework Act 1998 (*School balances*)
- 6 Transport Act 2000
- 7 Education Act 2002 (*Dedicated Schools Grant*)
- ~~8~~ Local Government Act 2003, Part 1 (*Capital finance and accounts*)
- ~~9~~ Local Government Act 2003, Part IV (*Business Improvement Districts*)
- ~~10~~ The Waste and Emissions Trading Act 2003
- ~~11~~ Public Audit (Wales) Act 2004
- ~~12~~ Accounts and Audit (Wales) Regulations 2005 (Welsh SI 2005/368)
- ~~13~~ National Health Service Act 2006
- ~~14~~ [National Health Service \(Wales\) Act 2006](#)
- ~~15~~ Planning Act 2008 (*Community Infrastructure Levy*)
- ~~16~~ Business Rate Supplements Act 2009
- ~~17~~ [Accounts and Audit \(England\) Regulations 2011 \(SI 2011/817\)](#)

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#### Scotland

- 1 Local Government (Scotland) Act 1973
- 2 Local Government (Scotland) Act 1975

- 3 Local Authority Accounts (Scotland) Regulations 1985
- 4 Housing (Scotland) Act 1987 (*HRA*)
- 5 Local Government etc (Scotland) Act 1994
- 6 Public Finance and Accountability (Scotland) Act 2000
- 7 Transport (Scotland) Act 2001
- 8 Community Care and Health (Scotland) Act 2002
- 9 Local Government in Scotland Act 2003
- 10 Transport (Scotland) Act 2005

### Northern Ireland

- 1 Local Government Act (Northern Ireland) 1972
- 2 Local Government (Miscellaneous Provisions) (Northern Ireland) Orders  
1985  
1992  
1995
- 3 The Local Government (Northern Ireland) Order 2005
- 4 Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006
- 5 Local Government Companies (Best Value) Order (Northern Ireland) 2006

## PART 2 – LEGISLATIVE BASIS FOR STATUTORY ACCOUNTING SECTIONS OF THE CODE

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Chapter/section	England and Wales	Scotland	Northern Ireland
2.3 Government Grants	<p>This is as a consequence of the capital control regime requiring capital expenditure to be financed as part of the capital financing requirement (as defined in CIPFA's <i>Prudential Code for Capital Finance in Local Authorities</i>) unless other resources are set aside to finance the expenditure.</p> <p>Part 1 Local Government Act 2003.</p> <p>SI 2003/3146 The Local Authorities (Capital Finance and Accounting) (England)</p>	<p>This is as a consequence of the capital control regime requiring capital expenditure to be financed as part of the capital financing requirement (as defined in CIPFA's <i>Prudential Code for Capital Finance in Local Authorities</i>) unless other resources are set aside to finance the expenditure.</p> <p>Part 7 Local Government in Scotland Act 2003, refer to:</p> <p>SSI 2004/29: The Local Government Capital</p>	<p>Councils follow all relevant accounting and disclosure requirements in the <i>Code of Practice on Local Authority Accounting</i> under an Accounts Direction from the Department of the Environment.</p> <p>Prudential Code arrangements are under consideration for the new council structure from 2011.</p>

Chapter/section  
England and Wales

Scotland

Northern Ireland

Regulations 2003.

SI 2003/3239 (W.319) The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.

Expenditure Limits (Scotland) Regulations 2004.

Scottish Government Finance Circular 3/2004.

[Scottish Government Finance Circular 6/2011](#)

Chapter/section	England and Wales	Scotland	Northern Ireland
4.1 Property, Plant and Equipment	<p><b>Depreciation:</b> General Fund (references to General Fund throughout this Appendix are to be read as Council Fund in Wales): as a consequence of the requirement to charge the General Fund with Minimum Revenue Provision (see SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance). HRA: Item 8 Credit and Item 8 Debit (General) Determinations. Major Repairs Reserve (England): The Accounts and Audit (England) Regulations 2011 (SI 2011 No. 817).</p> <p><b>Revaluation Losses:</b> As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Government Act 2003 and various regulations and statutory guidance).</p> <p><b>Gains and Losses on Disposal:</b> As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Government Act 2003 and various regulations and statutory guidance).</p>	<p><b>Depreciation:</b> General Fund: as a consequence of the requirement to charge the General Fund with Loans Fund principal repayments (see Schedule 3 paragraph 15(1) of the Local Government (Scotland) Act 1975 and related statutory guidance). HRA: Part II of Schedule 15 paragraph 3 (a) of the Housing (Scotland) Act 1987.</p> <p><b>Revaluation Losses:</b> As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's <i>Prudential Code for Capital Finance in Local Authorities</i>).</p>	<p><b>Depreciation:</b> As a consequence of the requirement to charge the District Fund with Loans principal repayments (see Section 65 of the Local Government Act (Northern Ireland) 1972).</p> <p><b>Revaluation Losses and Gains and Losses on Disposal:</b> Councils follow all relevant accounting and disclosure requirements in the <i>Code of Practice on Local Authority Accounting</i> under an Accounts Direction from the Department of the Environment.</p> <p><b>Loans Fund:</b> Section 72 of the Local Government Act (Northern Ireland) 1972.</p>
		<div data-bbox="1252 1126 1588 1254"> <p><b>Deleted:</b> Amendment</p> <p><b>Deleted:</b> 2004</p> <p><b>Deleted:</b> 2004</p> <p><b>Deleted:</b> 556</p> </div>	
		<hr/> <p><b>Minimum Revenue Provision: Gains and Losses on</b></p> <hr/>	

