

# report

CL 07 11-12

Board	CIPFA/LASAAC Local Authority Accounting Code Board
Venue	CIPFA Offices, Robert Street, London
Date	6 November 2012
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Subject	Analysis of Responses to Consultation on 2012/13 Code Update and 2013/14 Code

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## Purpose

**To report on the responses to the 2011/12 Code of Practice on Local Authority Accounting Update and 2012/13 Code consultation exercise.**

### 1 Introduction

- 1.1 In total there were 43 responses<sup>1</sup> (listed at Appendix A) to the public consultation on the draft 2012/13 IFRS-based Code Update and 2013/14 Code.
- 1.2 The responses received are summarised in Appendix B, section by section, followed by the Secretariat's comments and suggestions. Issues of principle are considered in the main body of the report. As there are a number of questions only the significant issues or those concerning issues of principle are included in the body of this report. The statistical analysis of all the responses and individual comments are included in Appendix B. Minor corrections or other minor issues are not included in this analysis but may be included in amendments to the Exposure Draft of the Code.
- 1.3 Board Members will wish to note that on the response submission date of the ITC only 32 responses had been received (the same number as last year). Where respondents requested extensions these were given to the 5 October 2012 and a number of responses were also included after that date but all are reflected in the consultation summaries. It should be noted four of the respondents did not answer the questions in the Invitation to Comment (ITC) directly and therefore will not be included in the statistical analysis.
- 1.4 Copies of the responses received will be made available to Board members electronically on request. Please note that a significant number of the responses included their authority or entity confidentiality disclaimer. Therefore the names of the interested parties responding to the consultation will need to remain confidential to the Board and the body of the report does not refer to the individual entities.

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<sup>1</sup> Note – a group of interested parties best described as professional accounting firms that audit local authorities is abbreviated in this report and the Appendices to "firms".

- 1.5 As it is such a significant area accounting for schools has been considered in a separate report on the agenda.

## **2 Summary of Responses**

- 2.1 Responses to the consultation are summarised below and presented in more detail in Appendix B.

### **SECTION A – ITEMS WHICH WILL BE INCLUDED IN THE 2013/13 CODE UPDATE AND THE 2013/14 CODE**

#### ***Housing Revenue Account Reform (England) – The New Self Financing Regime***

- 2.2 The respondents to the consultation were in overview in favour of the proposed changes. Two respondents cited the issue of PFI subsidy grants which would continue to be received, one of the respondents enquiring where it would be reported, if not in a "subsidy" line. The Secretariat considers that a new line does not need to be included on the face of the Housing Revenue Account for this grant. If authorities consider it material then they can report it on the face of the HRA under the general provisions of the Code. The Secretariat has discussed this with the Department for Communities and Local Government (DCLG), the DCLG does not have any issues with this approach.
- 2.3 There were a number of drafting issues raised in relation to the impact of non-dwelling depreciation on the transactions of the Major Repairs Reserve and comments suggesting that the Code should reflect the nature of the statutory transactions in more detail to demonstrate which are required or permitted by statute. The drafting is therefore more detailed than previously to reflect these requests. Proposed amendments have been included in (Ref. Code Draft (CD) 1) to paragraphs 4.1.3.5 and 4.1.3.6.
- 2.4 In addition the Secretariat has identified that a further consequential amendment is required to paragraph 3.4.2.39 as this line is no longer required by the Code as the Major Repairs Allowance no longer exists.

#### **CIPFA/LASAAC is requested to approve the approach to the amendments in relation to the New Self Financing HRA.**

- 2.5 Two respondents suggested that the statutory requirements for impairment and revaluation losses included in the *Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012* on the HRA should be covered by the Code. The Item 8 Determination previously included specification on these issues and these provisions have not been included in the Code. Thus the Exposure Draft did not include any proposals on this issue. The Board is invited to consider whether it would like to refer to the statutory provisions on impairment and their reversal in Section 4.7 of the Code.

#### **CIPFA/LASAAC is invited to consider whether it wishes to include provision in Section 4.7 of the Code to reflect the Item 8 Determination statutory requirements on impairment and revaluation losses.**

***Accounting for Carbon Reduction Commitment (CRC) Energy Efficiency Scheme Assets***

- 2.6 Respondents were largely supportive of proposals to amend the Code for Accounting for Carbon Reduction Commitment (CRC) Energy Efficiency Scheme Assets. A number of the arguments put forward by respondents were those that have been considered by the Board previously when it consulted on proposals for inclusion in the 2011/12 Code. A number of respondents also indicated that any approach should be consistent with the FReM. The proposals in the Code are consistent with the current Exposure Draft of the FReM *Accounting for the Carbon Reduction Commitment (CRC) Energy Scheme*.
- 2.7 A number of the local authority respondents commented with concern on the issue that if the intangible assets were classified as non-current intangible assets that they would meet the statutory definitions of capital expenditure. The Secretariat has previously reported to the Board the comments in the Chancellor's last budget statement which commented that the government would "*consult on simplifying the Carbon Reduction Commitment (CRC) energy efficiency scheme to reduce administrative burdens on business. Should very significant administrative savings not be deliverable, the Government will bring forward proposals in autumn 2012 to replace CRC revenues with an alternative environmental tax, and will engage with business before then to identify potential options.*" As the future of the Scheme is uncertain, the Secretariat suggests that for the 2012/13 Code Update and the 2013/14 Code the allowances be defined as current intangible assets. This proposal is a short term measure due to the uncertainty of the Scheme and would avoid the complexities of the allowances being brought into the capital finance regulations. It is also consistent with the Board's previous approach on Landfill Allowances in England and Scotland.

**CIPFA/LASAAC is invited to consider whether it agrees with the above proposal to account for the allowances as current intangible assets.**

- 2.8 A number of respondents consider that it is unlikely that authorities will trade in allowances. The Secretariat also believes that it is unlikely and this possibility was described as such in the Invitation to Comment (ITC). However, the Scheme was established as a trading scheme and thus the possibility was included in the ED of the Code.

**CIPFA/LASAAC is invited to consider whether it wishes the Code to contain provisions for treating the allowances as inventories to accommodate the unlikely event that authorities trade in allowances.**

**CIPFA/LASAAC is invited to consider the draft of the 2012/13 Code Update as it relates to the CRC Energy Efficiency Scheme Assets and confirm whether it is content to approve the draft (ref CD 2).**

***Changes to the Code to Reflect the New Prudential System for Capital Finance in Northern Ireland***

- 2.9 There were only two responses to this issue on the Code. There were no dissenting responses and no comments of substance. The Secretariat therefore recommends that the proposals put forward in the Exposure Draft are unchanged.

**CIPFA/LASAAC is invited to approve the draft of the 2012/13 Code Update as it relates to the introduction of the New Prudential System for Capital Finance in Northern Ireland (ref CD 3).**

***Minor Changes for the 2012/13 Code Update***

*Non-Domestic Rate Income: Potential for the Authority to Act as Principal (England and Scotland)*

- 2.10 There was only one dissenting view on this issue and therefore the Secretariat recommend that with the minor drafting amendments included in the draft of the Code no further changes be recommended to paragraph 2.8.2.2.

**CIPFA/LASAAC is invited to approve the draft of the 2012/13 Code Update as relates to the minor amendments for non-domestic rate income in paragraph 2.8.2.2 (ref CD 4).**

***Minor Amendments***

- 2.11 There are no proposals for further amendments to this part of the consultation proposals.

**CIPFA/LASAAC is invited to approve the draft of the 2012/13 Code Update as it relates to the minor amendments to paragraphs 2.3.2.11 and 6.5.6.7 (ref CD 5).**

**SECTION B – DEVELOPMENT ITEMS WHICH WILL BE INCLUDED IN THE 2013/14 CODE ONLY**

***IAS 19 Employee Benefits (June 2011 Amendments)***

*Introduction and definitions*

- 2.12 There was only one significant response to the definitions in the Code where one of the firms questioned whether or not the Code should include reference to group plans. The Secretariat is not aware of the existence of any other group plans in local authorities. It is likely that the provisions of the standard in relation to group plans would apply to an authority with a group plan. The Board is therefore invited to consider whether it wishes to refer to or provide in any way for group plans in the Code.

**CIPFA/LASAAC's views are sought on this issue.**

*Assets held by a long-term employee benefit fund*

- 2.13 The approach to this definition was largely supported. One of the respondents (an actuary) indicated that he had had legal advice confirming that pension fund assets were not legally separate funds. The definition has been amended to accommodate this view.

**CIPFA/LASAAC's views are sought on this proposed amendment.**

*Benefits payable during employment*

- 2.14 There were no issues of substance raised in relation to the use of the term paid absences.
- 2.15 One of the respondents raised an issue about the recognition of remeasurements of long-term employee benefits and their recognition in the Comprehensive Income and Expenditure Statement. This was covered in the Draft of Section 6.2 of the Code but the Secretariat considers that this also needed to be explicitly identified in paragraph 3.4.2.43 c). Minor drafting amendments have also been made to paragraph 6.2.3.1.

*Disclosures of Employee Benefits*

- 2.16 There were varying responses to the proposed amended disclosures at paragraphs 6.2.4.1 and 6.3.3.1 with one respondent indicating that these responses were not specific enough, requiring references to other sections where disclosures are required with another suggesting the disclosures should be deleted. Another respondent suggested that the subjective analysis should be clarified. The Secretariat recommends that the current format of the disclosures be maintained and that the subjective analysis in paragraph 3.4.2.90 of the Code be amended to refer to employee benefits rather than expenses to accord with IAS 1.

**CIPFA/LASAAC is invited to consider the approach identified above.**

*Termination Benefits*

- 2.17 There were no significant suggestions for the changes to the definition of termination benefits. One authority believed that this might bring forward the recognition point. CIPFA/LASAAC is invited to consider if there is a specific need to make any specific reference to this in Appendix C of the Code or any other transitional provisions. The current draft of Appendix C does include reference in the event that other authorities might concur with this view.

**CIPFA/LASAAC is invited to consider this issue.**

*Post-Employment Benefits*

- 2.18 The Secretariat do not consider that there is a need to recommend any further changes for classification of components of defined benefit schemes and components of service costs as there were no comments of substance on this issue.

*Disclosures for Defined Benefit Schemes Accounted for as Defined Contribution Schemes and other Multi Employer Schemes*

- 2.19 One authority raised the issue of the ability of authorities to produce information for the disclosures at paragraph 6.4.3.42 14). The Secretariat would note that most of this information should be able to be produced but is seeking the views of the national schemes in question. However, currently this disclosure remains unchanged.

**CIPFA/LASAAC's views are sought on this specific disclosure.**

### *Post-Employment Benefits Disclosures*

- 2.20 The responses to the question on the disclosures introduced by the amendments to the standard were inconclusive and unfortunately did not provide a detailed evidence base to make a clear case for adaptation. The Secretariat was informed by actuaries that there would be difficulties with the two disclosures highlighted in the ITC ie 6.4.3.42 8) disaggregation of the fair value of the plan assets and 13 c) ie information about the maturing profile including the weighted average duration of the defined benefit obligation. One authority provided some evidence that paragraph 6.4.3.42 8) was only estimated on a broad categorisation of assets currently. There were differing comments in respect of 13 c). However, the Secretariat does not consider that the consultation process has provided it with conclusive evidence for the need for an adaptation, particularly in the long-term. The Secretariat suggests that there are two possible options available that the Board might wish to consider.
- Proceed with the disclosures in the Code as currently drafted without any significant adaptations.
  - Make transitional arrangements for the disclosures including staged introduction of disclosure 13) c). As was reported previously to the Board the actuary that raised this issue considered that this could be achieved relatively easily for English authorities for the 2013/14 year as this would coincide with the timing of the valuation and for 2014/15 in Scotland when the valuation would take place for Scottish administering authorities. A temporary adaptation could also be made for disclosure 8) as demonstrated in Appendix B to allow authorities sufficient time to develop their processes to produce this information

**CIPFA/LASAAC is invited to consider the options and provide the Secretariat with its preferred approach.**

### *Reporting of Actuarial Present Value of Promised Retirement Benefits*

- 2.21 The majority of respondents supported the approach in the Exposure Draft. A number of the respondents suggested moving to one option and Appendix B sets out the various approaches suggested. It is recommended that if CIPFA/LASAAC wish to move to a one option approach that this should be considered in more detail in the development programme of the 2014/15 Code. One of the firms indicated that presenting one option as good practice might be perceived as meaning that the Code supported other options that are not. The Secretariat therefore recommends that the Code refers to option A as its preferred option whilst acknowledging that it permits the other two. There were also a number of drafting suggestions that have been included in the draft of the 2013/14 Code (**ref CD 6**).

**CIPFA/LASAAC is invited to consider the comments above and in Appendix B.**

### *Other Comments on Chapter Six*

- 2.22 One of the respondents noted that the amendments in relation to IPSAS 25 had inadvertently increased its status in Chapter 6 to be equal to that of IAS 19 as opposed to being available for additional guidance. Drafting amendments had been made to clarify the position in Sections 6.1 to 6.4. The same respondent

also enquired why the Code in this section refers to adaptations of IPSAS in paragraphs 6.2.1.4 a) and b). These paragraphs have not changed. CIPFA/LASAAC is invited to consider whether it wishes to retain them.

**CIPFA/LASAAC is invited to consider the comments above and in Appendix B and CD 6.**

***IAS 1 Presentation of Financial Statements – Other Comprehensive Income***

- 2.23 The approach in the Exposure Draft was positively received by respondents. It should be noted that in September the Treasury issued an Exposure Draft *Application of amendments to IAS 1 for the public sector context* which includes the proposed structural amendments to the Consolidated Statement of Net Expenditure being included in the FReM.
- 2.24 One of the firms also noted that it agreed with the approach but suggested some restructuring of the Comprehensive Income and Expenditure Statement (CIES) largely following the structure required by the amendments to the Standard. The disadvantage to the application of this option compared with the approach agreed by the Board would be that this might be confusing to authorities that did not have any reclassifiable gains or losses that required application of the amendment to IAS 1. However, the Secretariat has presented this approach as an alternative (CD7A) to the approach presented in the Exposure Draft (now the draft Code CD7). In addition the third option available is to apply the standard to the Code without indicating a choice as was presented to the Board at its June meeting and might be more relevant as this is consistent with the FReM and would only require minor wording changes to paragraph 3.4.2.49.

**CIPFA/LASAAC is invited to consider the options for the adoption of the amendments to IAS 1 in the Code.**

*Consequential Amendments to the CIES as a Result of the Adoption of the June 2011 Amendments to IAS 19*

- 2.25 There were no issues of substance raised in relation to the consequential amendments to IAS 1 resulting from the adoption the June 2011 amendments to IAS 19. However, as noted above remeasurements of the net defined benefit liability for long term employee benefits recognised in accordance with section 6.2 have been included in the relevant line of the CIES.

**CIPFA/LASAAC is invited to consider for approval the consequential amendments to the CIES as a result of the adoption of the June 2011 amendments to IAS 19 (CD7 or CD7A).**

***IFRS 13 Fair Value Measurement***

*Approach to Adoption and Scope Exclusion*

- 2.26 The majority of respondents supported the overall approach to the adoption of IFRS 13 in the Code. There was only one dissenting view to the general approach and the scope exclusion, the respondent indicating that the standard can be fully adopted by local authorities and focused on the rebuttable presumption that the assets to which the scope exclusions apply are not profit generating. This respondent's views are presented more fully in Appendix B. The Secretariat has

refuted these arguments on the basis of the principle long-established by the Board that public sector assets are best measured on a basis of existing use and therefore a measurement base that focuses on highest and best use and exit/market prices will not be able to present an appropriate measurement of the value of the resources in the asset to the authority. The rebuttable presumption has only been introduced to ensure that the scope is tight enough to ensure that the standard is applied appropriately.

**CIPFA/LASAAC is invited to consider the comments above as an important issue of principle.**

*Application to Measurement and Disclosure or Just Measurement*

- 2.27 The ITC sought the views of respondents on whether the scope exclusion should exclude authorities from both the measurement and disclosure requirements for those assets and liabilities to which the definition of fair value measurement does not apply or solely to the measurement requirements of the standard. The ITC put forward the view that the information should already be available in the financial statements. However, one of the audit bodies put forward clear arguments that information on fair value disclosures should be included in the financial statements. In addition the FReM ED *Adaptation of IFRS 13 Fair Value Measurement – for the public sector* has adopted a similar approach to measurement but has included these assets within the disclosure requirements of the Standard.
- 2.28 The argument that the information should be already available in the statements has been countered with the suggestion that in such cases cross referencing can be used. The Secretariat concurs with this and recommends that the Board should consider excluding the assets and liabilities previously excluded from both the disclosure and measurement requirements and has included suggested alternative wording at the end of the draft. It should be noted that for the avoidance of doubt heritage assets are excluded from both measurement and disclosure requirements as these are measured on a "valuation" basis and not fair value. If the Board agreed with the approach this would also require consequential amendments to paragraph 2.1.2.30.

**CIPFA/LASAAC is invited to consider whether it wishes to exclude the assets proposed in the Exposure Draft from both the measurement and disclosure requirements of IFRS 13/Section 2.10 of the Code or whether it wishes to exclude these assets only from the measurement requirements as set out above.**

*Approach to Drafting Section 2.10*

- 2.29 Only two respondents dissented to the approach. One believed that the Code should include the majority of the provisions of IFRS 13. Another respondent that agreed with the approach considered that more definitions should be added. The Secretariat considers that the general approach should proceed as proposed in the Exposure Draft but would welcome the Board's views on whether it wishes the suggested additions to be included.

***CIPFA/LASAAC is invited to consider whether it agrees with the proposed approach in the Code to the drafting of Section 2.10 of the Code and whether there are any specific additions it would wish to add in accordance with the proposals put forward by the respondents.***

### *Disclosure Requirements*

2.30 The ITC attempted to identify which disclosures are relevant to local authorities. Again, unfortunately the Secretariat is not confident that it has received sufficient information from respondents to determine this. It is also important to note that the nature of transactions that authorities enter into might change as was noted by one of the respondents. Fifteen of the respondents indicated that the two disclosures highlighted in question 28 were not relevant. The Secretariat suggests that there are three options available to the Board:

- Include all the disclosures required by IFRS 13.
- Remove either or both of disclosures (now 7) and 8)) in the draft of the Code (ref CD 8).
- Include all indicating the Board's views on the likely application of these disclosure requirements as set out in the draft of the 2013/14 Code (ref CD 8).

**CIPFA/LASAAC is invited to consider which of the options is would prefer to take forward in the draft 2013/14 Code.**

### *Consequential Amendments*

2.31 There were a number of drafting amendments which have been included in the draft of the 2013/14 Code in relation to IFRS 13.

2.32 It should be noted that IFRS 13 has yet to be endorsed by the EU and will only be able to be included in the Code following EU endorsement, anticipated in quarter 4 of this year.

**CIPFA/LASAAC is invited to consider the exposure draft of the Code in relation to IFRS 13 (CD 8).**

### **Service Concession Arrangements (PFI/PPP)**

2.33 There have been a number of important developments in accounting for service concession arrangements. Firstly, when the Secretariat reported the proposed approach to in the Exposure Draft to FRAB, FRAB requested that a conceptual paper be provided to it for it to consider the basis under which the CIPFA/LASAAC considered IAS 39 to be a better measurement of the service concession arrangement liability than an IAS 17 *Leases* approach per the current Code and the FReM. It is unlikely that such a paper will be able to be considered by FRAB in time for any consequences to be included in the 2013/14 Code.

2.34 Secondly, on 1 October 2012 the Accounting Council issued proposals for amendment to the Draft FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. These amendments include service concession arrangements and propose that the grantor recognises its interest in the infrastructure asset usually as property, plant and equipment, with a corresponding liability measured using a finance lease model. The ED also notes that IPSAS 32 includes a 'grant of right to the operator model' and includes the comment "The Accounting Council does not advise the application of this model

because it appears to result in the recognition as liabilities of amounts that may not meet the definition of a liability".

- 2.35 The Board will note that the consultation responses did not prove conclusive in relation to the respondents' views on the measurement of the liability. There were arguments both for and against measurement as an IAS 39 liability with one respondent summing up the position, effectively setting out that the decision depends whether the Board's focus is on balance sheet accuracy or the consequences on the CIES. The details of the arguments are included in Appendix B.
- 2.36 A large number of local authority responses were concerned about the costs of changing the measurement requirements. Only three of the responses provided any detailed analysis of the impact on the financial statements of such a change. A number of the responses recommended consistency with the FReM: as the Board are aware; the FReM currently adopts the IAS 17 liability model. The Secretariat recommends that until FRAB has concluded its advice on the measurement of the liability it would be inappropriate to move to a different model. The Draft of the Code has therefore reinstated the Code's provisions in a manner that is consistent with the FReM and the augmented provisions of Section 4.3 of the Code (**see ref CD 9**).

**CIPFA/LASAAC is invited to consider for approval the Secretariat's recommendations in relation to the measurement of the liability.**

- 2.37 The Board will note that two of the respondents thought that the new definitions proposed in the Exposure Draft would reduce the scope of Section 4.3's provisions ie that they would mean that the services in a service concession arrangements would have to be performed by the contractor and that the assets would not include those that perform an administrative function. The Secretariat does not consider that this is the case. However, for the avoidance of doubt these issues have been included explicitly in the draft of the Code ie at paragraph 4.3.1.4 and within paragraph 4.3.2.4.

*Grant of the Right to the Operator (third party payment model)*

- 2.38 No issues of substance were raised to challenge the inclusion of this model in the Code. However, the Secretariat would bring to CIPFA/LASAAC's attention the views of the Accounting Council on this Model provided in paragraph 2.34 above, more detail will be provided at the meeting on this issue. The Secretariat would note that the Board is able to take forward these provisions under the Memorandum of Understanding between the Relevant Authorities.

**CIPFA/LASAAC's views are sought on its preferred approach on the above.**

*Intangible Assets*

- 2.39 There were mixed views on whether intangible assets were included in local authority service concession arrangements. There appears to be sufficient evidence that they might be, therefore it is recommended that these are included in the draft Code.

**CIPFA/LASAAC is invited to consider whether it agrees with the Secretariat's recommendation to include intangible assets in the 2013/14 Code.**

*Impact of the Augmented Provisions on Assets under Construction*

- 2.40 There was significant support for this option. A number of the respondents did consider that the recognition point might be earlier under the augmented provisions – the detailed comments are set out in Appendix B. However, the recognition criteria in the draft of the Code are consistent with the rest of the Code and IFRS. The Secretariat understands that the Treasury following its consultation anticipates taking forward a similar change and is anticipating, removal of the guidance in the FReM which indicates that in practice the grantor will usually only recognise the asset when the asset comes into use.

**CIPFA/LASAAC is invited to consider whether it wishes to retain the text in the ED in relation to assets under construction and following this decision whether it wishes to include transitional provisions in Appendix C of the 2013/14 Code.**

***IFRS 7 Financial Instruments Disclosures – Offsetting Financial Assets and Liabilities December 2011***

- 2.41 There were no issues of substance raised by respondents in relation to IFRS 7 and therefore the amendments remain unchanged from the Exposure Draft. It should be noted that this amendment has yet to be endorsed by the EU and will only be able to be included in the Code following EU endorsement, anticipated in quarter 4 of this year.

**CIPFA/LASAAC is invited to approve subject to EU adoption the draft of the 2013/14 Code as it relates to the 2011 amendments to IFRS 7 (ref CD 10).**

***Other Minor Changes Reflecting Revisions to Accounting Standards***

*IAS 12 Income Taxes 2010 Amendments*

- 2.42 There were no issues of substance raised by respondents in relation to IAS 12 amendments with the exception of a minor drafting point. It should be noted that this amendment has yet to be endorsed by the EU and will only be able to be included in the Code following EU endorsement, anticipated in quarter 4 of this year.

**CIPFA/LASAAC is invited to approve subject to EU adoption the draft of the 2013/14 Code as it relates to IAS 12 (ref CD 11).**

*Other issues relating to standards and legislation*

- 2.43 Respondents raised the issue of the exit package disclosure and accounting for police reform under the Police Reform and Social Responsibility Act 2011. Exit packages are covered in Appendix C to this report and were covered in the ITC. Police Reform will be covered in application guidance which will be sent to the Board for information and comment.

## ***Interim Outcomes of the CIPFA/LASAAC Post Implementation Review***

### *Encouragement to present and disclose Earmarked Reserves*

- 2.44 Most of the respondents supported the encouragement approach. However, a number of respondents considered that the Code should be clear on its provisions and not opt for a "recommended" or "encouragement" approach.

**CIPFA/LASAAC is invited to consider whether it wishes to continue with the encouragement approach set out in the Exposure Draft.**

### *Use of the Term Exceptional Item*

- 2.45 The majority of respondents agreed with the removal of this item. However, one of the respondents suggested that the provisions of the Code might be augmented by including specific reference to IAS 1 paragraph 17 which requires authorities to provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions other events and conditions on the entity's financial position and financial performance.

**CIPFA/LASAAC is invited to consider whether it wishes to add these specific provisions of IAS 1 to the 2013/14 Code.**

### *Section 4.1 of the Code Property, Plant and Equipment – the use of the term Enhancement*

- 2.46 The majority of respondents agreed with the approach in the Exposure Draft. There were a number of comments on this approach set out in Appendix B which the Board may wish to consider and one comment from a firm which indicated that although a minor correction it may impact on the capital expenditure of local authorities and suggested highlighting this issue for practitioners in some way. The use of the term enhancement in the Code was not incorrect in itself as the Code required that enhancement expenditure meets the recognition criteria in paragraph 4.1.2.16 of the Code in order to be recognised as an asset. Therefore in substance the requirement of the Code has not changed, only the terminology used to describe this expenditure as this was what the post-implementation review believed to may have led to confusion for authorities.

**CIPFA/LASAAC is invited to consider the comments above and in Appendix B and whether it wishes to make any further amendments to the Code in relation to the use of the term enhancement in Section 4.1 of the Code.**

### *Section 4.1 of the Code Property, Plant and Equipment – Valuation Issues*

- 2.47 There were no issues of principle in relation to the minor amendment to the impairment paragraph. However, one respondent considered that the Code should include wider provisions on the relationship between impairment and revaluation. It is suggested that this be considered in the future work programme of the Code.

**CIPFA/LASAAC is invited to agree the draft of the Code in relation to the minor amendment for impairment and consider whether it wishes the wider issue to be included in the future work programme for the Code.**

- 2.48 The majority of respondents agreed with the proposals to amend paragraph 4.1.2.35 and 36 on the frequency of valuations. A number of respondents commented on what the consequences of these amendments would mean in terms of cost and additional valuations. A number of the respondents indicated that this would mean more frequent valuations. The wording used in paragraph 4.1.2.35 is consistent with the requirements of IAS 16 as is the current Code, with the clarifications making it explicitly so. The Secretariat cannot recommend any different provisions in the Code. The ITC indicated that CIPFA would include additional assistance in application guidance. The Secretariat would note that the Code Guidance Notes are largely already consistent with this approach.

**CIPFA/LASAAC is invited to consider the issues raised and agree the draft of the Code's amendments in relation to valuation issues.**

*Leases and lease type arrangements*

- 2.49 There were no issues of substance on the introduction of new definitions to the 2013/14 Code. The majority of respondents agreed with the amendment to paragraph 4.2.2.10 in terms of lease arrangements when local authority leased assets are leased without premiums but at a peppercorn or a nominal amount for non-commercial leases. One of the firms indicated that they did not consider it appropriate to add or to amend the IAS 17 tests. One of the firms proposed some augmentation of the amendment which has been included in the draft of the Code for the Board's consideration.

**CIPFA/LASAAC is invited to consider the issues raised by respondents and agree the draft of the Code in relation to the amendments for lease and lease type arrangements,**

*Section 4.9 Non-Current Assets Held for Sale and Discontinued Operations*

- 2.50 Respondents raised no issues of substance on this issue. The Secretariat therefore recommends that the proposals put forward in the Exposure Draft to Section 4.9 of the Code are unchanged.

**CIPFA/LASAAC is invited to approve the draft of the 2013/14 Code as it relates to the amendments to non-current assets held for sale and discontinued operations.**

*(Note the post implementation review changes are included at ref CD 12)*

*Complete Set of Financial Statements*

- 2.51 There were two comments in respect of the position taken by the post implementation review. One authority commented on the length of the financial statements (an issue that the review had already considered). One of the firms commented "We suggest consideration to be given to increasing the prominence of group accounts where they are significantly larger than the single entity account". This is a difficult area as in local government finance the prime statements are considered to be the single entity financial statements so therefore it would be difficult to move to this position.

**CIPFA/LASAAC is invited to consider whether it has any further comments on this issue at this juncture and whether this can be considered in the review of the statements after the 2012/13 financial year.**

*Review of Disclosures*

- 2.52 There was not an enthusiastic response to the disclosures and therefore very little statistical analysis has been provided in Appendix C, which sets out the comments that were provided. Appendix C also provides the Secretariat's recommendations for action ie either retention or deletion in the 2013/14 Code which is consistent with the views of the Board in the ITC. This is with the exception of the disclosure on Members Allowances which the Board raised specifically in the ITC and is discussed in the following paragraph. As a general comment a number of the respondents highlighted the need to minimise disclosures and cutting clutter and allow local authorities more discretion about what is disclosed in local authority financial statements, which was the objective of the exercise in the consultation.
- 2.53 The consultation sought the views of respondents on the need for the Members' Allowances disclosure. This disclosure had the largest number of responses with varying comments being received from respondents. One of the respondents noted that removal would not be consistent with the current tendency to increase remuneration disclosures whilst others noted that this was an issue of public interest. There were a small number of comments that this information was available elsewhere. On balance the Secretariat consider that this disclosure should be retained in the Code.

**CIPFA/LASAAC is asked to consider the above comments and whether it agrees with the recommendations of the Secretariat for each of the disclosures in Appendix C (the deletions may be seen in CD 1).**

***Localism Act 2011***

- 2.54 There were no issues of substance raised in relation to the minor clarification added to chapter seven of the Code in relation to accounting for derivatives.

**CIPFA/LASAAC is invited to approve this minor amendment (ref CD 13).**

***Code of Practice on Transport Infrastructure Assets***

- 2.55 The commentary on questions 62 and 63 is provided in full in Appendix D to demonstrate the tone and detail of the responses on such an important issue to the Code. Board Members will note that there is a mixed response to this question with a small majority in favour of the move to measuring assets at DRC (in accordance with the requirements of the CIPFA Code of Practice on Transport Infrastructure Assets). In summary the respondents raised the following issues:
- The significance of the move to local authorities - in terms of impact on the financial statements, with some noting the scale of the impact in that the asset values would significantly increase the net worth of authority's balance sheet. The Secretariat would comment that this is likely to be an appropriate measure of the assets to the authority.

- Some authorities were supportive in principle but remained concerned about the practical aspects of moving to a 2014/15 introduction of the measurement base. A small number of respondents were of the opinion it could be achieved.
- The scale of resource input required in order to move to the new measurement requirements - ie change in terms of improvements and new developments in systems (in some cases completely new systems being developed), resource time needed to develop these systems, identify and verify inputs to the systems, communications between departments, reconciliations between operational and financial systems, valuations input, impact on audit fees, data condition surveys being required every 5 years. It should be noted that a number of the respondents commented that in a time of scarce resources they were concerned about the benefits to the (council) taxpayer of such a move.
- Data issues – a number of respondents highlighted the issue of structure information not being complete or agreed upon; others highlighted the completeness of infrastructure information in general, one of the firms indicating as “auditors, our concern is whether the data used is adequate to support the fair value presented in the accounts...” One authority commented that significant work would be required to translate WGA data into a data structure which is suitable for asset registers, a number were concerned with the use of land data in the valuations.
- A small number of the respondents raised conceptual issues of moving to this measurement base – one authority commenting that the theory that this is a better measurement base is “purely academic”, another considered the asset groupings did not manage the way the authority manages these assets, another claiming that it was difficult to see “any practical benefit to the taxpayer of including transport infrastructure assets on the balance sheet at other than historical cost”.

2.56 The Secretariat would note with concern the state of readiness of local authorities for such a change and considers that there is no substantial evidence that the information available in local authorities is robust enough to withstand the scrutiny of auditors of local authority financial statements.

2.57 At its last meeting CIPFA/LASAAC expressed an interest on the information provided alongside the WGA returns on the readiness of local authorities to fully implement to Transport Infrastructure Code a summary of the position based on a snapshot of data available at 24 September 2012 is included at Appendix E to this report.

**CIPFA/LASAAC is invited to consider the comments made by respondents and provide its views on the proposal in the Exposure Draft of a move to Depreciated Replacement Cost (as defined in the CIPFA Transport Infrastructure Code) for the 2014/15 financial year.**

*Other Issues Raised (Question 64)*

2.58 As is normal process the ITC seeks respondents' views on other issues. The items of substance raised are listed in Appendix F. Only one issue might impact on the 2013/14 draft Code which raises an issue of a potential conflict on the treatment of bank overdrafts in the balance sheet. If the Board wishes this could be

amended in the 2013/14 Code. The Secretariat also seeks the views of the Board on those matters it recommends should be taken forward into the work programme of the 2014/15 Code. Minor and typographical errors raised in this question will be considered by the Secretariat and corrected and can be considered by the Board in its final review of the draft Code which will be submitted for the Board in due course.

**CIPFA/LASAAC is invited to consider the issues raised in Appendix F and confirm its preferred course of action, particularly for the first issue, which can be corrected in the 2013/14 draft Code.**

***Appendix C to the Code Changes in Accounting Policies – Disclosures in the 2012/13 and 2013/14 Financial Statements***

2.59 Board Members will be aware that on an annual basis the Appendix C to the Code includes confirmation of the disclosures required as a result of the changes in accounting policies introduced by each Code. A draft of Appendix C has been included these changes are not tracked as this is a complete restatement of Appendix C for the 2013/14 financial year. This includes those issues which will require changes in accounting policy and those which might represent a change in accounting policy identified earlier in this report.

**CIPFA/LASAAC is invited to consider for approval the draft Appendix C for the Code (red CD 14).**

**Draft 2013/14 Code**

2.60 In addition to the above issues, further changes will need to be made to the 2012/13 Code Update and 2013/14 Code to bring it up to date, as follows:

- At the end of each section, there are currently a number of paragraphs outlining the changes since the published 2013/13 Code.
  - Where the requirements have changed between the 2012/13 Code and the 2013/14 Code, these paragraphs have been updated as part of the redrafting process.
  - Where these amendments have changed as a result of the 2012/13 Code Update the following wording has been used "The 2013/14 Code (following the amendments introduced in the 2012/13 Code Update)..." .
  - Where the requirements have not changed, these paragraphs will need to be deleted and replaced with the sentence "There have been no changes since the 2012/13 Code."
- A number of minor and typographical amendments identified as a result of the consultation process will be corrected by the Secretariat.
- Appropriate amendments will be made for removal of references to landfill allowances in England and Scotland and for Police and Fire Boards in Scotland as set out in the ITC.
- Amendments will be made throughout the Code to refer only to adaptations instead of adaptations and interpretations.

- 2.61 It is proposed that once all these changes, and changes arising out of CIPFA/LASAAC decisions, have been made, a complete draft of the Code (with changes in mark-up) will be circulated for final approval.

#### **Recommendations**

**The Board is invited to consider the individual issues brought to its attention above and consider for approval the 2012/13 Code Update and 2013/14 Code.**

## SUMMARY OF CONSULTATION RESPONSES

### Housing Revenue Account Reform (England) – The New Self Financing Regime

*Note – a group of interested parties best described as professional accounting firms that audit local authorities is abbreviated in this Appendix to “firms”.*

#### *Statistical Analysis of Responses*

Question	Agree	Disagree	No Comment
1 Do you agree that the amendments to the presentational requirements of the Code required for HRA self-financing in England are limited to deletion of references to England in the HRA Income and Expenditure Statement line items for negative HRA Subsidy payable and HRA Subsidy receivable? If not, why not? What alternatives do you suggest?	14 (36%)	1 (3%)	24 (61%)
2 Do you agree that the amendments to paragraph 4.1.3.6 reflect effectively the process required to manage the impact of depreciation on the HRA balance and the maintenance of the Major Repairs Reserve under the <i>Item 8 Credit and Item 8 Debit (General) Determination from April 2012</i> and the Accounts and Audit (England) Regulations 2011? If not, why not? What alternatives do you suggest?	11 (28%)	2 (5%)	26 (67%)
3 Do you agree that the amendments to paragraph 4.1.3.6 reflect the changes to the statutory accounting requirements for the Major Repairs Reserve introduced by the Determination? If not, why not? What alternatives do you suggest?	13 (33%)	1 (3%)	25 (64%)

**Comments and Responses**

<b>Issue</b>	<b>Secretariat Response</b>
<b><i>Question 1 – Impact of Changes to the HRA Statements</i></b>	
The one respondent that disagreed with the analysis only disagreed to the extent that those authorities with pre-existing PFI schemes will continue to receive grant income in line with subsidy for these schemes – this is not reflected in the draft amendments. A similar comment was provided by an interested party who indicated that a few authorities were paid this grant – this party did not include a response sheet. This interested party noted that if this was not in the Code then it would be useful in the Guidance Notes to set out whether or not this is to be treated as a contribution towards expenditure or still as a subsidy.	Although authorities receive grant income for PFI schemes the line analysis in the Code does not need to specify this detail. The Secretariat has previously discussed this issue with the DCLG. It understands that the Department does not have any issues with this approach. Where material the authority, may, in accordance with the requirements of the Code disclose the grant separately on the face of the HRA Income and Expenditure Statement or in the Notes. The Code Guidance Notes <sup>1</sup> already provide similar commentary.  <b>No further action is recommended.</b>
<b><i>Question 2 – Impact of the Amended Provisions on the Major Repairs Reserve Entries – Depreciation</i></b>	
A number of respondents noted that there was potential for confusion in relation to the relationship of paragraph 4.1.3.5 and 4.1.3.6 and the fact that non-dwelling depreciation in the HRA is intended to be a real charge on the HRA. Two respondents noted that it would also be useful to cover the transitional position on impairment here for completeness. One of the firms indicated that this section of the Code should reflect in more detail the interaction of legislative requirements	Although the Secretariat understands that the policy intention is to ensure that depreciation is "a bottom line" charge on the HRA (subject to the current HRA transitional arrangements) and is already "a bottom line charge" for non-dwellings, it is important to note that the depreciation charges for the HRA do not operate in the same way as commercial practice and that the HRA still operates within the legislative framework as a part of the General Fund where depreciation is not a

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<sup>1</sup> Code of Practice on Local Authority Accounting in the United Kingdom, Guidance Notes For Practitioners 2012/13 Accounts CIPFA October 2012

<b>Issue</b>	<b>Secretariat Response</b>
<p>and the Code indicating which adjustments are required and which are permitted. One of the respondents to the consultation included commentary on the impact of changes to the value of the stock on their reserves and the impact of valuation issues on the affordability of business plans.</p>	<p>proper charge. In addition commercial entities do not have to take a credit for an amount equal to depreciation from its resources to be placed in a separate reserve. The interaction with the treatment for capital receipts also has an impact on how assets are derecognised in local authorities. However, in a different approach to that previously included in the Code some clarification has been added to both paragraphs 4.1.3.5 and 4.1.3.6.</p> <p><b>Action: CIPFA/LASAAC is invited to consider for approval the proposed amendments.</b></p> <p>Note that CIPFA has commented previously to the DCLG on the impact of depreciation and the other charges to the HRA which represent a consumption of resources or changes in the value of the asset. The Secretariat would contend that the issue of affordability cannot be resolved by the Code but is a policy issue. It might be useful to note though that the establishment of the Revaluation Reserve at 1 April 2007 has exacerbated the issue as any revaluation gains accumulated before that date are not recorded in the Reserve but are "lost"/not available for use in the Capital Adjustment Account.</p> <p><b>CIPFA/LASAAC is invited to consider whether it wishes to comment on this issue in any way?</b></p> <p>The Code previously did not include any commentary on the statutory provisions for impairment in the HRA as these provisions operated in the same way as the General Fund (and were not proper charges). In substance this position has not changed under the self-financing regime and will not change for the</p>

Issue	Secretariat Response
	<p>next five years under the transitional arrangements.</p> <p><b>CIPFA/LASAAC is invited to comment on whether it wishes to include any commentary in the Code on the reversals of impairment in the HRA.</b></p>
<b><i>Question 3 – Impact on Other Changes to the Major Repairs Reserve</i></b>	
<p>One of the firms indicated that the wording on the other transfer included in paragraph 4.1.3.6 could be confusing when read out of context.</p>	<p>Some minor redrafting has taken place to set the context; however, more detailed drafting is at the risk of providing an interpretation of the determination.</p> <p><b>CIPFA/LASAAC is invited to consider whether it wishes to agree with the redrafting.</b></p>

## Accounting for Carbon Reduction Commitment (CRC) Energy Efficiency Scheme Assets

### *Statistical Analysis of Responses*

Question	Agree	Disagree	No Comment
<p>4 Do you agree that it is appropriate to base the proposed accounting provisions for the CRC scheme in Section 2.4 on the decisions made in IFRIC 3 <i>Emissions Rights</i> (withdrawn 2005) – ie, to recognise an asset for allowances held and a liability for the surrender of allowances? If not, why not? What alternatives do you suggest?</p>	28 (72%)	2 (5%)	9 (23%)
<p>5 Do you agree that allowances should be carried as intangible assets (analysed into current and non-current amounts) in accordance with Section 4.5 of the Code or, if held for trading, as current assets in accordance with Chapter Five of the Code? If not, why not? What alternatives do you suggest?</p>	25 (64%)	4 (10%)	10 (26%)