Chapter/section	England and Wales	Scotland	Northern Ireland
	<p>SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance.</p>	<p><b>Disposal:</b> As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's <i>Prudential Code for Capital Finance in Local Authorities</i>).</p> <p><b>Loans Fund:</b> Schedule 3 paragraph 15(1) of the Local Government (Scotland) Act 1975 and related statutory guidance.</p>	
<p><b>4.3 PPP and PFI Schemes</b></p>	<p><b>Use of Capital Receipts to meet Liability:</b> SI 2003/3146 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. SI 2003/3239 (W.319) The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003. <b>Depreciation, Impairment and Revaluation Gains and Losses:</b> As a consequence of the requirement to charge the General Fund with Minimum Revenue Provision (see SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance).</p>	<p><b>Use of Capital Receipts to meet Liability:</b> Under consideration; refer to guidance issued on 31 March 2010 under section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular No 4/2010). <b>Depreciation, Impairment and Revaluation Gains and Losses:</b> Guidance issued on 31 March 2010 under section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular No 4/2010). <b>Repayment of Liability:</b> Guidance issued on 31 March 2010 under section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular No 4/2010) <a href="#">as amended by Scottish</a></p>	<p>Not applicable.</p>

Chapter/section	England and Wales	Scotland	Northern Ireland
	<p>Item 8 Credit and Item 8 Debit (General) Determinations.</p> <p><b>Minimum Revenue Provision:</b></p> <p>SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance.</p>	<p><a href="#">Government Circular No 6/2011</a>.</p>	
<b>4.4 Investment Property</b>	<p><b>Gains and Losses on Disposal:</b></p> <p>As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see Local Government Act 2003 and various regulations and statutory guidance).</p> <p><b>Movements in Fair Value:</b></p> <p>As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see Local Government Act 2003 and various regulations and statutory guidance).</p> <p><b>Minimum Revenue Provision:</b></p> <p>SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance.</p>	<p><b>Gains and Losses on Disposal:</b></p> <p>As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's <i>Prudential Code for Capital Finance in Local Authorities</i>).</p> <p><a href="#">Scottish Government Finance Circular No 7/2011</a>.</p> <p><b>Movements in Fair Value:</b></p> <p>As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's <i>Prudential Code for Capital Finance in Local Authorities</i>).</p> <p><a href="#">Scottish Government Finance Circular No 7/2011</a>.</p> <p><b>Loans Fund:</b></p> <p>Schedule 3 paragraph 15(1)</p>	<p><b>Gains and Losses on Disposal and Movements in Fair Value:</b></p> <p>Councils follow all relevant accounting and disclosure requirements in Code of Practice on Local Authority Accounting under an Accounts Direction from the Department of the Environment.</p> <p><b>Loans Fund:</b></p> <p>Section 72 of the Local Government Act (Northern Ireland) 1972.</p>



Chapter/section	England and Wales	Scotland	Northern Ireland
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of The Local Government (Scotland) Act 1975 and related statutory guidance.

6.2 Benefits Payable during Employment	SI 2010/454 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010.	<b>Short-term Accumulating Compensated Absences:</b> Guidance issued on 8 July 2010 under section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular No 3/2010).	Accounts Direction (Circular LG <del>10/11</del> ).
	SI 2010/685 (W.67) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2010.		

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**Injury Benefits (accounted for as post-employment benefits):**

Guidance issued on 31 March 2010 under section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular No 8/2010).

7.3 Accounting for Financial Assets (in respect of impairment of investments in Icelandic banks)	SI 2009 No 321 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009.	Scottish Government Finance Circular No 4/2009. <a href="#">Scottish Government Finance Circular No 5/2011.</a>	Not applicable.
	SI 2009 No 560 (W.52) the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2009.		

APPENDIX C ADDENDUM – 2011/12  
CODE UPDATE  
Changes in accounting  
policies: disclosures in the  
2011/12 and 2012/13  
financial statements

**C.3 INTRODUCTION**

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c.3.1 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 by the Code.

c.3.2 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 earliest comparative 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 2011/12 and 2012/13 financial statements in respect of accounting changes that are introduced by the 2012/13 Code.

**C.4 DISCLOSURES REQUIRED IN THE 2011/12 AND 2012/13 FINANCIAL STATEMENTS**

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**2011/12**

c.4.1 The adoption of amendments to IFRS 7 *Financial Instruments: Disclosures* (issued October 2010) by the Code will result in a change of accounting policy that requires disclosure in line with paragraph 3.3.4.3 of the Code. An authority shall,

where material, disclose the following items in the 2011/12 financial statements:

- a) the title of the amended standard
- b) the nature of the change of accounting policy
- c) the date at which the change of accounting policy is required ie 1 April 2012, and
- d) a discussion of the impact that initial application of the IFRS is expected to have on the financial statements. It is likely that this standard will not have a material impact on the financial statements of local authorities. If this is the case a statement to that effect in the financial statements is likely to be sufficient to meet the requirements of paragraph 3.3.4.3.of the Code.

### **2012/13**

c.4.2 The adoption of the amendments to IFRS 7 *Financial Instruments: Disclosures* in the Code is not a change of accounting policy that will require the publication of a Balance Sheet as at the beginning of the earliest comparative period (ie a third Balance Sheet) in the 2012/13 financial statements.

### **Other changes**

c.4.3 Other changes adopted in the 2012/13 Code are not expected to require additional disclosure in the 2011/12 or 2012/13 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.4.4 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 2011/12 financial statements, and shall consider whether the changes will require the publication of a Balance Sheet as at the beginning of the earliest comparative period (ie a third Balance Sheet) in the 2012/13 financial statements.