6 Do you agree that it is appropriate to measure allowances at fair value? If not, why not? What alternatives do you suggest?	27 (69%)	3 (8%)	9 (23%)
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### **Comments and Responses**

Issue	Secretariat Response
<b><i>Questions 4 and 5 Use of the IFRIC and Classification and Measurement of the Assets</i></b>	
<p>There were numerous comments from both authorities and firms for these three questions. Those providing commentary did not always set out whether they agreed or disagreed with the proposal. One respondent indicated that it considered that the Scheme should be treated as a tax. Another raised the concern of the mismatch between the measurement of an intangible asset and the settlement of the allowance at the balance sheet date. One of the firms indicated that they thought that the Code should recognise other accounting options for valuing the asset but noted that they considered that any approach should be consistent with the FReM. Another of the firms also indicated that the approach should be consistent with the FReM. A number of respondents indicated that authorities were unlikely to trade the allowances. However, one of the firms commented that where this might be the case such assets might need to be classified as an investment asset.</p> <p>A number of the respondents (including one of the firms and a number of authorities) noted that if the assets are classified as intangible assets there was a possibility that this will meet the statutory definition of</p>	<p>Many of these arguments have already been considered by the Board and were the arguments that were raised prior to the IFRIC being withdrawn. However, as noted in earlier reports, despite its withdrawal of the IFRIC the IASB indicated that it considered the IFRIC to be an appropriate interpretation for IFRS applicable at the time.</p> <p>The 2012/13 Code Update has also been drafted in accordance with the last version of the documentation that was considered by the Government's Financial Reporting Advisory Board (FRAB) in October 2010 and is currently consistent with the proposed approach in the Exposure Draft of the FReM, with the exception of the recommendation below on the treatment of the allowances as current intangible assets.</p> <p>Following this approach classification of the allowances as intangible assets will result in revaluation gains and losses normally being taken to the Revaluation Reserve. It is acknowledged that this may result in a mismatch between the income and expenditure recognised in the Comprehensive Income and Expenditure Statement, although this is not expected to have any significant budgetary impact (the difference being the timing of the recognition of</p>

<b>Issue</b>	<b>Secretariat Response</b>
capital expenditure under the various Acts.	<p>revaluation gains in respect of allowances not used in year).</p> <p>In relation to the treatment of allowances as current and non-current, the Board will remember, as reported at its June meeting that the future of the approach to the Scheme is not clear following comments on a review of the Scheme in the Chancellor's budget statement earlier this year – see also main report.</p> <p>At its October 2010 meeting the Board invited to consider whether it should classify the assets as current as this would ensure that the assets would not meet the definition of capital expenditure. This was not considered due to the uncertainty of the Scheme at the time. The Secretariat would repeat this recommendation. This would also follow the approach for landfill allowances in England and Scotland which were classified as current assets. The Secretariat would not normally recommend such an approach as it is for authorities to classify assets in accordance with the Code and for the DCLG and devolved administrations to consider whether or not such items should meet the definition of capital expenditure in the prudential framework. However, taking into account the uncertainty in future in relation to the CRC Energy Efficiency Scheme it might be appropriate as a short term resolution to this issue until the direction of the Scheme is clear. Therefore the Secretariat recommends that the allowances are accounted for as current intangible assets for the 2012/13 Code Update and 2013/14 Code. This would need to be followed by the Board reviewing developments in the Scheme.</p>

Issue	Secretariat Response
	<p><b>CIPFA/LASAAC is invited to comment on this approach for the 2012/13 Code Update and the 2013/14 Code.</b></p> <p>The Code Draft refers to trading as the Scheme as a trading scheme. However, it is not clear that authorities are able to speculate on the value of the assets and this is supported by one of the respondents also doubting that local authorities have the power to trade speculatively in the allowances.</p> <p><b>CIPFA/LASAAC's views are sought on whether it wishes to continue classifying the item as a current item of inventory as authorities are unlikely to trade significantly.</b></p>
<b><i>Question 6 – Measurement at Fair Value</i></b>	
A police body noted that there may not be an active market for such allowances and hence there is no need to calculate the fair values.	<p>The Code permits measurement at cost for intangible assets where there is no active market.</p> <p><b>No further action recommended.</b></p>

## **Changes to the Code to Reflect the New Prudential System for Capital Finance in Northern Ireland**

### ***Statistical Analysis of Responses***

Question	Agree	Disagree	No Comment

7	Do you agree that the amendments to the Code are sufficient to reflect the impact on the financial statements of the implementation of the new prudential system in Northern Ireland? If not, why not? What alternatives do you suggest?	2 (5%)	0	37 (95%)
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**Comments and Responses**

Issue	Secretariat Response
<b><i>Question 7 – Changes to the Prudential System for Capital Finance in Northern Ireland</i></b>	
There were no comments other than the two positive responses provided by two of the firms.	<b>No further action required.</b>

**Minor Changes for the 2012/13 Code Update**

*Non-Domestic Rate Income: Potential for the Authority to Act as Principal (England and Scotland)*

**Statistical Analysis of Responses**

Question	Agree	Disagree	No Comment
8 Do you agree with the proposed amendment at paragraph 2.8.2.2 of the Code? If not, why not? What alternatives would you suggest?	21 (53%)	1 (3%)	7 (44%)

**Comments and Responses**

Issue	Secretariat Response
<b><i>Question 8 – Minor amendments principle/agent treatment of NNDR</i></b>	
One authority suggested that it would be better for CIPFA to provide clear guidance as to how business rates	The suggested amendments to paragraph 2.8.2.2 are implicit in the Code and are intended to facilitate any

Issue	Secretariat Response
should be accounted for from 1/4/2013.	<p>pilot arrangements which might impact on the agency nature of NNDR. When the arrangements for localisation of NNDR are clarified the Secretariat will make recommendations for the Board to consider.</p> <p>The Secretariat would also highlight that a number of other comments supported the flexibility that this allowed.</p> <p><b>The Secretariat recommends no further action.</b></p>
One of the audit bodies' proposed two changes of wording. One has been accommodated in the proposed amendments to the ED of the Code. The other which suggests that the final sentence "Where an authority is acting as the principal in terms of Section 2.6, transactions should be included in the financial statements following the relevant section of the Code."	<p>The Secretariat has made some amendment to the wording of paragraph 2.8.2.2. However, the Secretariat would recommend that this paragraph needs to assess whether or not any new arrangements mean that the authority continues to be agent or is principal in the transaction.</p> <p><b>CIPFA LASAAC is invited to consider the amendments to paragraph 2.8.2.2.</b></p>

*Other minor changes for the 2012/13 Code Update*

#### ***Statistical Analysis of Responses***

Question	Agree	Disagree	No Comment
9 Do you agree with the minor amendments and corrections listed in the Exposure Draft? If not, why not? What alternatives do you suggest?	28 (72%)	0	11 (28%)

**Comments and Responses**

<b>Issue</b>	<b>Secretariat Response</b>
<b>Question 9 – Minor amendments</b>	
One of the audit bodies suggested replacing “revenue grants” with “revenue grants and contributions relating to revenue expenditure” in paragraph 2.3.2.11 as some capital grants may be used for revenue purposes.	<p>This would be incorrect as capital grants are not recognised in service revenue accounts per paragraph 3.4.2.43 (e).</p> <p><b>No further action recommended.</b></p>

**SECTION B – DEVELOPMENT ITEMS WHICH WILL BE INCLUDED IN THE 2013/14 CODE ONLY**

**IAS 19 Employee Benefits (June 2011 Amendments)**

**Statistical Analysis of Responses**

Question	Agree	Disagree	No Comment
10 Do you agree that the revisions to the definitions in section 6.1.2 will not have practical consequences for the preparation of the statement of accounts, other than those detailed in paragraphs 28 to 44 of the ITC? If not, why not? What alternatives do you suggest?	26 (67%)	0	13 (33%)
11 Do you agree that the adaptation to the definition of assets held by a long-term employee benefit fund is needed to accommodate local government pensions scheme circumstances? If not, why not? What alternatives do you suggest?	24 (62%)	0	15 (38%)
12 Do you agree with CIPFA/LASAAC's clarification that in accounting terms that paid absences means the same as compensated absences and that this maintains the link with the statutory accounting requirements? If not, why not? What alternatives do you suggest	30 (77%)	0	9 (23%)

13	Do you agree that the amendments to Section 6.2.3 retain the basic principles for accounting for other long-term benefits apart from applying the revised analysis of the elements of remeasurements set out in more detail in Section 6.4 for post-employment benefits? If not, why not? What alternatives do you suggest?	26 (67%)	0	13 (33%)
14	Do you consider that paragraphs 6.2.4.1 and 6.3.3.1 effectively capture the disclosure requirements for employee benefits expenses in IAS 19 ie that there are other specific requirements in other parts of the Code where these costs are already reported if material and/or in the subjective analysis reconciliation in the segmental reporting disclosure note? If not, why not? What alternatives do you suggest?	26 (66%)	1 (3%)	12 (31%)
15	Do you agree that the changes to the Code's provisions for termination benefits from a "demonstrably committed" basis for the recognition of termination benefits to one founded on the ability to withdraw the offer of benefits will not make a substantial practical difference to the way in which benefits are recognised, measured and disclosed? If not, what effects will the changes have? What alternatives do you suggest?	27 (69%)	3 (8%)	9 (23%)
16	Do you agree that the reclassification of components (and the changes in definitions of some of those components) has been achieved effectively in the proposed amendments to the Code? If, not why not? What alternatives do you suggest?	25 (64%)	1 (3%)	13 (33%)
17	Do you agree that the Code should identify separately as expenses the three sub-components of defined benefit plan service cost, such that current service costs can continue to be charged to the total cost of services?	29 (74%)	0	10 (26%)

18	Do you agree that the revised disclosure requirements for defined contribution plans in IAS 19 have been incorporated appropriately in paragraph 6.4.3.42 14)? Are there any technical or practical barriers to collecting and presenting the information required by the disclosures?	21 (54%)	4 (10%)	14 (36%)
19	Do you agree that the revised disclosure requirements for defined benefit plans in IAS 19 have been incorporated appropriately in paragraph 6.4.3.42? Are there any technical or practical barriers to collecting and presenting the information required by the disclosures? It would be helpful to CIPFA/LASAAC if respondents could comment on the two disclosures identified but the question is open to all of the disclosures in Section 6.4 of the proposed amendments to the Code.	22 (56%)	3 (8%)	14 (36%)
20	Do you agree with CIPFA/LASAAC's approach to the reporting of actuarial present value of promised retirement benefits ie that the options offered by the Code are not required to represent the position at the balance sheet date? If not why not? Please provide an explanation with your response.	18 (46%)	4 (10%)	17 (44%)

#### ***Comments and Responses***

<b>Issue</b>	<b>Secretariat Response</b>
<b><i>Question 10 – Revisions to Definitions</i></b>	
One audit body noted that instead of referring to IAS 24 when referring to qualifying insurance body the definition should instead refer to section 3.9.	This approach follows that used previously in the Code. Section 3.9 does not refer to qualifying insurance policy and therefore reference has not been made to that section.  <b>No further action recommended.</b>
One of the firms noted that there was	The Secretariat considers that the

<b>Issue</b>	<b>Secretariat Response</b>
<p>no reference to group plans. It referred to the requirements in paragraph 41 of the amended standard and noted that one of its clients had a group scheme. It suggested that the examples in paragraph 6.4.1.8 should be expanded to include group schemes.</p>	<p>Code requires reference to the Standard if the provisions of the Code do not specify a particular accounting treatment. There are no adaptations in the Code on accounting for group plans and therefore direct reference should be made for circumstances like these. The respondent notes that group schemes are rare in local authorities. The Secretariat concurs with this issue and is not aware of another example. The Secretariat does not recommend expansion of the Code's provisions in paragraph 6.4.1.8 to include this as this does not follow the drafting structure of the standard. If the Board considered it necessary the provisions of paragraph 41 of the standard could be included or referred to in Section 6.4 of the Code.</p> <p><b>CIPFA/LASAAC is invited to consider whether it wishes to include reference to group schemes in the Code following the requirements of paragraph 41.</b></p>

***Question 11 - Assets held by a Long-term Employee Benefit Fund***

<p>CIPFA/LASAAC will note the number of positive responses to the proposed change. One of the firms noted that it considered that the existing definition would be sufficient to say "held within a Local Government Pension Scheme (LGPS)."</p>	<p>The Secretariat considers that it is important to maintain a definition that indicates that these assets are intended solely to pay or fund employee benefits to ensure appropriate separation.</p> <p><b>CIPFA/LASAAC's views are sought on this course of action.</b></p>
<p>An actuary responded that he had received legal advice that the Local Government Pension Scheme Funds are not legally separated from an</p>	<p>The Secretariat has amended the wording of the definition to reflect this.</p> <p><b>CIPFA/LASAAC's views are</b></p>

<b>Issue</b>	<b>Secretariat Response</b>
authority's funds.	<b>sought on the approach to this definition.</b>
<b><i>Question 12 – Use of the Terms Compensated/Paid Absences</i></b>	
One authority questioned whether there were any negative consequences in terms of cash/accrual accounting but noted that it was not sure that this was the appropriate word when referred to in paragraph 6.2.2.5.	The term "paid" is used in the Standard and therefore although there might be some misunderstandings of terminology this does mean the accrued cost of the payment in the Comprehensive Income and Expenditure Statement and Balance sheet and is set out in paragraph 6.2.2.3. The word compensated remains in paragraph 6.2.2.5 as this paragraph relates to the statutory accounting requirements which currently use the word. This is also explained in the footnote in paragraph 6.2.2.1.  <b>No further action recommended.</b>
<b><i>Question 13 – Long Term Employee Benefits</i></b>	
One audit body commented that paragraph 6.2.3.2 does not state where remeasurements are recognised.	This is provided in paragraph 6.2.3.4. However, the Comprehensive Income and Expenditure Account will need to specify the treatment for long-term employee benefits remeasurements. An appropriate amendment has been added to paragraph 3.4.2.43 c).  <b>CIPFA/LASAAC is invited to consider whether they agree with this amendment.</b>
One of the firms recommended minor additional clarification be added to the examples of other long-term employee benefits	Some minor redrafting has been undertaken to ensure the examples accord with the standard.  <b>CIPFA/LASAAC is invited to consider whether they agree with this minor amendment at 6.2.3.1.</b>

Issue	Secretariat Response
<b><i>Question 14 – Disclosure of Short/Long Term Employee Benefits and Termination Benefits</i></b>	
<p>The one audit body that disagreed with this statement commented that "the current wording (i.e. 'other sections of the Code may require disclosures') is too vague to effectively capture the disclosure requirements. We suggest that it be changed to 'other sections of the Code require disclosures', and that the relevant sections are listed."</p>	<p>This terminology follows the wording of IAS 19. The examples already set out what the other disclosure requirements are.</p> <p><b>CIPFA/LASAAC is invited to comment on whether they wish to adopt this suggested approach or maintain the current approach.</b></p>
<p>One of the firms indicated that it agreed but suggested more clarity on exactly what should be included in the subjective analysis.</p>	<p>There is significant detail in the subjective analysis but CIPFA/LASAAC may wish to change the reference in paragraph 3.4.2.90 from employee expenses to employee benefits to accord with IAS 1 and to align with chapter six.</p> <p><b>CIPFA/LASAAC is invited to comment whether it wishes to make this amendment.</b></p>
<p>One of the firms indicated that although these two paragraphs reflect similar ones to IAS 19 it thinks that they are unnecessary and can be deleted.</p>	<p>As CIPFA/LASAAC has previously maintained the need to accord with the approach in this standard no changes have been recommended.</p> <p><b>CIPFA/LASAAC's views are sought on this approach.</b></p>
<b><i>Question 15 - Impact of Change in Recognition requirements for Termination Benefits</i></b>	
<p>One of the audit bodies recommended that paragraph 6.3.2.1 (a) should be amended to read "when the authority is without the realistic possibility of withdraw[al] of the offer of those benefits".</p>	<p>Paragraph 6.3.2.1 (a) is consistent with the standard whilst the suggested amendment adds further subjective judgement to the paragraph. The Secretariat suggests that no further amendment should be made.</p>

<b>Issue</b>	<b>Secretariat Response</b>
	<b>No further action recommended.</b>
One authority suggested that this change will result in fewer provisions for termination benefits being recognised and that this is less prudent.	The Secretariat would note that the IASB Conceptual Framework Phase 1 (as adopted by the Code) has moved away from prudence and conservatism as an aspect of faithful representation and instead focuses on neutrality. This could not be a reason for not recognising the costs in accordance to the clarification in the amended standard.  <b>No further action recommended.</b>
One authority questioned the application of paragraph 6.3.1.3, where scheme rules mean that employees are entitled to request early retirement.	This is application guidance – if there is not an offer from the authority this is not a termination benefit in accordance with the amendments to paragraph 6.3.1.3 and paragraph 160 of the standard.  <b>CIPFA/LASAAC is invited to comment on whether or not it wants to include exemplification of this paragraph in the Code or whether this is an issue for application guidance.</b>
One authority believed that this may result in provisions being recognised later than they would have done under the “demonstrably committed” definition. Another authority believed that demonstrably committed was a clear date and that the new definition will lead to varying interpretations.	The IASB made this clarification in the 2011 amendments to the standard. It concluded that until the events specified in paragraph 6.3.2.1 occur the employer has discretion to avoid paying termination benefits and, therefore, a liability does not exist. It is not clear that there is any specific need to make further adaptations for public sector circumstances and therefore no change is recommended.  <b>CIPFA/LASAAC contended in the ITC that this was not a substantial difference to the accounting policies specified in</b>

Issue	Secretariat Response
	<p>the Code. Only three responses provide indications that it might be although there are no clear indications that this is the case. CIPFA/LASAAC is invited to consider if there is a specific need to make any specific reference to this in Appendix C of the Code or any other transitional provisions – a draft of Appendix C currently refers to Termination Benefits.</p>
<p><b><i>Question 16 – Classification of Components of the Defined Benefit Obligation</i></b></p>	
<p>The one authority/respondent that disagreed with the proposals indicated that the previous classification had more clarity and that the new classification will not add to the understandability of the accounts.</p>	<p>The new classification that the respondent appears to be referring to are those brought about by the changes in the Standard. The Secretariat can see no reason for particular adaptations here.</p> <p><b>No further action recommended.</b></p>
<p><b><i>Question 17 – Componentisation of Service Cost</i></b></p>	
<p>No issues of substance were raised in relation to question 17.</p>	<p><b>No further action recommended.</b></p>
<p><b><i>Question 18 – Disclosure of Defined Contribution Plans</i></b></p>	
<p>One audit body questioned whether paragraph 6.4.3.42 14) could be simplified to say “Local authorities participating in defined benefit plans that are accounted for on a defined contribution basis shall disclose”.</p>	<p>The intention of the first part of this disclosure was to make it clear to a small number of authorities in pooled schemes to which this disclosure would apply (in addition to the Schemes specifically referred to in paragraph 6.4.1.7 and 8) that they would need to provide this disclosure. The Secretariat would therefore not recommend the more simplified approach.</p> <p><b>No further action recommended.</b></p>

<b>Issue</b>	<b>Secretariat Response</b>
<p>A firm raised the issue of practical considerations in relation to providing the information requirements for this disclosure which might be at a cost to the authority. It considered there needed to be a cost benefit analysis on the need for the additional information in comparison to these costs. Another firm commented that it saw no technical barriers to the collection of this information. A small number of authorities raised issues of practical application.</p>	<p>Whilst it is likely that there will be some additional administration costs involved in the collection of information there was not a groundswell of opinion that this particular disclosure would be overly onerous or costly to achieve for each authority.</p> <p><b>CIPFA/LASAAC is invited to consider whether or not there is any action it would take for this particular disclosure.</b></p>
<p>One of the firms queried whether or not there are any circumstances under which an authority can be liable to a local government pension fund for other entities' obligations.</p>	<p>This was discussed with the actuaries. It is considered that this would not normally be the case. Authorities would disclose as necessary.</p>
<p>One of the firms indicated that it agreed with the amendments but noted there might be some difficulty for an authority in obtaining the disclosure information in relation to d) and v) in respect of national teachers' pension schemes. An authority also raised the issue about knowing an authority's proportion of the National Teachers Pension Plan per item v). A further authority respondent indicated that the disclosure should not be included unless the willingness of the Teachers Pensions Agency had been sought on whether the information can be provided.</p>	<p>The firm which responded considered that qualitative indicative information would be able to be provided for d) and v). The Secretariat notes that d) is already required by the Code and that v) only requests indications which should be available in reports available for the Teachers Pensions Agency. The Secretariat is also consulting with the relevant agencies.</p> <p><b>Currently no further action recommended.</b></p>
<p><b><i>Question 19 – Disclosures of post- employment benefits, particularly 6.4.3.42 8) and 13 c)</i></b></p>	
<p>The Board will note that the significant majority of those respondents expressing a view indicated that they agreed with the proposals. Nine authorities (including those agreeing with the proposals) raised general</p>	<p>Whilst a number of authorities indicated that there may be difficulties in providing this information only one authority, the actuary and the audit bodies gave any specific commentary on the</p>

Issue	Secretariat Response
<p>issues of the added complexity of the disclosures, the possibility of additional costs and added administration and time required to compile the disclosures (one of these a metropolitan district council indicated that it estimated that the cost would be an additional £500).</p> <p>A number indicated there may be barriers to producing the information, including obtaining the relevant information from the actuary or the pension fund accounts. Another indicated that there would be no barriers. One authority considered the actuary already adjusts some of the assumptions to fit employers with different profiles per disclosure (6.4.3.42 13 c). This same authority noted the practical difficulty in estimating information on risks in relation to 6.4.3.42.8) which are to a large extent reported in the pension fund accounts. The authority noted that the actuary carries out the exercise in December and extrapolates to 31 March using market indices. This shows the broad categorisation of assets only.</p> <p>One of the audit bodies considered that authorities should be able to provide the relevant information for both the disclosures featured in the question. One of firms indicated that the information in paragraph 6.4.3.2.42 8) is available in the pension scheme accounts and could be referred to if necessary. Another wondered about the benefits of this additional detail in comparison to the costs. A further firm also noted that the information should be an intrinsic part of the management of the pension fund accounts. This firm also noted that there should be no significant barriers to providing the</p>	<p>disclosures referred to in the Invitation to Comment. None of these responses have clearly indicated that the information could not be produced, although there appears to be a consensus around difficulties existing in relation to disclosure 8 which provides a breakdown of assets held by the plan.</p> <p><b>The Board has a number of options.</b></p> <p><b>1) include all the disclosures in the standard as exposed</b></p> <p><b>2) include transitional provisions for the disclosures that are most difficult – disclosures 8 and 13.</b></p> <p>The transitional provisions could include the introduction on a staggered basis of paragraph 6.4.3.42 13 c) (however it should be noted that one of the firms indicated that this information was available). Another of the transitional provisions could be to make a temporary adaption of paragraph 6.4.3.42 8) to state:</p> <p><b>"An authority shall disaggregate the fair value of the total plan assets into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into those that have a quoted market price in an active market (as defined in IFRS 13 Fair Value Measurement) and those that do not; for example, and considering the level of disclosure discussed in 2) above, an authority could distinguish between ..."</b></p>

Issue	Secretariat Response
<p>disclosure information. The same firm indicated that the information needed for disclosure 6.4.3.42 13 c) should be obtainable from the actuary as it is a key input to the measurement of the defined benefit obligation.</p>	
<p><b><i>Question 20 - approach to the reporting of actuarial present value of promised retirement benefits</i></b></p>	
<p>A number of the respondents suggested moving to a single option. Some of the respondents made specific recommendations or suggestions:</p> <p>Two audit bodies suggested moving to a position where the requirement is for assets and liabilities to be reported as at the end of the reporting period.</p> <p>One of the firms indicated that this was its preferred approach.</p> <p>One of the audit bodies recommended that this should be considered for a later edition of the Code.</p> <p>Another of the audit bodies suggested that the move should be for one option ie option B as this is what most authorities chose.</p> <p>This was supported by one of the authorities noting that option B was their preference.</p>	<p>The Secretariat suggests that the options currently in the Code should be maintained and that this issue should be taken forward in the development programme of the Code where the merits of the options can be considered in more detail by the CIPFA/LASAAC.</p> <p><b>No further action recommended.</b></p>
<p>One of the firms indicated that the use of "good practice" indicated that the other options permit financial reporting which is not good practice and that this practice is supported by the Code.</p>	<p>This is acknowledged and therefore the suggested amendments indicate the Code Board's preferred approach.</p> <p><b>CIPFA/LASAAC is invited to consider the new suggested wording.</b></p>
<p>One of the firms indicated that CIPFA/LASAAC's intentions might be</p>	<p>Some redrafting has taken place.</p> <p><b>CIPFA/LASAAC is invited to</b></p>

<b>Issue</b>	<b>Secretariat Response</b>
better expressed.	<b>consider the new suggested wording.</b>

#### **Other general comments on pensions**

<b>Issue</b>	<b>Secretariat Response</b>
One of the firms indicated that the drafting of the comments on the status of IPSAS 25 ie its use for additional guidance had inadvertently increased its prominence over IAS 19.	This is acknowledged and the appropriate amendment made.  <b>CIPFA/LASAAC is invited to consider these amendments.</b>
The same firm wondered why reference was made in the paragraph 6.2.1.4 a) and b) to the IPSAS adaptation as the Code only applies IFRS interpretations.	These paragraphs were included in the original Code. The Secretariat has therefore not sought to amend them. However, this can be reviewed for future editions of the Code.  <b>CIPFA/LASAAC's views are sought on this approach.</b>

#### **IAS 1 Presentation of Financial Statements – Other Comprehensive Income**

##### ***Statistical Analysis of Responses***

<b>Question</b>	<b>Agree</b>	<b>Disagree</b>	<b>No Comment</b>
21 Do you agree with CIPFA/LASAAC's preferred approach to the amendments to IAS 1 ie to include a requirement for authorities to adopt the amendment to IAS 1 when they report amounts in Other Comprehensive Income and Expenditure which are reclassifiable to the Surplus or Deficit on the Provision of Services? If not, why not? Please provide a rationale in support of the option you prefer?	29 (74%)	1 (3%)	9 (23%)

22 Do you agree with the proposed amendments to the line items in the CIES as a consequence of the adoption of IAS 19 in the Code? If not, why not? What alternatives do you suggest?	26 (67%)	0	13 (33%)
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**Comments and Responses**

Issue	Secretariat Response
<b><i>Question 21 – Adoption of Amendments to IAS 1</i></b>	
<p>One of audit bodies suggested that an example of the potential gains and losses which may be reclassifiable be provided at paragraph 3.4.2.49 of the Code and that as paragraph 3.4.2.50 amendments refer to the effect of taxes clarification should be added that this was in relation to Group Accounts.</p>	<p>The Secretariat has added the most relevant example at paragraph 3.4.2.49 and has added clarification that the paragraph 3.4.2.50 as a whole refers to Group Accounts. The Secretariat would note that the latter change is not strictly necessary.</p> <p><b>CIPFA/LASAAC is invited to consider the changes above.</b></p>
<p>One firm agreed but commented that it, "we also think that it may be helpful to practitioners to provide additional clarity by organising the list of minimum disclosure items in paragraph 3.4.2.43" into:</p> <ul style="list-style-type: none"> <li>• items that are recognised in the surplus/deficit on the provision of services – i.e. items (a) to (i);</li> <li>• items of other comprehensive income that are not reclassified into equity e.g. items (j), (k) and (m); and</li> <li>• items of other comprehensive income that are subsequently reclassified e.g. item (l).</li> </ul>	<p>This was similar to one of the options considered by CIPFA/LASAAC in the production of ITC and brings the changes to the CIES required by the amendments to the standard into the format of the CIES. Arguably this approach might cause confusion for those authorities not having items that are reclassifiable. CIPFA/LASAAC may, however, wish to order the lines into those items which are reclassified into the Surplus or Deficit on the Provision of Services and those that are not. This option which is close to that suggested by the firms is provided in an alternative draft (ref CD 7A) demonstrating possible approach to the changes to the CIES.</p> <p><b>CIPFA/LASAAC is invited to</b></p>

<b>Issue</b>	<b>Secretariat Response</b>
	<b>consider which approach it prefers.</b>
<b><i>Question 22 – Amendments to the CIES for IAS 19 Amendments</i></b>	
There were no comments of substance in relation to question 22.	<b>No further action required.</b>

## **IFRS 13 Fair Value Measurement**

### ***Statistical Analysis of Responses***

<b>Question</b>	<b>Agree</b>	<b>Disagree</b>	<b>No Comment</b>
23 Do you agree with CIPFA/LASAAC's view that the definition of fair value in IFRS 13 does not generally apply to property, plant and equipment held by local authorities and that the use of the measurement and disclosure requirements of Section 2.10 should be restricted by a rebuttable presumption that these assets are not profit generating for local authorities? If not, why not? What alternatives do you suggest?	27 (69%)	1 (3%)	11 (28%)
24 Do you agree with the approach in the Exposure Draft that all the assets listed in paragraph 2.10.2.11 should be excluded from the scope of the fair value measurement of the Code? If not, why not? What alternatives do you suggest?	27 (69%)	1 (3%)	11 (28%)
	Both exclusions apply	Disclosures apply to all	No Comment

25	Do you consider that the scope exclusions in paragraph 2.10.2.11 should extend to both measurement and disclosure requirements of the Standard or do you consider that the disclosure requirements should apply to all assets measured at fair value? Please provide an explanation for your response.	21 (54%)	4 (10%)	14 (36%)
		Agree	Disagree	No Comment
26	Do you agree with the approach to drafting of the fair value measurement provisions in section 2.10 ie that only the main principles and assumptions of the Standard are included in the Code? If not, why not? What alternatives do you suggest?	24 (62%)	2 (5%)	13 (33%)
		All disclosure requirements	Only those definitely relevant	No Comment
27	Do you consider that the Code should include all the disclosure requirements of IFRS 13 or do you consider that the Code should only include the disclosure requirements definitely relevant to local authorities? Please set out which of the disclosures you consider to be relevant to your authority.	6 (16%)	22 (58%)	10 (26%)
		Yes	No	No Comment
28	Do you consider that disclosures at paragraph 2.10.4.1 6) and 8) are relevant to local authorities? If yes please set out the type of transactions to which you consider such disclosures apply	3 (8%)	15 (38%)	21 (54%)

29 Do you consider the consequential amendments in relation to fair value measurement as described in paragraph 57 above adequately reflect the requirements of adoption of IFRS 13 in the Code? If not, why not? What alternatives do you suggest?	20 (51%)	1 (3%)	18 (46%)
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**Comments and Responses**

Issue	Secretariat Response
<b><i>Question 23 – Fair Value Application to Property, Plant and Equipment Held By Local Authorities</i></b>	
<p>The one dissenting respondent, one of the firms, commented that:</p> <p>"The driver for this standard is the market price that assets could be sold for rather than a presumption that assets are profit generating. ...</p> <p>"We therefore consider this to be applicable to local authorities PPE under section 4.1 and PPE acquired under service concessions under 4.3.</p> <p>"The standard applies "highest and best" method which we suggest requires more detailed consideration as to how this should be applied in a LG context.</p> <p>"There is specific reference to the cost of replacing assets / service potential where no market value exists which should provide basis for the valuation of specialist properties."</p> <p>To contrast this response one of the firms commented "Since these assets are normally not held by authorities to generate profits or to support profit generating activities and consequently we agree that valuing them on the basis of highest and best</p>	<p>The Secretariat would disagree with this comment. Firstly, although the definition of profit generating assets was included this was solely to ensure that the any assets which should be brought into the measurement requirements of IFRS 13 were identified. The reason that the Board took this decision not to use the measurement requirements of the standard was that the standard is based on market price and at exit values. These measurements are not relevant to local authorities that do not have complete freedom of choice over asset location or use. Therefore market price or highest and best use is not an appropriate measurement of the resources that are held and consumed by the authorities. In addition this is not the approach used by the FReM.</p> <p><b>CIPFA/LASAAC is invited to consider this issue.</b></p>

Issue	Secretariat Response
<p>use does not provide meaningful information to users of the accounts. We also note that these proposals are consistent with HM Treasury's proposals in its current consultation on the implementation of IFRS 13 in the FReM."</p>	
<b><i>Question 24 – Exclusions from Scope of Section 2.10 of the Code</i></b>	
<p>One of the audit bodies suggested in the interests of transparency that the list of items in paragraph 2.10.2.11 be presented in two lists, i.e. 1) those which the standard itself excludes from its scope, and 2) those which the Code excludes as an adaptation."</p>	<p>The Secretariat considers that this will not assist with the understanding of the Code as it operates for this scope exclusion but has included the items to which the adaptation refers in paragraph 2.10.1.2 to assist in the transparency.</p> <p><b>CIPFA/LASAAC is invited to consider whether or not it agrees with this amendment.</b></p>
<p>The same dissenting respondent that objected to question 24 continued with its objections to the approach "We consider that the provisions of IFRS 13 on fair value accounting are applicable to local authorities.</p> <p>"We believe that detailed consideration would be required of the applicability of this standard to the various categories of PPE assets held by local authorities:</p> <ul style="list-style-type: none"> <li>• specialist</li> <li>• council housing</li> <li>• administrative and other operational buildings</li> <li>• investment properties</li> </ul> <p>"IFRS 13 would permit authorities to continue to value specialist assets at Modern Equivalent Asset valuation. We note that Paras B8 and B9 of the</p>	<p>The Secretariat continues to disagree with this approach in accordance with CIPFA/LASAAC's previously stated views. The Code has been based on the principle that property, plant and equipment assets are measured on the basis of the value of the asset in existing use. The Standard indicates that fair value differs from value in use. Fair value reflects the assumptions market participants would use when pricing the asset. In contrast, value in use reflects the effects of factors that may be specific to the entity and not applicable to entities in general. The Secretariat would note that the definition and approach to fair value would be unlikely to reflect the service potential inherent in the assets used by local authorities. Additionally, the Secretariat was aware that the standard allowed the use of replacement cost and allows measurement of Modern Equivalent</p>

Issue	Secretariat Response
<p>Application Guidance for IFRS 13 makes specific reference to the "the amount that would be required to replace the service capacity of an asset (often referred to as current replacement cost) For council housing we consider that the income approach outlined in Para B10 of the Application Guidance for IFRS 13 would be appropriate. This would require a change to using discounted cash flows from the adjusted market value approach to give existing use value for social housing. We note that this approach is already used by the social housing sector.</p> <p>"We consider the requirements of IFRS 13 to be directly relevant for administrative buildings. Other operational buildings such as those used by social services would have to be assessed as to whether these should be valued as specialist or administrative buildings. We note that further consideration will be required as to how the principle of "highest and best use" would be applied in a local authority context."</p> <p>In contrast the majority of the other respondents agreed with the approach and one of the firms commented that it agreed with the approach citing its positive response provided above and;</p> <ul style="list-style-type: none"> <li>• service concession assets in section 4.3 are measured using the same principles as finance leases (which are excluded under b));</li> <li>• Heritage assets, where valued, may not be at fair value due to the wide discretion permitted by FRS 30;</li> </ul>	<p>Asset Values. It would be difficult to apply the fair value measurement requirement to assets needing to be valued at replacement cost. It is also not clear how authorities would be able to maintain the general approach to measuring assets at the existing use of the asset and that it would permit service potential to be measured adequately. In relation to council housing again this would see a move from existing use which should be reflected in the value of the asset and is inherent in the asset values in the Code. There is also varying evidence on the variations in valuations under discounted cash flow. The use of the approach for administrative buildings is also not consistent with the existing use principle and is likely to be inappropriate as it would require valuations in highest and best use which might for example include significantly higher or lower prices than existing use eg retail or residential accommodation. The Exposure Draft already set out that investment properties are to be measured in accordance with IFRS 13 as adopted by the Code and therefore the Secretariat concurs with this view.</p> <p><b>CIPFA/LASAAC is invited to consider for the comments above as an issue of principle.</b></p>

Issue	Secretariat Response
<ul style="list-style-type: none"> <li>RTB assets will usually be sold at less than fair value due to the discounts that must be provided.</li> </ul>	
<p><b>Question 25 – Exclusion Application to both Measurement and Disclosure?</b></p>	
<p>One of the audit bodies provided the following response.</p> <p>"1) The reason why the measurement requirements of IFRS 13 are not applicable to assets which are non-profit generating does not apply to the disclosure requirements.</p> <p>2) It would be hard for users of the financial statements to understand why assets valued at one definition of fair value are subject to the disclosure requirements while assets with a different definition of fair value are not.</p> <p>3) The main reason for excluding the disclosure requirements (as suggested in the ITC) is because much of the required information is already included in the financial statements. However, we view this as an argument to support applying the requirements, perhaps using appropriate cross-references."</p> <p>One of the firms commented that anything that would improve practitioners' and users' understanding of the basis of measurement is a step forward.</p> <p>The statistical analysis of responses indicated support for the comment in the ITC that this information should be available in the disclosures including a number of comments to that effect. A number of the respondents indicated it would be inconsistent to require the disclosures</p>	<p>The Secretariat finds it difficult to disagree with the arguments put forward by the audit body cited here. A limited examination of the information provided in a number of financial statements did not identify sufficient information to satisfy the requirements of the standard. It is important to note that the consultation on the FReM approach requires authorities to disclose information in accordance with the standard on all definitions of fair value. The Board's intention in this approach was to cut clutter in the financial statements of local authorities but the response to this is also provided by the audit body's comments in that authorities can cross refer to information already included in the financial statements. The Secretariat suggests that the application guidance included in the Guidance Notes can assist authorities to avoid clutter in its example disclosures on fair value measurement. The Secretariat has included in the Code draft the proposed wording for the amendments to the Code which would enable the provisions on fair value to apply to measurement only.</p> <p><b>CIPFA/LASAAC is invited to consider whether it wishes to continue with the approach in the Exposure Draft or whether it considers the exemptions in the Standard should apply to measurement only.</b></p>

<b>Issue</b>	<b>Secretariat Response</b>
and others noted that the exclusion of these assets from the disclosure requirements as well as the measurement requirements would assist cutting clutter in the financial statements.	
<b><i>Question 26 – Approach to Drafting Section 2.10</i></b>	
One of the firms considered that if the Code seeks to be a comprehensive statement of accounting requirements it should include sufficient detail to enable users to apply it. They note that this would increase the volume of the Code but would be consistent with the approach in the Code.	The Secretariat would argue that the approach in Chapters Six and Nine are at a more principles level and the approach is not too dissimilar to these chapters. The approach ie at a high level/principles approach was agreed by the Board for the ITC.  <b>CIPFA/LASAAC is invited to consider whether it is content to maintain this approach.</b>
One of the audit bodies that agreed with the overall approach suggested that the definitions of "market participants"; "most advantageous market"; "principal market" and "orderly transaction" should be added to Section 2.10	The Secretariat considers that adding these definitions moves away from the high level/principles approach to the adoption of the standard but seeks the views of the Board.  <b>CIPFA/LASAAC's view on this approach is sought.</b>
One of the firms commented that it agreed but added that the Code should state that practitioners should refer to the standard for further guidance on the application of IFRS 13.	This is the general principle for the entire Code. It would seem inconsistent to highlight one section of the Code. However, the Secretariat does not consider this to be a material issue and would seek the Board's views on their preferred approach.  <b>CIPFA/LASAAC is invited to comment on the above.</b>
One of the respondents commented that the outcome is very similar to the old definition of fair value but written in a different way.	It was not the IASB's intention to radically amend fair values measured in financial statements but to standardise and present a consistent definition of fair value across IFRS.

Issue	Secretariat Response
	<b>CIPFA/LASAAC is invited to comment on the above.</b>
<b><i>Question 27 and 28 – Disclosures to be Included</i></b>	
<p>Two of the audit bodies indicated that for the sake of reducing the length of accounts, maintaining relevance and consistency the disclosures should only be included where they apply to local authorities. As the standard is applied by the Code then if additional disclosures are required in a particular case than they can still be made.</p> <p>A number of authorities considered that the disclosures should only be limited to those directly relevant. One commented that adding to the large volume of technical information on valuation bases can only add to the inaccessibility of the accounts.</p> <p>Three of the firms believed all disclosures should be included. One of the firms indicated that if authorities exercise their powers under the Localism Act 2011 this might increase the scope of the types of transactions local authorities enter into.</p>	<p>The Board's intention with these questions was to discover whether all the disclosures in IFRS 13 are potentially relevant to authorities and to cut clutter where possible. It is possible that under the Localism Act 2011 the nature of local authority transactions might change. None of the respondents identified any more disclosures as not being relevant. Fifteen of the respondents indicated that the two disclosures highlighted in question 28 were not relevant. The Secretariat suggests that there are three options available to the Board.</p> <ol style="list-style-type: none"> <li>1) Include all the disclosures required by IFRS 13.</li> <li>2) Remove either or both of disclosures 7) or 8) in the proposed draft.</li> <li>3) Include all indicating the Board's views on the likely application of these disclosure requirements as set out in the draft of the 2013/14 Code.</li> </ol> <p><b>CIPFA/LASAAC is invited to indicate which of the options it would prefer.</b></p>
<b><i>Question 29 – Consequential Amendments</i></b>	
<p>One of the firms commented that "Para 7.4.2.15 refers to disclosures where an equity instrument cannot be measured reliably but there is no text covering circumstances where valuation cannot be measured reliably. This has been an area where</p>	<p>This issue has not been raised with the Secretariat previously. The text of the Code is consistent with the Standard. However, the Secretariat will consider whether this is an issue for augmentation of application guidance or whether or not it should be</p>

<b>Issue</b>	<b>Secretariat Response</b>
local authorities have not followed requirements in the past eg on valuation of assets such as airports. We suggest therefore that the Code should provide clarification on this point."	considered for the development programme for the 2014/15 Code.  <b>CIPFA/LASAAC is invited to consider whether it agrees with this approach.</b>
<b>Other comments</b>	
A number of drafting suggestions were put forward. The ones accepted are included in the draft of the 2013/14 Code.	

## **Service Concession Arrangements (PFI and PPP Arrangements)**

### ***Statistical Analysis of Responses***

Question	Agree	Disagree	No Comment
30 Do you agree with CIPFA/LASAAC that it is appropriate to augment the provisions of the Code in relation to service concession arrangements based on the additional guidance now available to it? If not, why not? What alternatives would you suggest?	21 (54%)	5 (13%)	13 (33%)
	Financial Liability	Finance Lease	No Comment
31 Do you consider that the liability in service concession arrangements is most effectively measured as a financial liability or a finance lease? Please set out the reasons for your response.	10 (26%)	10 (26%)	18 (48%)
	Agree	Disagree	No Comment

33	Do you agree that the current provisions in the Code should be augmented to include the grant of the right of the operator (third party payment) model from the additional guidance? If not, why not? What alternatives would you suggest?	23 (59%)	0	16 (41%)
		Yes	No	No Comment
34	Do you consider that the provisions of the Code in Section 4.3 should be extended to include intangible assets that are included in service concession arrangements? If not, why not? What alternatives would you suggest?	20 (53%)	3 (8%)	15 (39%)
		Agree	Disagree	No Comment
35	Do you agree that assets that do not meet the control criteria in Section 4.3 of the Code should be excluded from Section 4.3 and instead the treatment of such assets be included as an Annex to it? If not, why not? What alternatives would you suggest?	20 (51%)	1 (3%)	18 (46%)
36	Do you agree with CIPFA/LASAAC that the treatment of Assets under Construction in the proposed augmented provisions of Section 4.3 of the Code provide substantially the same accounting treatment and therefore no transitional arrangements are required in the Code? If not, why not? What alternatives would you suggest?	21 (54%)	4 (10%)	15 (36%)

#### **Comments and Responses**

Issue	Secretariat Response
<b><i>Question 30 – Use of the IPSAS to augment the Code per ED</i></b>	
One of the firms commented that "No, our reasons for this are: 1 LG accounts should be prepared	The Secretariat does not completely follow the rationale provided in the comment but would note that the

Issue	Secretariat Response
<p>within IFRS hierarchy under which guidance from other standard setting bodies can be used to fill in gaps where there is no relevant applicable IFRS. However in this case the proposed amendment is contrary to IAS39 that specifically excludes finance leases from scope of financial instruments, as these are covered by IAS 17 on leasing.</p> <p>2 In addition this would be a departure from HMT FReM which follows IFRS requirements.</p> <p>"Consequently the proposed amendment would conflict with WGA accounting policies.</p> <p>"We note that this leaves inconsistency with IFRIC 12 but believe this flows from treating this as a finance lease."</p> <p>Two of the firms agreed with the approach in the ED but identified the costs of the change. They set out that they were not clear that the costs would not outweigh the benefits, were concerned that this would be inconsistent with the FReM. One of respondents noted that the Accounting Council decided a public benefit grantor should measure its liability as a finance lease. A similar comment was provided by one of the audit bodies that noted significant changes that are not consistent with the FReM could give rise to authorities having to measure assets under a different requirement for WGA.</p>	<p>Appendix to the Memorandum of Understanding would allow reference to an IPSAS where new or different guidance is available. Although only focussing on smaller sections of the IPSAS, the Treasury has consulted on amendments to the FReM following this principle (ie the Treasury has consulted on the grant of the right of the operator (third party payment) model and assets under construction).</p> <p>At the last meeting of FRAB (which considered the Code consultation proposals for service concession arrangements) it was agreed that FRAB would receive a paper on the conceptual approach to the measurement of the liability element of service concession arrangements. It is suggested that until FRAB has considered that paper the augmentation of the Code's provisions should generally serve to provide clearer guidance but not to change the provisions significantly.</p> <p><b>CIPFA/LASAAC's views are sought on this proposed way forward.</b></p>
<p>One authority commented in detail. "Firstly, the draft revised scope omits the key feature contained in the current Code which specifically includes contracts to provide</p>	<p>The intention of the removal of this paragraph was due to the enhanced definitions available within the new guidance covering arrangements and assets and not to change the scope of</p>

Issue	Secretariat Response
<p>infrastructure irrespective of who actually uses the infrastructure to provide the service to the public. Instead the draft only covers contracts where the contractor is providing the service to the public." This comment was also made by one of the firms.</p> <p>The respondent continued that "This change would appear to exclude many local authority PFI contracts from the scope of service concession arrangements. The most obvious example is PFI schools, where it is clearly either the local authority or the governing body which is delivering the service to the public, and not the contractor. "</p> <p>"Secondly, the reference in paragraph 4.3.2.8 to initial recognition at fair value should explicitly state that fair value on initial recognition for a PFI asset is defined as being equal to the cost of the asset under the contract."</p> <p>Another authority had similar views and a number mentioned schools PFI.</p>	<p>the schemes covered by Section 4.3. It was considered that these Schemes would be covered by the new definitions and this is evidenced by the examples of schemes the Standard is intended to cover in AG 4 of IPSAS 32. However, these references have been reinstated for the avoidance of doubt.</p> <p><b>CIPFA/LASAAC's views are sought on whether it agrees with this approach as this was consistent with the previous approach in the Code.</b></p> <p>The second issue is covered by the augmented provisions of the Code in paragraph 4.3.2.20 a).</p> <p><b>CIPFA/LASAAC's views are sought on whether or not it agrees with the views of the Secretariat or whether this issue needs highlighting in some way in the Draft 2013/14 Code.</b></p> <p>Schools assets will also be subject to further scrutiny as it is not clear for the schools considered by the consultation as not within the local authority boundary whether these would meet the control conditions in either the standard or the previous editions of the Code.</p>
<p><b><i>Question 31 and 32 – Measurement of the Liability and Practical Consequences.</i></b></p>	
<p>CIPFA/LASAAC will note that the split between those respondents that gave an indication of their views is equal. Those endorsing the measurement as a financial liability are seemingly focusing on the mirror principle to IFRIC 12 (one respondent in error considered that this was consistent with the FREM).</p>	<p>See response above.</p> <p>CIPFA/LASAAC will need to reconsider the measurement of the liability following FRAB's deliberation of the conceptual approach to the service concession arrangement liability as mentioned above.</p> <p>It is therefore recommended that until</p>

Issue	Secretariat Response
<p>One of the firms questioned why the Code was being updated to include IPSAS 32 when the issues are already covered in the FReM, IAS 17 and IFRIC 12.</p> <p>Two of the firms raised the question of the substance of the arrangements, one of them noting that the area of substantial difference is the treatment of inflation-related changes to the annual unitary payment. Both noted the effect of inflation on the measurements. One of the respondents concluding that:</p> <p>"where these increases have been designed into the Scheme as a part of the finance costs then the financial liability approach might be considered to provide a solution that better reflects the substance of the transaction in this regard."</p> <p>A large number of the local authority respondents commented on the additional cost in terms of resources and time to the authority that they would bear if having to remeasure the liability as a financial liability. A number of the respondents considered that as property principally it was better measured a finance lease. One of the respondents indicated that it had cost the authority £8k to obtain appropriate advice on recognition of the asset on balance sheet when introduced by the SORP. The respondents indicated it would require significant analysis for them to establish the financial consequences of the remeasurement on the financial statements and the resources of the authority.</p> <p>One of the respondents noted the concern about the bottom line impact</p>	<p>that review is complete, the Code should retain its previous provisions in relation to the measurement of the liability as a finance lease. The interest rate will continue to use the provisions in the Code ie the interest rate implicit in the lease.</p> <p>Only a few respondents replied in detail on the consequences to the financial statements. However, it will be worthwhile revisiting these responses following FRAB's deliberations.</p> <p><b>CIPFA/LASAAC is invited to consider whether it agrees to continue to measure the liability on a finance lease basis in accordance with the Code's current requirements and the augmented provisions of the Code until FRAB's deliberations and advice on this issue are complete.</b></p>

Issue	Secretariat Response
<p>for council tax payers if there is any change in the proportion of the unitary charge that is attributable to repaying the deferred liability. The respondent also noted that the exposure draft measures the liability using the operator's cost of capital rather than using the rate implicit in the lease.</p>	
<p><b><i>Question 33 – Use of the Grant of the Right to the Operator (Third Party Payment) Model</i></b></p>	
<p>There were no comments of substance in relation to the augmentation of the grant of the right to the operator (third party payment) model with the notable exception of one authority commenting that it had recently signed a contract that grants the operator the right to earn revenue from third parties.</p>	<p>The proposals for amendment to the Draft FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' issued in October 2012 includes the comment when referring to the grant of the right to the operator (third party payment) model that the "Accounting Council does not advise the application of this model because it appears to result in the recognition as liabilities of amounts that may not meet the definition of a liability."</p> <p>CIPFA/LASAAC Members will note that there were no dissenting views to this consultation issue and 23 positively supporting responses. In addition the Treasury consultation <i>Proposals to Update the Accounting for Service Concession Arrangements</i> included proposals on a similar basis to the Code.</p> <p><b>CIPFA/LASAAC is invited to consider how it wishes to proceed.</b></p>
<p><b><i>Question 34 – Inclusion of Intangible Assets in Section 4.3</i></b></p>	
<p>A number of respondents to the question of the inclusion of intangible assets noted that there are examples of intangible assets in PFI Schemes. This included the firms. A number of</p>	<p>There appears to be a significant difference of opinion as to whether or not local authority service concession arrangements included intangible assets. It is suggested that as there</p>

<b>Issue</b>	<b>Secretariat Response</b>
<p>the firms and audit bodies mentioned that they should be accounted for as intangible assets. One of the firms noted that it is usually extremely difficult to reliably measure the cost of the fair value of intangible assets used in service concession arrangements and so these assets would be unlikely to meet the recognition criteria of IAS 38. One of the firms commented that this is rarely encountered in local authority PFI Schemes but if they are recognised why couldn't these be accounted for in the same way as other intangibles.</p>	<p>seems to be some evidence that they do that the provisions should remain consistent with the new guidance available in the IPSAS.</p> <p>In relation to the comment that these assets should be accounted for in accordance with IAS 38, this is precisely what the Code says with the exception of measurement on initial recognition of the asset and the recognition of the matching liability. The Secretariat would therefore recommend proceeding with the current provisions.</p> <p><b>CIPFA/LASAAC is invited to consider whether it agrees with the Secretariat's recommendation to include intangible assets in the 2013/14 Code.</b></p>
<p>Two authorities commented that the intangible assets would be integrated in the main assets of the service concession arrangement and hence would be difficult to separate on a fair value basis. The work required to extract the data would outweigh the benefits. One authority that agreed with the principle noted the potential difficulties.</p>	<p>The Secretariat considers that this would be a dependent on an authority's judgement whether an asset that incorporates both intangible and tangible elements is accounted for as an intangible asset or as property, plant and equipment in accordance with the Code. The Secretariat considers that there is no need to make any changes to the Code for this as it is covered by the Code's current provisions. The Secretariat would seek the Board's views on whether it considers that any transitional guidance is needed.</p> <p><b>CIPFA/LASAAC is invited to consider whether any transitional provisions may be required in Appendix C to accommodate this issue.</b></p>
<p><b><i>Question 35 – Exclusion of those arrangements that do not meet the control tests /criteria of IFRIC 12</i></b></p>	

Issue	Secretariat Response
<p>One of the firms indicated if the tests are not met then authorities should consider whether or not these arrangements should be considered against other provisions of the Code.</p>	<p>Whilst this is an approach which could be considered CIPFA/LASAAC has sought to include these provisions in the Code for clarity for local authorities. It is recommended that this approach should be retained.</p> <p><b>CIPFA/LASAAC is invited to agree with this proposal.</b></p>
<p><b><i>Question 36 – Impact of the Augmented Provisions on Assets under Construction</i></b></p>	
<p>One of the firms responding to this suggestion agreed with the question but stated that it did not agree that recognising assets under construction was appropriate as no liability exists until the asset is certified as independently complete. Another firm did not agree that it would be substantially the same as under the proposals the grantor would be required to obtain information on the progress of the construction from the operator and therefore the cost can be measured reliably. One authority commented that there was not much difference. Another authority indicated that the change of wording could affect the recognition point. A third authority indicated that under the current wording the proposed change will mean that most would be recognised as assets under construction as there would generally be a binding contract in place to acquire the asset and the acquisition cost would be available in the contract.</p>	<p>The Secretariat is of the view that under the new provisions an authority would be required to recognise an asset where both criteria in the draft Code are met when considered together with the specific terms and conditions of the contractual arrangement. It is true the resources can be measured reliably but it is not clear that under standard PFI contracts (from the evidence available to the Secretariat in the consultation process) that the resources inherent in the asset will flow to the authority during the construction phase. It will be for the authority to decide that it is the case. Although one authority notes that there is a generally binding contract in place to acquire the asset, this has only been provided in response by one authority. If the contractual arrangements mean that the authority is obliged to purchase the asset before construction is complete then this does create a liability for the authority at that point in time. The Secretariat understands that the Treasury following its consultation anticipate taking forward a similar change and are anticipating, removal of the guidance in the FReM which indicates that in practice the grantor will usually only recognise the</p>

Issue	Secretariat Response
	<p>asset when the asset comes into use.</p> <p><b>CIPFA/LASAAC is invited to consider whether it wishes to retain the text in the ED in relation to assets under construction and following this decision whether it wishes to include transitional provisions in Appendix C of the 2013/14 Code.</b></p>

### **IFRS 7 *Financial Instruments Disclosures* – Offsetting Financial Assets and Liabilities December 2011**

#### ***Statistical Analysis of Responses***

Question	Agree	Disagree	No Comment
37 Do you agree that the Code Exposure Draft accurately incorporates the requirements of the Amendments to <i>IFRS 7 Financial Instruments: Disclosures (December 2011)</i> ? If not, why not? What alternatives do you suggest?	24 (62%)	0	15 (38%)

#### ***Comments and Responses***

Issue	Secretariat Response
<b><i>Question 37 – Adoption of 2011 Amendments to IFRS 7</i></b>	
One of the firms noted that the disclosure requirement in 7.4.2.4 3) was not clear.	This replicates the requirements of the standard.  <b>No change recommended.</b>
One of the firms indicated that CIPFA/LASAAC could use this opportunity to correct a conflict in the Code.	This is dealt with in the Section which relates to other areas of improvement in the Code – and question 64.

## Other Minor Changes Reflecting Revisions to Accounting Standards

### *Statistical Analysis of Responses*

Question	Agree	Disagree	No Comment
38 Do you agree that the amendments to the Code accurately reflect the amendments to IAS 12? If not, why not? What alternatives would you suggest?	16 (41%)	1 (3%)	22 (56%)
	Yes further standards/legislation	No further standards/legislation	No Comment
39 Are there any further accounting standards or legislative changes that need to be reflected in the Code?	2 (5%)	13 (33%)	24 (62%)

### *Comments and Responses*

Issue	Secretariat Response
<b>Question 38 – Amendments for IAS 12</b>	
No comments of substance were made.	
<b>Question 39 – Other Standards and Legislation</b>	
One respondent wanted clarification on the exit package disclosure. This is listed in the additional areas	See Appendix C.

Issue	Secretariat Response
analysis at Appendix C	
<p>One of the firms commented "given the significant organisational reform for Police Bodies introduced by the Police Reform and Social Responsibility Act, we feel additional guidance or commentary should be made available either in the Code, Guidance Notes for Practitioners or a separate LAAP Bulletin."</p>	<p>CIPFA/LASAAC has previously agreed that there was no requirement to revise the Code for these issues. However, it should be noted that the Code does not deal with circumstances where such transfers or the creation of new bodies take place in the middle of a financial year as is required under the act. The provisions of the Code can accommodate these transfers (albeit the Code has not been drafted on the basis of mid-year reorganisations) and is being accommodated in a LAAP Bulletin which as such a significant issue will be circulated to CIPFA/LASAAC for information and comment.</p> <p><b>CIPFA/LASAAC is invited to comment on this issue.</b></p>

## Interim Outcomes of the CIPFA/LASAAC Post Implementation Review

### *Statistical Analysis of Responses*

Question	Agree	Disagree	No Comment
40 Do you agree that the Code should encourage the treatment of separate identification and disclosure of restricted balances of unspent revenue grant? If not, why not? What alternatives do you suggest?	27 (70%)	6 (15%)	6 (15%)
41 Do you agree that the Code should remove references to exceptional items from the Code and specifically from paragraph 3.4.2.80? If not, why not? What alternatives do you suggest?	28 (72%)	1 (3%)	10 (25%)

42	Do you agree with the proposed amendments to the Code to remove the term enhancement ie paragraphs 4.1.2.17 to 4.1.2.19 including the minor correction? If not, why not? What alternatives do you suggest?	26 (67)	5 (13%)	8 (20%)
43	Do you agree with the proposed amendment to paragraph 4.1.2.34 in relation to decreases in the carrying amount of property, plant and equipment? If not, why not? What alternatives do you suggest?	30 (77%)	0	9 (23%)
44	Do you agree that the proposed clarifications of the requirements for the frequency of property valuations in paragraphs 4.1.2.35 and 4.1.2.36 are appropriate interpretations of IAS 16 <i>Property, Plant and Equipment</i> ? If not, why not? What alternatives do you suggest?	27 (69%)	3 (8%)	9 (23%)
45	Do you agree that the proposed minor amendments and additions to paragraphs 4.2.2.4-4.2.2.6, 4.2.2.9 and 4.2.2.13 are in accordance with the Code's adoption of IAS 17 <i>Leases</i> ? If not, why not? What alternatives do you suggest?	30 (77%)	1 (3%)	8 (20%)
46	Do you agree that the proposed additional text at proposed new paragraph 4.2.2.10 adequately reflects the substance of the arrangements when local authority leased assets are leased without premiums but at a peppercorn or a nominal amount for non-commercial leases? If not, why not? What alternatives do you suggest?	28 (72%)	2 (5%)	9 (23%)
47	Do you agree that the proposed amended text in paragraphs 4.9.2.13 and 4.2.9.14 relating to assets held for sale, appropriately reflects the requirements of IFRS 5 as adopted by the Code? If not, why not? What alternatives do you suggest?	28 (72%)	1 (3%)	10 (25%)
		Concur	Do not concur	No Comment
48	Do you concur with the view of the Post Implementation Review Group in relation to its initial view that no changes are required to the complete set of financial statements? If not, why not? What alternatives do you suggest?	28 (72%)	2 (5%)	9 (23%)

**Comments and Responses**

<b>Issue</b>	<b>Secretariat Response</b>
<b><i>Question 40 – Encouragement to present and disclose Earmarked Reserves</i></b>	
One of the firms noted that it has advised clients to set up an earmarked reserve as a prudent move and not as an accounting requirement and therefore disagreed that the change was required.	The Post Implementation Review recommended this treatment as a result of the presentation requirements of the financial statements rather than for prudent purposes in relation to stewardship of resources.
One of the firms noted that it would prefer the Code to mandate this approach rather than encourage it to ensure consistency and clarity in financial reporting in this area. Another indicated that it had no strong views but considered that a recommended treatment is unhelpful. One of the audit bodies and an authority also commented that the Code should be clear on its provisions and not opt for a "recommended" or "encouragement" approach.	CIPFA/LASAAC agreed not to mandate the approach and to use the encouragement option.  <b>The Board is invited to consider whether or not it wishes to change its approach in any way following these comments.</b>
Two respondents indicated that there were already disclosures on grants and that there was no need to increase the reporting burden on authorities.	It is agreed that there are already reporting requirements on grants, but these disclosures might not meet the presentation requirements that the Post Implementation Review was trying to address by this recommendation.
A number of the respondents agreed with the proposals or indicated that they already follow the approach in the proposed amendments to the Code.	The current encouragement option is included in the Draft Code.  <b>CIPFA/LASAAC is invited to consider whether it wishes to continue with the encouragement approach set out in the Exposure Draft.</b>
<b><i>Question 41 – Use of the Term Exceptional Item</i></b>	

Issue	Secretariat Response
<p>One of the firms commented "In our experience local authorities sometimes have very large or unusual accounting transactions which may require additional disclosure to enable users of accounts to understand the performance of the authority.</p> <p>"However we suggest that the Code should replace this with a requirement to follow the requirement in IAS1.17 " to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance."</p>	<p>The Code does not adapt this requirement of IAS 1 and therefore this is applicable to local authorities. This therefore could be added to the Code.</p> <p><b>CIPFA/LASAAC is invited to consider whether or not it wishes to explicitly add this provision to the requirements of Section 3.4 of the Code.</b></p>
<p>One authority commented rather than remove the reference to exceptional items further guidance would be useful to identify disclosure under this heading. It is felt exceptional items should be disclosed separately in the accounts.</p>	<p>The Secretariat considers that there is a clear direction in the responses to move away from terms not included in IFRS. This might be compensated by the comments above on direct reference to the provisions of paragraph 17 of IAS 1.</p> <p><b>CIPFA/LASAAC's views are sought on this issue.</b></p>
<b>Question 42 – Removal of the Term Enhancement from Section 4.1</b>	
<p>One audit body commented that it agreed "However, the term enhancement remains in other paragraphs in the Code e.g. 2.1.2.26, 2.3.2.16, 4.1.2.40 et al.</p> <p>"Also, as a consequence of the proposed change to paragraph 4.1.2.19 'or restored' should be removed from paragraph 4.1.2.47.</p>	<p>The use of the term enhancement also exists in other sections of the Code. The use of the term enhancement in the Code was not incorrect in itself as the Code requires that enhancement expenditure meets the recognition criteria in paragraph 4.1.2.16 of the Code in order to be recognised as an asset. The reason the post implementation review recommended the change was that the term enhancement under the SORP might</p>

Issue	Secretariat Response
	<p>not in all cases have met the definition of an asset in the Code and was intended to avoid further confusion on the issue. The use of the term enhancement in other sections of the Code accords with other definitions or prescriptions in IFRS as is the case for paragraph 2.1.2.26. It is suggested that the references to enhancement should only be removed where the paragraph refers to property plant and equipment and does not derive from a definition in another IFRS.</p> <p><b>CIPFA/LASAAC is invited to consider whether it agrees with this approach.</b></p>
<p>One firm commented "We note here however that some authorities may not regard this as a minor correction, as it might reduce the amount of expenditure that they can treat as capital. This is linked with on-going discussions on the treatment of subsequent expenditure and the extent to which component accounting can be used in a local authority context."</p>	<p>See response above – the Code set out the recognition requirements of capital expenditure as did the detailed application guidance. Provided enhancement met the recognition requirements of the Code this is a minor augmentation to the Code's provisions only.</p> <p><b>CIPFA/LASAAC is invited to consider whether or not it has any commentary on the issue.</b></p>
<p>One authority commented "4.1.2.18 &amp; 19 refers to expenditure not meeting the recognition criteria and replacement items which do qualify, but little is said about 'non-replacement qualifying expenditure'. This aspect requires better explanation if 'enhancement' is to be removed. "</p>	<p>The Secretariat considers that this is covered by paragraph 4.1.2.17. There is also detailed application guidance on expenditure that meets the definition of an addition to an asset. See also the responses above.</p> <p><b>CIPFA/LASAAC's views are sought on this issue.</b></p>
<p>One authority commented that "I can't see that the phrase "adds to" appears in the standard either, so we may as well keep to an understood and defined term which is not contradictory to the spirit of the</p>	<p>Whilst it is recognised that the standard does not use the term "add to" and focuses more on replacement of components of assets the Secretariat consider that there may be expenditure, for example, a new</p>

Issue	Secretariat Response
standard."	<p>extension, that might add to an asset as opposed to the replacement of an asset. The term enhancement has been replaced with this to differentiate from the previously used term in accordance with comments above.</p> <p><b>CIPFA/LASAAC's views are sought on this issue.</b></p>
<b><i>Question 43 – Impairment Commentary</i></b>	
An audit body commented "We agree that the basis for distinguishing between revaluation decreases and impairments should not be based on whether the decline in value is specific to the asset. However, the interaction between revaluation losses and impairment is often not well understood and an adequate explanation and clarification of the interaction in the Code would be helpful. This would give the statement in this paragraph 'as opposed to an impairment' some context. For example, IAS 36 states that revaluation principles take precedence over those for impairment, and therefore impairment of revalued assets may be relatively rare."	<p>The Secretary concurs with the view on the relationship between impairment and revaluation principles. This is covered by the provisions of Section 4.7 and IAS 36. It is suggested that further development of this issue is considered in the development programme of the 2014/15 Code.</p> <p><b>CIPFA/LASAAC's views are sought on this issue.</b></p>
<b><i>Question 44 – Asset Measurement Issues</i></b>	
<p>A firm commented that "We agree that the proposed changes are in accordance with IAS 16 requirements to keep valuations up to date. We are pleased that the statement in Para 4.1.2.35 that valuations may be carried out every 5 years has been deleted, as this was relied upon by some authorities.</p> <p>IAS 16 does not permit rolling valuations within classes of assets</p>	<p>Although the Code has removed the first reference to revaluations being carried out every five years this has been reinstated within the context of the clarifications to the Code in paragraph 4.1.2.35. The Secretariat is not clear what this firm is saying as paragraph 34 of IAS 16 does permit rolling valuations within classes of assets provided the revaluation is completed within a short period and</p>

<b>Issue</b>	<b>Secretariat Response</b>
<p>and we suggest that this aspect of the Code should be reviewed, bearing in mind the cost burden of simultaneous valuation of all items in a class of assets."</p>	<p>provided revaluations are kept up to date.</p> <p>As the Code in substance contained the same provisions as before in theory this should not have increased the burden of reporting on local authorities.</p>
<p>One authority commented that we need to avoid this becoming a bureaucratic exercise which increases costs with little improvement in the quality of financial reporting. One authority noted that the amendments might lead to increased frequency of valuations and therefore might have cost implications.</p>	<p>The wording used in paragraph 4.1.2.35 is consistent with the requirements of IAS 16.</p>
<p>One authority commented that "the wording used in para 4.1.2.35 is ambiguous and could cause significant practical difficulties under some possible interpretations. Instead of referring to the revaluations of a class of assets needing to be completed "within a short period" it should make clear that they should be revalued over the subsequent 5 year period. It is important that the requirements take into account the nature and extent of local authorities' asset portfolios. A local authority is likely to be undertaking capital works that require revaluation on at least one asset in every classification in most years, and it is clearly not practical or a justifiable cost to revalue each individual asset every year.</p> <p>Another commented that it required confirmation that a 5 years valuation period counts as a sufficiently short period.</p> <p>One authority noted that the addition</p>	<p>The wording used in paragraph 4.1.2.35 is consistent with the requirements of IAS 16 as is the current Code with the clarifications making it explicitly so. It is not possible to make the clarifications suggested by the two respondents as this might not be the case if within a five year period the value of the asset fluctuated significantly with a material impact on the financial statements of the authority in question.</p> <p><b>CIPFA/LASAAC's views are sought on this issue.</b></p>

<b>Issue</b>	<b>Secretariat Response</b>
of comments regarding items within a class of assets add confusion and the potential for additional valuations to be required.	
Two respondents commented that the provisions in paragraph 4.1.2.36 seemingly moved away from best practice which required professionally qualified valuers.	These provisions are consistent with the requirements of the standard and might allow some additional flexibility for local authorities taking into account the previous comment.
One respondent commented that "The implication of the proposed amendment is that valuations for PPE would need to be performed more regularly if they are to be made with "sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date." If appropriate application guidance is to be developed then we don't consider that there is sufficient time to implement this before the 13/14 financial year. Given that valuations take place on 1 April 2013 and valuation programmes for many authorities will already have been agreed for that financial year."	<p>As noted above the requirements of the Code have not changed. Whilst the ITC included a commitment to assist with application guidance it cannot lead to a delay in application as substantially this is what the Code currently recommends.</p> <p><b>CIPFA/LASAAC's views are sought on this issue.</b></p>
<b><i>Question 45 - Lease Definitions</i></b>	
One respondent noted "Agree 4.2.2.4 and 4.2.2.9. For 4.2.2.6 what about break clauses that exist but in reality are not exercised? 4.2.2.13 would this be retrospective? If yes problematic and time consuming."	<p>The first issue is one for application guidance and not for amendment to the Code. The amendments to the drafting of paragraph 4.2.2.13 are not amendments of substance and should therefore not require retrospective restatement.</p> <p><b>No further action recommended.</b></p>
<b><i>Question 46 – Leases without premiums but at a peppercorn or</i></b>	

Issue	Secretariat Response
<i>nominal amount.</i>	
One of the firms indicated that they did not consider it appropriate to amend the tests in IAS 17.	<p>The post implementation review group considered that this was a particularly public sector issue requiring additional consideration in the Code.</p> <p><b>CIPFA/LASAAC's views are sought on this issue.</b></p>
<i>Question 47 – Assets Held for Sale</i>	
One authority commented that "Better clarification of the point of transfer from operational asset to asset held for sale is required. Mentioning management commitment suggests a considerably earlier date of transfer."	<p>See above. As the changes were only a matter of emphasis the reference to management commitment is also contained in the pre-exposure edition of the Code and commented on in application guidance.</p> <p><b>No further action recommended.</b></p>
<i>Question 48 – Complete Set of Financial Statements</i>	
One authority commented that most documents have increased nearly by 50% and made them less attractive to users and suggested that CIPFA/LASAAC needs to actively look	It is conceded that the statement of accounts has grown following IFRS and CIPFA/LASAAC continues to strive within its terms of reference to keep information requirements to a

<b>Issue</b>	<b>Secretariat Response</b>
to reduce the size of the statement of accounts.	minimum. It is suggested that this is an issue which is kept under review by the Board.  <b>No amendments required to the Code.</b>
One firm commented "We suggest consideration to be given to increasing the prominence of group accounts where they are significantly larger than the single entity accounts. Has a review been conducted against the Cutting the Clutter criteria?"	The post implementation review has concluded that at this current juncture the complete set of financial statements (with the exception of its work on disclosures) should remain unchanged. In addition this is a complex issue as under local government finance the prime statements are considered to be the local authority single entity financial statements. Also note the analysis of the financial statements did consider these criteria.  <b>CIPFA/LASAAC is invited to consider this issue.</b>

Questions 49 to 58 are analysed separately

### **The End of the Landfill Allowance Trading Scheme in England (application also to the Scheme as it applies in Scotland)**

#### ***Statistical Analysis of Responses***

Question	Agree	Disagree	No Comment
59 Do you agree that the provisions of paragraphs 2.4.2.1 to 2.4.2.7 should be removed and appropriate consequential amendments be made? If not, why not? What alternatives would you suggest?	22 (56%)	0	17 (44%)

<b>Issue</b>	<b>Secretariat Response</b>
<b><i>Question 59 end of Landfill Allowance Trading Scheme (England and</i></b>	

<b>Issue</b>	<b>Secretariat Response</b>
<b><i>Scotland)</i></b>	
One respondent noted that clarity on the Scottish position would be welcomed.	<p>The Secretariat understands the Scheme to be suspended in Scotland. The Board agreed therefore to remove references to the Scheme for England and Scotland and agreed to reinstate the provisions (as appropriate) if the Scheme becomes active again.</p> <p><b>No further action recommended.</b></p>

## **Police and Fire Reform (Scotland)**

### ***Statistical Analysis of Responses***

Question	Agree	Disagree	No Comment
60 Do you agree that subject to legislative confirmation references to Police and Fire Boards in Scotland should be removed from the Code? If not, why not? What alternatives would you suggest?	9 (23%)	0	30 (77%)

<b>Issue</b>	<b>Secretariat Response</b>
Question 60	
One of the authorities commented "Depending on the extent to which the new forces will be operationally able to transact immediately from 1 April 2013, local authorities in Scotland may find themselves dealing with residual cash transactions from the old boards. It is to be assumed that this would be an agency-type transaction and would not impact the authorities' 2013-14 accounts."	<p>This is unlikely to impact directly on the provisions of the Code and would be governed by the transitional arrangements that would be established.</p> <p><b>No further action recommended.</b></p>

<b>Issue</b>	<b>Secretariat Response</b>
Another authority commented that it did not foresee at this stage that there will be any spend or income relating to the old joint board.	

**Localism Act 2011**  
*Statistical Analysis of Responses*

Question	Agree	Disagree	No Comment
61 Do you agree with CIPFA/LASAAC that the Code need only include a minor amendment and need not include any significant additional provisions in relation to accounting requirements for derivatives? If not, why not? What alternatives would you suggest?	23 (59%)	0	19 (41%)

<b>Issue</b>	<b>Secretariat Response</b>
Question 61	A police body responded "The inclusion of derivatives in the Code last year is a big step forward. The Code can be expanded as the legal position becomes clearer." The Code did not change in relation to derivatives last year.  <b>For information only – no further action recommended.</b>

## APPENDIX C

### Code Disclosure Requirements

(not supported by a direct requirement for financial reporting or statutory disclosure purposes).

<b>Ref:</b>	<b>Disclosure</b>	<b>Proposals for Amendment or Inclusion – ITC</b>	<b>Consultation Comments</b>	<b>Recommendation</b>
<b>Paragraph 3.4.4.1</b>				
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.	<p>It is considered that this is an important non-statutory reporting disclosure for the performance of significant trading operations.</p> <p><b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b></p>	<p>There were 13 supportive comments to retain this disclosure. An English authority commented that this should be left to the authority's discretion. A Scottish authority noted that it was an important disclosure.</p>	<i>The Secretariat recommends retention of this disclosure</i>
4)	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.	<p>This potentially demonstrates the nature and commitment to these types of partnership. However, if significant, this involvement is likely to come within the scope of the related parties note.</p> <p><b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b></p>	<p>There were 11 supportive comments to retain this disclosure. An authority noted that this was an important disclosure for such partnerships. An audit body commented "Provides details about the commitment to health partnerships".</p>	<i>The Secretariat recommends retention of this disclosure.</i>

5)	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.	<p>This reporting requirement might be best reported in other media.</p> <p><b>CIPFA/LASAAC are seeking views on the need to retain this disclosure</b></p>	<p>There were eleven supportive comments for retention of this disclosure.</p> <p>An audit body noted that if this disclosure is retained it should be included in the Remuneration report.</p> <p>A firm commented that this is one of the key numbers that people are interested in. Another firm indicated that deleting this might be contrary to the current climate for increasing remuneration disclosures.</p> <p>Three authorities noted that this was already disclosed elsewhere. One authority considered that this could be published on the Council's website.</p> <p>Public interest was cited.</p> <p>One authority noted that it would still report members allowances as a part of the accounts.</p> <p>An audit body commented "For transparency purposes total member allowances should be published. However, if there is an existing requirement to publish this outside of the accounts then it could be removed."</p>	<i>The Secretariat recommends retention of this disclosure.</i>
6) a)	Number of employees and police officers whose remuneration in the year was greater or equal to	This aligns with statutory disclosures.	Public interest was cited.	<i>The Secretariat recommends retention of this</i>

	£50,000, grouped in rising bands of £5,000, and/or other disclosures specified in regulations or statutory guidance (Northern Ireland).	<b>CIPFA/LASAAC proposes that for clarity this disclosure be retained.</b>		<i>disclosure.</i>
6)b)	Number of exit packages (ie termination benefits defined in accordance with Section 6.3 of the Code grouped bands demonstrating the materiality of those termination benefits to the financial statements, analysed between compulsory redundancies and other departures. Authorities shall also disclose the total cost of termination benefits recognised in each band. Guidance applicable to Scottish local authorities sets out that the disclosure of exit packages should be included in the remuneration report.	This disclosure was introduced in the 2011/12 Code. CIPFA/LASAAC is aware that this disclosure is included as a reporting requirement in Whole of Government Accounts.  <b>CIPFA/LASAAC proposes to retain this disclosure for 2013/14 but will review it in the forward work-plan of CIPFA/LASAAC.</b>	There were a number of comments from an audit body for exemplification of the issues. Public interest was cited A police body commented consistency of requirements with remuneration bands will be helpful.  One authority considered that this disclosure note could be usefully summarised into fewer bands without the voluntary/compulsory split.	The Board previously agreed not to change this disclosure until it was reviewed in 2014/15.  <i>The Secretariat recommends retention of this disclosure.</i>
7)	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 <i>Code of Audit Practice</i> or Auditor General for Wales' <i>Code of Audit and Inspection Practice</i> in accordance with s5 of the Audit Commission Act 1998 or s16 of	This is an essential reporting requirement to evidence auditor independence which is similar to disclosures in the private sector and other public sectors.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	There were 13 positive responses for the retention of this disclosure. One of the firms commented that "f" is only for the total amount of fees paid to the auditor for "other services". For a several years, UK companies have been required to disclose the amounts paid to their external auditors for non-audit services analysed by the type of service provided.  "We note that the FReM adopts this disclosure requirement as do	The Board may wish to consider a further analysis of item f) in the work programme of the 2014/15 Code.  <i>The Secretariat recommends retention of this disclosure.</i>

	<p>the Public Audit (Wales) Act 2004.</p> <p>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.</p> <p>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.</p> <p>d) Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the <i>Code of Audit Practice</i>.</p> <p>e) In Northern Ireland, the amount payable to the Comptroller and Auditor General for Northern Ireland in respect of external audit services.</p> <p>f) Fees payable in respect of any other services provided by the appointed auditor over and above the duties described in notes 7 a) to e) above.</p>		<p>the NHS reporting manuals issued by the Department of Health and by Monitor because they consider it to reflect best practice. We suggest that this requirement should similarly be adopted in the Code for the same reason."</p> <p>An audit body commented "Provides evidence of auditor independence."</p>	
8)	In Wales, the following information	It is likely that this	No comments were made.	<i>The Secretariat</i>

	<p>is also to be disclosed:</p> <ul style="list-style-type: none"> <li>a) The total non-domestic rateable value at the year-end and the national non-domestic rate multiplier for the year.</li> <li>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.</li> <li>c) The name of each authority which made a significant precept or demand on the account and the amount included for each authority.</li> </ul>	<p>disclosure is necessary to effectively demonstrate the financial impact of rateable value, council tax base and preceptors.</p> <p><b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b></p>		<p><i>recommends retention of this disclosure.</i></p>
9)	In Northern Ireland, disclosure of details of the rates receivable by the authority (ie rate in the pound for domestic and non-domestic properties).	<p>It is likely that this disclosure is necessary to effectively demonstrate the financial impact of rates receivable.</p> <p><b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b></p>	No comments were made.	<p><i>The Secretariat recommends retention of this disclosure.</i></p>
11)	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	<p>This disclosure was reinstated to the 2011/12 financial statements. If the amounts involved are material, it is likely to be an important reporting requirement to</p>	<p>There were 12 positive responses for the retention of this disclosure. An audit body responded that this disclosure is important as it permits statutory auditing responsibilities to be met. An authority noted that it placed</p>	<p><i>The Secretariat recommends retention of this disclosure.</i></p>

	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.	demonstrate an authority's interests in trusts and other third party funds.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	value on the disclosure of trust funds. An audit body commented "Provides evidence of an authority's interest in trust funds and other third party funds."	
Housing Revenue Account Disclosures				
<b>England</b> <b>Paragraph 3.5.4.2</b>				
1)	The number and types of dwelling in the authority's housing stock.	There are no specific financial reporting requirements for this disclosure. However, this disclosure does help to set out for the users of the financial statements the nature of the authority's housing stock.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	An audit body commented "Gives important context to reader of the accounts on the operation of the HRA."	<i>The Secretariat recommends retention of this disclosure.</i>
2)	An analysis of the movement on the Housing Repairs Account, where appropriate.	It is considered that the Housing Repairs Account is not an account used frequently by local authorities. This information is required by paragraph 3.5.3.3.  <b>CIPFA/LASAAC proposes</b>	An audit body commented "This is not something that authorities use."	<b>The Secretariat recommends deletion of this disclosure.</b>

		<b>that this disclosure requirement is removed.</b>		
3)	An explanation of the HRA share of contributions to or from the Pensions Reserve.	<p>There is no specific financial reporting requirement to report a segmental analysis of the pension fund. This information is also required by paragraph 3.5.3.3.</p> <p><b>CIPFA/LASAAC proposes that this disclosure requirement is removed.</b></p>	An audit body commented "There is no requirement for this disclosure."	<b>The Secretariat recommends deletion of this disclosure</b>
4)	The amount of rent arrears (excluding amounts collectable on behalf of other agencies) and the aggregate Balance Sheet provision in respect of uncollectable debts.	<p>Some of this information would be available in disclosures of debtors including any impairment of these assets. It is, however, likely that information on rent arrears is important performance information to readers of the HRA Income and Expenditure Statement.</p> <p><b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b></p>	An audit body commented "Contains important performance information for the reader of the accounts."	<i>The Secretariat recommends retention of this disclosure.</i>
5)	Explanation of any sums directed by the Secretary of State to be debited or credited to the HRA.	It is likely that these sums would need to be reported as a material item to the	An audit body commented "Would happen on the face of the HRA."	<b>The Secretariat recommends deletion of this</b>

		HRA financial statements.  <b>CIPFA/LASAAC therefore proposes that this requirement is removed.</b>		<b>disclosure</b>
6)	The nature and amount of any material or prior year items not disclosed in the statement.	This information should be available as a result of the application of paragraphs 3.3.4.5 and 3.4.2.51 of the Code to the HRA financial statements. This disclosure could therefore be considered for removal.  <b>CIPFA/LASAAC therefore proposes that this requirement is removed.</b>  If the consultation process provides evidence for the retention of this disclosure CIPFA/LASAAC proposes amending this disclosure to use the word material following the approach in IFRS.	An audit body commented "It would be unusual that material items were not picked up on the face of the HRA.	<b>The Secretariat recommends deletion of this disclosure</b>
<b>Wales</b>				
7)	The number and types of dwelling in the authority's housing stock	There are no specific financial reporting requirements for this	No comments were provided.	<i>The Secretariat recommends retention of this</i>

		<p>disclosure. However, this disclosure does help to set out for the users of the financial statements the nature of the authority's housing stock.</p> <p><b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b></p>		<p><i>disclosure.</i></p>
8)	The amount of rent arrears (excluding amounts collectable on behalf of other agencies) and the aggregate Balance Sheet provision in respect of uncollectable debts.	<p>Some of this information would be available in disclosures of debtors including any impairment of these assets. It is, however, likely that information on rent arrears is important performance information to readers of the HRA Income and Expenditure Statement.</p> <p><b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b></p>	No comments were provided.	<p><i>The Secretariat recommends retention of this disclosure.</i></p>
9)	The nature and amount of any material or prior year items not disclosed in the statement.	<p>This information should be available as a result of the application of paragraphs 3.3.4.5 and 3.4.2.51 of the Code to the HRA financial statements. This disclosure could therefore be considered for removal.</p>	No comments were provided.	<p><b>The Secretariat recommends deletion of this disclosure</b></p>

		<p><b>CIPFA/LASAAC therefore proposes that this requirement is removed.</b></p> <p>If the consultation process provides evidence for the retention of this disclosure CIPFA/LASAAC proposes amending this disclosure to use the word material following the approach in IFRS.</p>		
10)	An analysis of the movement on the Housing Repairs Account, where appropriate.	<p>It is considered that the Housing Repairs Account is not an account used frequently by local authorities. This information is required by paragraph 3.5.3.3.</p> <p><b>CIPFA/LASAAC proposes that this disclosure requirement is removed.</b></p>	No comments were provided.	<b>The Secretariat recommends deletion of this disclosure.</b>
11)	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	This is very similar to the statutory reporting requirements for English authorities per the Housing Revenue Account (Accounting Practices) Directions 2011.	No comments were provided.	<i>The Secretariat recommends retention of this disclosure.</i>

	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.	<b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>		
12)	A summary of total capital receipts from disposals of land, houses and other property within the authority's HRA during the financial year.	This is the same as the statutory reporting requirements for English authorities per the Housing Revenue Account (Accounting Practices) Directions 2011.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	No comments were provided.	<i>The Secretariat recommends retention of this disclosure.</i>
13)	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: dwellings other land and buildings, and b) non-operational assets	This is similar to the statutory reporting requirements for English authorities per the Housing Revenue Account (Accounting Practices) Directions 2011.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	No comments were provided.	<i>The Secretariat recommends retention of this disclosure.</i>
14)	The value of, and an explanation of, any impairment charges for the financial year in respect of land,	This is the same as the statutory reporting requirements for English	No comments were provided.	<i>The Secretariat recommends retention of this</i>

	houses and other property within the authority's HRA, calculated in accordance with proper practices.	authorities per the Housing Revenue Account (Accounting Practices) Directions 2011.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>		<i>disclosure.</i>
15)	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.	This is the same as the statutory reporting requirements for English authorities per the Housing Revenue Account (Accounting Practices) Directions 2011.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	No comments were provided.	<i>The Secretariat recommends retention of this disclosure.</i>
16)	An explanation of the HRA share of contributions to or from the Pensions Reserve.	There is no specific financial reporting requirement to report a segmental analysis of the pension fund. This information is also required by paragraph 3.5.3.3.  <b>CIPFA/LASAAC proposes that this disclosure requirement is removed.</b>	No comments were provided.	<b>The Secretariat recommends deletion of this disclosure.</b>
17)	Explanation of any sums directed by the Welsh Government to be	It is likely that these sums would need to be reported	No comments were provided.	<b>The Secretariat recommends</b>

	debited or credited to the HRA.	as a material item to the HRA financial statements.  <b>CIPFA/LASAAC therefore proposes that this requirement is removed.</b>		<b>deletion of this disclosure.</b>
<b>Scotland</b>				
18)	The number and types of dwelling in the authority's housing stock.	There are no specific financial reporting requirements for this disclosure. However, this disclosure does help to set out for the users of the financial statements the nature of the authority's housing stock.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	An audit body commented that it may be helpful to clarify that this is at 31 March.	<i>The Secretariat recommends retention of this disclosure.</i>
19)	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	Some of this information would be available in disclosures of debtors including any impairment of these assets. It is, however, likely that information on rent arrears is important performance information to readers of the HRA Income and Expenditure Statement.		<i>The Secretariat recommends retention of this disclosure.</i>

		<b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>		
20)	The nature and amount of any material or prior year items not disclosed in the statement.	<p>This information should be available as a result of the application of paragraphs 3.3.4.5 and 3.4.2.51 of the Code to the HRA financial statements. This disclosure could therefore be considered for removal.</p> <p><b>CIPFA/LASAAC therefore proposes that this requirement is removed.</b></p> <p>If the consultation process provides evidence for the retention of this disclosure CIPFA/LASAAC proposes amending this disclosure to use the word material following the approach in IFRS.</p>	<p>An authority commented "Amend the disclosure to use the word material".</p>	<b>The Secretariat recommends deletion of this disclosure.</b>
Collection Fund (England)				
Paragraph 3.6.4.1				
1)	The total non-domestic rateable value at the year-end and the national non-domestic rate multiplier for the year.	<p>This is likely to provide important and contextual information in relation to the collection fund.</p> <p><b>CIPFA/LASAAC proposes</b></p>	<p>An authority commented that this should be left to an authority's discretion.</p> <p>An audit body commented "Important contextual information for the reader."</p>	<i>The Secretariat recommends retention of this disclosure.</i>

		<b>to retain this disclosure requirement.</b>		
2)	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.	This is likely to provide important and contextual information in relation to the collection fund.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	An audit body commented "Important contextual information for the reader."	<i>The Secretariat recommends retention of this disclosure.</i>
Council Tax Income Account (Scotland)				
3)	The calculation of the council tax base, ie the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) after providing for non-payment, as an equivalent number of band D dwellings and the level of non-payment provided for.	This is likely to provide important information in relation to the council tax income account.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	An authority noted that this was important information.	<i>The Secretariat recommends retention of this disclosure.</i>
4)	An explanation of the nature and actual amount of each charge fixed	This is likely to provide important information in relation to the council tax income account.  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	An authority noted that this was important information.	<i>The Secretariat recommends retention of this disclosure.</i>
Non-Domestic Rate Account (Scotland)				
5)	Analysis of rateable values at the	This is likely to provide	An authority noted that this was	<i>The Secretariat</i>

	beginning of the year.	important information in relation to the non-domestic rate account (Scotland).  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	important information.	<i>recommends retention of this disclosure.</i>
6)	An explanation of the nature and amount of each rate fixed.	This is likely to provide important information in relation to the non-domestic rate account (Scotland).  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>	An audit body noted that it may be helpful to consider whether any disclosures in respect of TIF are appropriate. An authority noted that this was important information.	<i>The Secretariat recommends retention of this disclosure.</i>
Paragraph 4.3.4.2 1) - 3)	These PFI/service concession arrangements disclosure requirements are not required by direct reporting requirements but are currently being considered by CIPFA/LASAAC.	These disclosures align with WGA reporting requirements. See also discussion in ITC  <b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b>		<i>The Secretariat recommends retention of this disclosure.</i>
Paragraph 5.3.4.2	1) An analysis of the amount of debtors between: a) central government bodies b) other local authorities c) NHS bodies d) public corporations and trading funds	This disclosure aligns to the Whole of Government Accounts Disclosures – also see ITC.  <b>CIPFA/LASAAC proposes to retain this disclosure</b>	One authority recommended that Scottish government is included and NHS Bodies are consolidated within this.	<i>The Secretariat recommends retention of this disclosure.</i>

	e) bodies external to general government (ie all other bodies).	<b>requirement.</b>		
Paragraph 8.1.4.2	<p>1) An analysis of the amount of creditors between:</p> <ul style="list-style-type: none"> <li>a) central government bodies</li> <li>b) other local authorities</li> <li>c) NHS bodies</li> <li>d) public corporations and trading funds</li> <li>e) bodies external to general government (ie all other bodies).</li> </ul>	<p>This disclosure aligns to the Whole of Government Accounts Disclosures –also see ITC.</p> <p><b>CIPFA/LASAAC proposes to retain this disclosure requirement.</b></p>	<p>An authority commented that there should be greater flexibility in terms of the list of creditors that can be disclosed for small authorities.</p> <p>One authority recommended that Scottish government is included and NHS Bodies are consolidated within this.</p>	<i>The Secretariat recommends retention of this disclosure.</i>

**Note statistics have only been provided when over 10 positive responses are received. Any suggested amendments to the disclosures will be taken forward into the work programme of the 2014/15 Code.**

## CIPFA's Code of Practice on Transport Infrastructure Assets

### *Statistical Analysis of Responses*

**Note – a group of interested parties are best described as professional accounting firms that audit local authorities is abbreviated in this Appendix to “firms”**

Question	Agree	Disagree	No Comment
62 Do you agree with CIPFA/LASAAC's proposal to move to measuring transport infrastructure assets at DRC (in accordance with the requirements of the Code of Practice on Transport Infrastructure Assets) in the 2014/15 Code? If not, why not? Please give reasons for your answer. What alternatives would you suggest?	17 (44%)	12 (31%)	10 (25%)

Comments
Question 62 and 63
<b>The firms commented:</b>
This is potentially a very significant issue for local authorities. While it is considered important to recognise such infrastructure as roads for WGA purposes we believe local authorities must be given adequate lead time to establish values.  The scale of this exercise should not be underestimated. We suggest a detailed consultation on this exercise is required. It will be important to establish ownership of highways between the Council and eg the Highways Agency. Establishing DRC on a sampling and extrapolation basis could also be considered. Also determination of asset lives for different types of road will require judgement.
The key issue will be cost, but there are also concerns that local authorities will be unable to reconcile their financial accounting systems to the operational systems used by their engineers to manage the roads network. This will seriously reduce the ability of authorities to use valuation information on the key elements of their roads network to improve overall asset management.
It is for practitioners to comment with authority on the practical implications of moving to a DRC measurement basis for transport infrastructure assets,

<b>Comments</b>
<p>however we believe that there are some fundamental areas where authorities are likely to encounter difficulties.</p> <p>The most obvious of these is the costs of implementing the change, both in terms of officer time and external costs for valuation services or other advisory services that may be required.</p> <p>Drawing on our experience of reviewing infrastructure PFI schemes we also have concerns about the underlying quality and completeness of some authorities' infrastructure asset records, particularly in some larger unitary and metropolitan authorities. It will be vitally important that records are up-to-date and appropriately componentised in order to meet the requirements of moving to a DRC measurement basis. Again, in some authorities this is likely to require a significant input of officer time.</p> <p>Any change to a DRC measurement basis will require significant improvements in the quality of communication between finance staff and their engineering and highways colleagues. Where issues have arisen on accounting for infrastructure assets in the past, these have invariably arisen because of poor communication and a lack of understanding of the differing needs of the finance and engineering functions.</p> <p>The introduction of a DRC measurement basis will inevitably lead to an increase in the audit work required to gain assurance on the accuracy of revaluations. It is impossible to estimate the likely impact of this on audit fees as this will be highly dependent on the quality and robustness of the arrangements individual authorities put in place.</p>
<p>We agree. The proposed change has been mooted by CIPFA since at least 2007 when it undertook the initial project that eventually led to the Transport Infrastructure Assets Code in 2010. While there are practical issues that need to be addressed, particularly in respect of the availability of underlying data, we do not consider that these are insuperable and the 2010 document provides guidance to authorities on approaches that they can take to deal with them.</p> <p>The main practical issue is around authorities having the necessary underlying data to calculate gross and net replacement costs, as described in detail in CIPFA's Code of Practice on Transport Infrastructure Assets. As auditors, our concern is whether the data used is adequate to support the fair value presented in the accounts. Transport infrastructure assets are likely to be, by far, the largest group of property plant and equipment assets reported in a local authority's balance sheet. Even small percentage changes in the value are therefore likely to be material to the accounts overall and so adequate underlying data is critical.</p>
<p>An audit body agreed and commented: However authorities should be considering the existing guidance contained in CIPFA's Code on Infrastructure Assets. Authorities will need to provide this information as part of their</p>

<b>Comments</b>
2012/13 WGA return and the level of scrutiny that this will be subject to in the future means that authorities should be taking steps now to address the data quality of the information that underpins these disclosures.
<b>Local authorities commented:</b>
<p>Should be implemented so as to be consistent with the Govt's accounting for transport infrastructure.</p> <p>Will require some additional work but transport asset register is largely in place.</p>
The practical difficulties will be agreeing the basis of valuation with the auditors given that for some councils this figure will become one of the largest on the balance sheet.
<p>I am not sure that the calculation is sufficiently objective? It will have a massive distorting effect on the balance sheet tripling its value from £0.2bn to £0.7bn</p> <p>Cost of acquiring this information and reliability of it. Rather than distorting every authority's balance sheet, could depreciated historical cost values be indexed up for purposes of WGA?</p>
<p>This will be a significant piece of work for local authorities. Meeting a 14-15 deadline (with 13-14 comparatives) would be very challenging at a time of dwindling resources.</p> <p>This proposal, whilst perhaps desirable from a technical accounting perspective, will not add real value especially considering the resources that will be required to implement the change.</p>
<p>Agree with the proposal in principle. Infrastructure assets are currently measured at current cost in the Whole of Government Accounts return. However, still some issues gathering data (See 63 below),</p> <p>Although SCOTS Group have substantially developed spreadsheets required to produce information required, still ongoing limitation of quality and completeness of roads inventories and histories required to complete the information required. Life histories and construction histories are substantially unknown and will require to be built up over the next few years. However, work is underway on unit costs etc and will be refined / addressed to try and meet 2014/15 deadline.</p>
The opinion that DRC is more appropriate than HCA is purely academic and offers no significant benefit or value to the users of our accounts or in asset management processes. The move would also introduce further administrative

Comments
<p>overheads and costs. The infrastructure model for WGA purposes is sufficiently simplistic that to regard that there is real truth and purity in these numbers when compared to HCA is unrealistic.</p> <p>Significant work would be required to translate WGA data into a data structure which is suitable for asset registers. There are significant practical issues regarding migrating partially depreciated assets, possibly with reserves, into the asset register not detailed here. A process for correctly processing subsequent capital expenditure in terms of additions or replacements would need to be established at asset record level, and given the scale of the highways capital programme this would require fundamental changes to coding structures and resourcing which would mean 2014/15 would be problematic.</p>
<ol style="list-style-type: none"> <li>1. The CIPFA asset groupings do not reflect how the authority has grouped its highways assets for their financial management at an operational level. The system used has been based on the process a new build scheme is designed so is not an accurate representation of how highways a maintained and sustained.</li> <li>2. The CIPFA method makes some huge assumptions especially around the drainage assets that precludes any kind of valuation for drainage assets. This is also true for kerbing assets. So a true valuation of the highways asset is not achieved using the code as a basis for asset groupings and valuation.</li> <li>3. Land is included in the CIPFA method. The land under the highway is not owned by the authority or the public. It remains in the ownership of the landowner. So therefore does not form part of the highways assets to include it in the DRC valuation will produce inflated figures that do not represent the true value of the asset.</li> <li>4. The code does not provide a basis for depreciating the highways assets for all asset types and assumes a straight line depreciation for some assets such as Carriageways when the true deterioration profile is a curve.</li> </ol> <p>The authority thinks the Code approach is too basic to be of any long term use for local authorities to use in their operational financial management of highway infrastructure.</p> <p>I suggest an approach that looks at the assets from a maintenance and management viewpoint that groups assets into functional groups based on what part of the 'service' they deliver to the public and how they are sustained. This is how the authority has grouped its highway assets. This approach enables the costs of maintaining the individual assets to be attributed to each asset directly. This in turn allows accurate monitoring of spend against condition.</p> <p>Measuring Assets on a DRC basis will present 2 key issues;</p> <ol style="list-style-type: none"> <li>1. Data collection. There will need to be a sustain asset inventory and collection regime to build up the data required to calculate DRC for the assets</li> </ol>

<b>Comments</b>
<p>in total. This will present an initial cost to authorities to build up this inventory data.</p> <p>2. Data management. There will be a need for authorities to hold the asset data in a single spatially enabled asset register. There would be a cost to developing and managing this and linking it to the frontline management tools.</p> <p>The costs of 1 and 2 above would depend on authority size and current asset knowledge and systems. Our estimate for the authority to establish both would be around £1million. The bulk of the costs being for the data collection. There would be an on-going cost to keep condition data up to date of around £200,000 every 5 years.</p> <p>The benefits would be the ability to move to a full asset management approach to maintaining and sustaining highways infrastructure where maintenance can be planned and the costs of chosen maintenance strategies forecast.</p> <p>Deterioration modelling would be accurate and support investment business cases. There would also be the ability to manage the balance between capital and revenue maintenance something the code approach does not support. It focuses on a capital valuation only.</p>
<p>Yes we agree to measuring transport infrastructure assets using DRC, as historical cost only reflects recent investment in asset not an appraisal of actual asset. DRC calculations provided to date show that currently the most significant asset is the carriageway construction whose valuation we have greatest confidence in as the level of information and investigation are reflectant of this asset.</p> <p>A consistent approach in both reporting mechanisms and the elimination of duplication is something we would support.</p> <p>However future valuations will include an element for being the beneficial occupier of land. This figure is intangible, not recoupable and does not reflect investment in highways assets. Our concern is that the inclusion of a value of land, and annual incremental increases in land rate, threatens to hide the actual depreciation of infrastructure assets, which in turn may direct future investment away from transport infrastructure. We would suggest that the beneficial occupier element of this valuation is either included in with reporting associated with the authority's land valuations or identified as a separate element of the infrastructure asset.</p> <p>Land is likely to be the most significant element in terms of cost and the fact that we know (and most other Authorities) also know very little about this element is likely to have a big impact on the figures if this has to be reported.</p>
<p>There should be an exemption from DRC valuation of transport infrastructure assets for authorities that are not highways authorities as the amount of</p>

<b>Comments</b>
<p>infrastructure they are responsible for is insignificant and therefore the cost of DRC valuation would vastly outweigh the benefits.</p> <p>The additional cost of valuing infrastructure will be significant. The benefit for WGA for non-highways authorities would be negligible.</p>
<p>How will other infrastructure assets such as coast protection be treated?</p> <p>Authorities will have to ensure that they have complete data on transport infrastructure. There will need to be price consistency across authorities in the valuing of these assets. Ideally, there needs to be guidance on this. A transport infrastructure asset management system together with staff to administer it would be required. Distortions in valuations between authorities would happen if different authorities have different frequencies of valuations. The benefits are that there will be good data on road conditions and values that will help good financial management and works programmes.</p>
<p>There is still a considerable amount to work to be done on the measurement and valuation of infrastructure at DRC (from unaudited information we have for the WGA at 31 March 2012).</p>
<p>Guidance would be needed on derecognition of existing assets, frequency of revaluations, level of categorisation of assets</p>
<p>The calculation of GRC is at the moment based on nationally produced replacement costs. This is beneficial to the Council as we do not have a sufficient portfolio of works to create our own replacement rates. The use of a depreciated annual value will help the highway department to generate a whole life cycle approach to highway maintenance. To produce a DRC figure each year the Council will have to maintain a vigorous condition survey regime along with a substantial asset register. This will require expensive external condition surveys by contractors and internal resources to maintain, analyse and produce a whole life cost management approach.</p>
<p>The highways department agree to the proposals to move to measuring transport infrastructure assets at DRC in the 2014/15 code.</p> <p>We have currently managed WGA requirements with existing systems. However, in order to implement Infrastructure Code within Council's Accounts significant development of management information systems are required. Concern that early implementation will prevent sufficient preparation. Time required for system procurement, installation, testing and staff training. Benefits are improved data management which will lead to improved budgeting, costing, life cycle info and improved prioritisation and decision making. Most significant practical issue is staff time to develop/purchase systems to ensure proper implementation.</p>

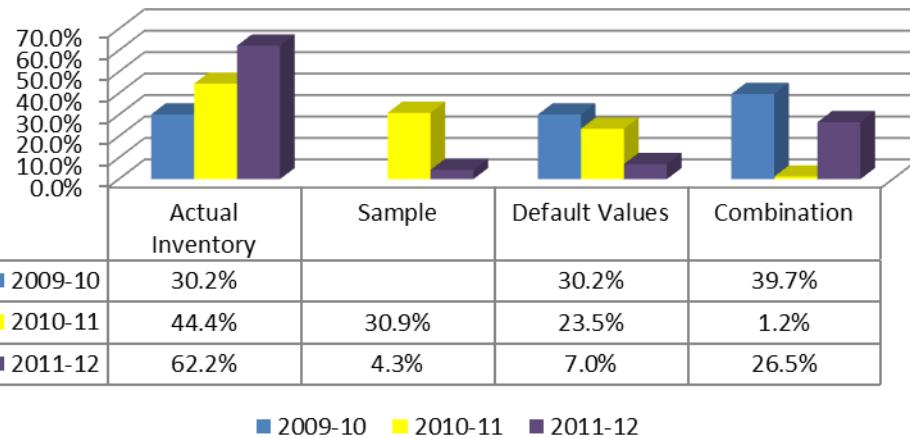
<b>Comments</b>
<p>Concerns relating to:</p> <ul style="list-style-type: none"> <li>• the consistency of calculation methods applied across different authorities,</li> <li>• treatment within the Balance Sheet,</li> <li>• practicality of implementation on the IPF Asset Management System. Will IPF System be developed accordingly and in time?</li> <li>• Also, the necessity to provide prior year comparative figures for 2013/14.</li> </ul>
<p>Before the DRC approach can be implemented there are issues to resolve regarding measuring structures (e.g. bridges) and street furniture. Once these issues are resolved a full trial run is needed to ensure all information requirements can be met ahead of the data being used for real in the authority's accounts. Implementation in 2014/15 would require comparative information for 2013/14. There is insufficient time to resolve the outstanding issues before data would need to be captured for 2013/14 and to allow for a trial run.</p> <p>Practical issues arise due to information being held in disparate management systems and sometimes in legacy formats. Locational referencing often varies between systems and this can produce misleading reports of asset length or quantity. Development of systems would incur a cost at a time when local authorities are having to make significant savings.</p>
<p>The further introduction non realisable asset values on the balance sheet seems pointless and does the introduction of a much higher depreciation charges provide a realistic picture of the highways cost?</p> <ul style="list-style-type: none"> <li>• Recording the assets - granularity</li> <li>• Finding reasonable valuations</li> <li>• Consistency of valuation</li> <li>• Effect in accounts to readers interpretation.</li> </ul>
<p>Broadly in agreement but need final clarity on the exact requirements and disclosures under the Transport Infrastructure Assets Code.</p> <p>There is still a significant amount of work to be completed. For 2013-14 implementation we are comfortable that the data held for carriageways will be sufficiently robust. There are still concerns over data held on some of the smaller categories, e.g. street furniture. However for a 2013-14 implementation data would be available meeting the requirements within the materiality thresholds. Further specific guidance is required on the disclosures in order to respond fully on whether they are feasible.</p>

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<p>It is difficult to see any practical benefit to the taxpayer of including transport infrastructure assets on the balance sheet at other than historical cost. The carrying values will potentially dominate the balance sheet and provide the reader of the accounts with a misleading financial picture of the authority. The efficient and effective management of transport infrastructure assets is dependent on corporate resources being available to devote to the task not whether or not they are included on the balance sheet at depreciated replacement cost.</p> <p>Sufficiently robust data could be provided for WGA purposes without requiring complex capital accounting practices to be followed, requiring additional resources for accountants and systems which, in the current economic climate, will not be perceived as a good use of taxpayer's money. Given that the carrying value of transport infrastructure assets could be the largest figure on local authorities balance sheets, the resulting additional scrutiny by external auditors is also likely to have significant cost implications.</p>
<p>Considerable technical input required to finish Highways database to a standard for accounts and audit - onerous. Would need central costs to be made available to apply to data to calculate asset value</p>
<p>As a large authority going through major change and funding reductions 15/16 would be more palatable.</p> <p>Large asset registers, complicated accounting, additional costs of valuations and staff resources.</p>
<p>There are likely to be several practical difficulties in implementation. The level of materiality of infrastructure assets at current value in comparison to LAs current balance sheets is likely to be very material, and hence this area is likely to attract a high level of audit scrutiny.</p> <p>The first difficulty will be the comprehensive identification of all infrastructure assets. Whilst management information should be available for roads and major structures, remaining items are less likely to be fully documented but may be material in aggregate. Secondly there is the issue of how the road network should be divided into separate assets for accounting purposes – e.g. a road that was originally built as one asset may subsequently have experienced different levels of wear in different areas, and have had different works carried out to different sections, resulting in different useful lives. A reasonable level of aggregation will be required, and presumably auditors would then require work to be carried out to demonstrate its robustness. There is also the question of devising a practical approach to assessing impairment for the assets, as it is unlikely that all roads could be inspected as at the balance sheet date</p>
<p>We agree with the principle that we should aim to have a single DRC based</p>

Comments
<p>reporting system for transport infrastructure assets. However, whilst a positive aspect of the Transport Infrastructure Code is that it enables authorities to provide interim or 'entry level' estimates, it is highly likely that the discrepancies between outputs from the entry level and advanced reporting processes will be greater than originally envisaged in the formulation of the Code. This in turn will lead to major fluctuations as Authorities shift to advanced processes.</p>
<p>I therefore believe that caution is needed in introducing this to mainstream accounting practice until such a time as all authorities are on an advanced standard. A two tier reporting standard would highlight large discrepancies across authorities.</p>
<p>In our authority we feel that we are well placed to develop a robust central QA system for financial reporting including management of the inventory and condition data for 2012/13. However many authorities will continue to have to pull together WGA returns in a piecemeal fashion without substantial investments in data systems.</p>
<p>Authorities need to be made aware that there is not a requirement to use bespoke software such as UKPMS accredited systems – this perception may stifle the ability of authorities to innovate and seek more relevant data, evidence and methods for building lifecycle models. We have consistently found that current reliance on UKPMS is constraining our ability to undertake relevant statistical analysis needed for lifecycle planning due to the limitations in the way in which the data can be processed and aligned with other network data. the Code states systems for WGA reporting should be the same as for the whole asset management process, it is important that the Code encourages authorities to continually seek better evidence to support lifecycle costing rather than placing greater emphasis on consistency with other authorities and using the same nationally 'recognised' methods.</p>
<p>Yes, [an interested party] agrees with and strongly supports this proposal. We acknowledge that there may be challenges for some authorities initially but the proposed move will support good capital planning through good asset management and has the potential to deliver significant benefits. We do not believe that delaying the implementation of this change will significantly increase readiness but rather that the additional focus that the impending change will bring will encourage Local Authorities to address any shortcomings in their data and processes in time for implementation. Tools are already in place to help authorities calculate this information and the majority of authorities are already providing returns for WGA purposes; [the interested party], which helped to draft the Code, continues to meet to support this process and remains committed to the successful full implementation of the Code and the benefits that will bring</p> <ul style="list-style-type: none"> <li>• Finance and engineering colleagues need to be encouraged to work closely together in the preparation of the figures and the management of the data</li> <li>• Authorities need to be confident of UKPMS support for the carriageway and footway calculations; this support is currently secured through</li> </ul>

<b>Comments</b>
<p>some new arrangements following the withdrawal of central government funding but long term funding and support of the health checks that validate the system (and therefore reduce the amount of work that would be required to audit the results) will be required.</p> <ul style="list-style-type: none"> <li>• The Structures Toolkit will need to be fully implemented; for preference in authorities' structures asset databases for ease of use; it is still in proof of concept form at the moment although suitable for its current purpose as far as financial reporting goes and several software developers have started the process of incorporating it into their products. Currently there is no accreditation process for the toolkit/product software and this will probably be required in due course. This will place it on a similar basis to UKPMS.</li> <li>• Guidance on sampling is required so that authorities and auditors are clear on what level of sampling is acceptable to fill any remaining gaps in inventory information and to gather ongoing condition data.</li> <li>• Authorities should already have the necessary basic data and so should currently be able to implement the Code; the feedback from the WGA survey conducted via the HMT LPack supports this view and the most recent feedback shows a steady improvement over the previous year's feedback. The majority of authorities report that they have made significant progress which suggest that authorities will be able to comply with the requirements of the Code on the suggested timescale with the added impetus and extra focus that the proposed change would bring.</li> <li>• Local Authority financial statements currently report highway maintenance on an expenditure basis. This is further confused by some expenditure being accounted for as capital and some as revenue so that there is no single figure that identifies the commitment of resources to the highway network. In addition, the reporting of in-year expenditure alone does not reflect the consumption of the asset, i.e. the deterioration of overall condition of the network. By introducing the movement in DRC, all of these aspects are brought together in a single reported consequence. With suitable development of member understanding of these principles, this will enable members and other interested stakeholders to gain a much greater understanding of how well the asset is being maintained.</li> </ul>
<p>The Scottish Transport Authority noted that it is anticipated to cease operation by 2015, when future operation and maintenance of the bridge that it maintains will transfer to a new contractor, who will operate and maintain both the bridge and the new replacement crossing. The cost of measurement of transport infrastructure assets on a DRC basis for the Authority is anticipated to exceed any benefits to be gained, given the limited future lifespan of the Authority.</p>

## Basis of Carriageway Calculation



### Readiness Questionnaire

Highways authorities were again asked about their readiness via a questionnaire. Generally average responses were more positive about their readiness for 2011-12 than for 2010-11. Appendix 1 provides the averages scores per question and the table at Appendix 2 gives the breakdown per individual question.

Generally there are small numbers within the "Strongly Disagree" category, which is positive, however, there are still a concerning number of authorities who "Disagree". Appendix 2 shows for each question the proportion of authorities who either responded with "strongly disagree", "disagree" or who did not respond at all.

Question 5, asked whether authorities agree or disagree with the statement they will be able to fully implement the Code in accordance with the published timescales. It is of concern that only 105 out of 206 authorities either agreed or strongly agreed with this statement, indicating that there is still significant work to be undertaken by some authorities in order to fully implement the requirements of the Code.

**Appendix 1**

**1 = Strongly Disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly Agree**

	<b>AVERAGE 2010-11</b>	<b>AVERAGE 2011-12</b>
1. The tools to support the implementation of the Code are helpful and appropriate.	Answer 1 to 5 4	Answer 1 to 5 3
2. All those who 'need to know' at this authority are aware of the Code and its requirements and implications, including senior management, finance practitioners and asset management/engineering practitioners.	3	3
3. The financial and technical practitioners are clear about their roles and work together to produce the required information.	3	4
4. This authority is actively working with other authorities in a regional group (or similar) to support and benchmark our work on asset valuation and implementing the Code.	4	4
5. This authority will be able to fully implement the Code to the published timescales including a full, audited dry run in 2011-12 and full implementation in 2012-13. (2011-12 wording – "dry run in 2011-12 and full implementation in 2012-13").	3	4
6. This authority has sufficient, appropriate and robust inventory data to implement the Code on the following assets:		
A. Carriageways	4	4
B. Footways & Cycletracks	3	3
C. Structures	4	4
D. Lighting	4	4
E. Traffic Management	3	4
F. Land	3	3
7. For the areas in question 6 where appropriate inventory data is not yet available, this authority is confident that plans are in place to gather this data and it will be available to fully implement the Code to the published timescales.	3	3

8. This authority has sufficient, appropriate and robust condition or age data (as appropriate) to implement the Code on the following assets

A. Carriageways

4
3
4
4
3

4

B. Footways & Cycletracks

3
4
4
4
3

3

C. Structures

D. Lighting

E. Traffic Management

9. For the areas in question 8 where appropriate condition or age data is not yet available, this authority is confident that plans are in place to gather this data and it will be available to fully implement the Code to the published timescales.

3
3

3

10. This authority has a fully developed and implemented TAMP/ HAMP.

3
3

3

The table below provides the detailed totals for each question.

	1	2	3	4	5	Total	Total who did not answer	% with 1,2 or no answer
<i>Q1</i>	2	26	60	86	11	185	21	23.8%
<i>Q2</i>	6	24	69	74	12	185	21	24.8%
<i>Q3</i>	5	20	60	77	23	185	21	22.3%
<i>Q4</i>	7	18	27	59	74	185	21	22.3%
<i>Q5</i>	3	20	57	91	14	185	21	21.4%
<i>Q6A</i>	4	9	18	96	58	185	21	16.5%
<i>Q6B</i>	7	31	53	77	17	185	21	28.6%
<i>Q6C</i>	4	20	37	94	30	185	21	21.8%
<i>Q6D</i>	4	5	21	100	53	183	23	15.5%
<i>Q6E</i>	6	23	40	87	24	180	26	26.7%
<i>Q6F</i>	21	27	69	55	9	181	25	35.4%
<i>Q7</i>	3	20	69	77	13	182	24	22.8%
<i>Q8A</i>	2	14	25	87	57	185	21	18.0%
<i>Q8B</i>	8	46	60	54	17	185	21	36.4%
<i>Q8C</i>	5	18	49	83	29	184	22	21.8%
<i>Q8D</i>	4	14	34	97	35	184	22	19.4%
<i>Q8E</i>	8	26	64	64	18	180	26	29.1%

<i>Q9</i>	5	25	73	72	8	183	23	25.7%
<i>Q10</i>	9	25	70	61	19	184	22	27.2%

## APPENDIX F

### **Responses to question 64 or other issues where the need for clarification is suggested by respondents**

(Note minor issues/ clarifications/typographical errors have not been included)

	<b>Issue Raised</b>	<b>Secretariat Response</b>
1	<p><b>Response to Question 37</b></p> <p>However, we consider that CIPFA/LASAAC should also take this opportunity to remove a conflict in the Code in respect of the offsetting of bank overdrafts against cash and cash equivalents (C&amp;CE) in the balance sheet. Paragraph 7.4.4.1 (as existing) implements the offsetting rules in IAS 32 under which bank overdrafts can only be netted-off against C&amp;CE in the balance sheet if the authority has both a legal right and an intention to do so.</p> <p>However, paragraphs 3.2.4.15 and 3.2.4.54 of the Code both require a different treatment by stating that overdrafts should be netted-off where they form an integral part of the authority's cash management. This latter requirement comes from IAS 7 and therefore under IFRS applies only to the cash flow statement, with paragraph 45 of that standard then requiring disclosure of a reconciliation between the C&amp;CE amounts in the balance sheet and the cash flow statement.</p>	<p>The Secretariat concurs with the view that there is a potential conflict in the Code and suggests that the relevant text from IAS 7 <i>Statement of Cash Flows</i> included in paragraph 3.4.2.54 should be moved to the cashflow part of Section 3.4 at paragraph 3.4.2.72</p> <p><b>CIPFA/LASAAC is invited to consider whether it wishes to include this proposed amendment in the 2013/14.</b></p>
2	<p><b>Response to Question 39</b></p> <p>Clarification of what constitutes the total cost of an exit package when preparing the exit packages disclosure note. Specifically whether / how to include recurring compensatory added years' pension enhancements, allowing for differing pension scheme arrangements and terminologies.</p> <p>As mentioned above, more guidance on what to include within total cost of exit packages, allowing for the various different elements of enhancements that different pension schemes permit.</p> <p>Also, greater flexibility (explicitly set out in the Code) for practitioners to decide whether certain disclosures are required. The Code needs to reflect the wide held belief that the accounts need to be</p>	<p>The Board agreed not to amend the exit package disclosure until it was considered as a part of the WGA disclosure review in the forward work programme of the Code.</p> <p>The disclosures have been considered in the Code consultation process.</p> <p>The ITC format will be reviewed for next year but it is noted that the Code takes the form of a standard setter and numerous significant reporting requirements have been proposed for introduction in the 2013/14 Code with numerous stakeholders commenting on their interest area.</p> <p><b>No further action recommended in 2013/14.</b></p>

	<p>streamlined.</p> <p>Finally, I would note that the format of the ITC and this form is not very easy to use. Consideration should be given to reviewing the way comments are invited on Code changes.</p>	
3	<p>The term 'statement of accounts' is defined in paragraph 1.6.4 as 'the financial statements, statement of accounting policies, and notes to the accounts ....for the purpose of the auditor's certificate and opinion'.</p> <p>The separate reference to statement of accounting policies is not required. It is now known as a summary of significant accounting policies and forms part of the notes.</p> <p>It is not clear why the definition is restricted to the auditor's certificate and opinion. We suggest that 'for the purpose of the auditor's certificate and opinion' be removed. (paragraphs 1.1.2/1.6.4)</p> <p>The term 'statement of accounts' is used on several occasions before this paragraph. We suggest the definition (amended as above) is moved to the place where it is first used (i.e. paragraph 1.1.2) so that it is clear from the outset what it covers.</p>	<p>The Secretariat will change the reference to Statement of Accounting policies to summary of significant accounting policies to be consistent with other references but the other recommendations might mean slightly different things in each of the jurisdictions. The Secretariat suggests that this should be reviewed and subject to consultation in the 2013/14 Code Update as a statutory amendment.</p> <p><b>CIPFA/LASAAC is invited to consider this approach.</b></p>
4	<p>The Code refers to the requirement for a true and fair view in several places, but there are some inconsistencies in the wording used. For example, paragraph 1.4.1 states that the accounts should give a 'true and fair' view of the financial position and financial performance of the authority. Paragraph 2.1.1.4 refers to presenting a true and fair view of cash-flows. Paragraph 3.2.4.1 refers to 'a true and fair view of expenditure and income'.</p> <p>References to true and fair in other paragraphs (e.g. 1.1.1 and 1.1.5) are to 'transactions' rather than 'financial performance', or 'expenditure and income', and do not mention cash-flows.</p> <p>We suggest that consistent phraseology is used throughout the Code in respect of true and fair, and that 'gives a true and fair view of the financial position and transactions of the authority' be used throughout.</p>	<p>Some of these references come from elements of IFRS, for example the Conceptual Framework where terminology includes references to cash flows in terms of the objectives of the financial statements. Some of these references refer to the statutory requirements which do not mention cash flows. It is suggested that this be carried forward for review by the Secretariat for inclusion in the 2014/15 Code.</p> <p><b>CIPFA/LASAAC is invited to consider this approach.</b></p>

5	<p>Paragraph 1.5.3 states that authorities should ensure that the explanatory foreword does not contain material inaccuracies or misleading statements in relation to the statement of accounts.</p> <p>We agree with this principle but suggest that the wording be changed to 'ensure that it is consistent with the statement of accounts'. This promotes consistency (rather than the slightly different emphasis of avoiding inconsistency) and is in accordance with the auditor's responsibility to give an opinion on the foreword's consistency with the accounts.</p>	<p>It is suggested that this considered for inclusion in the development programme of the 2014/15 Code.</p> <p><b>CIPFA/LASAAC is invited to consider this approach.</b></p>
6	<p>Paragraph 2.1.2.23 is the first of many places where the key term 'service potential' is used. However, it is not defined anywhere in the Code.</p> <p>We suggest that a definition or further explanation of service potential be provided in the Code.</p> <p>There is also a typo in this paragraph, where 'to' is missing after 'expected'.</p>	<p>The Secretariat is aware that there is not a definition of service potential in the Code. This has been considered as a part of the review of accounting for schools. There is a definition available in the Statement of Principles for Financial Statements Interpretation for Public Benefit Entities, ASB 2007. However, it is considered that it would be beneficial to await developments in the IPSASB Conceptual Framework which is likely to cover this issue in more detail.</p> <p><b>CIPFA/LASAAC is invited to consider this issue.</b></p>
7	<p>Treasury has issued an exposure draft of a proposed change to the <i>Government financial reporting manual</i> (FReM) from 2012/13 in respect of combinations of public sector bodies.</p> <p>The proposal is for 'absorption' accounting rather than merger accounting to be adopted for transfers between central government and local government. We suggest that equivalent amendments be made to the 2012/13 Code to ensure consistent treatment across the public sector.</p>	<p>The Secretariat reviewed this work as a part of its Membership of both the FRAB Working party that considered the issue and the FRAB Working Group. The Secretariat reported the issue to the Chair for her consideration on 5 July 2012. The Chair considered that the due processes of the Code would not permit such a change to be introduced at such a late date as this was not able to be considered in a meeting of the full Board. The Secretariat concurs with this view. The issue has been highlighted in the CIPFA/LASAAC Review.</p> <p>The Secretariat considers that Section 2.5 of Code (although not using the term absorption costing) was consistent with the principles of the Exposure Draft of the FReM. There will be some inconsistencies with the FReM approach as the Secretariat is aware that some changes have been agreed at a recent FRAB meeting.</p> <p>The Secretariat will bring these proposals forward in more detail at the March meeting of the Board for consideration for inclusion in the 2014/15 Code Update. However detail is</p>

		<p>included at agenda item 11.</p> <p><b>CIPFA/LASAAC is invited to consider this issue.</b></p>
8	<p>Paragraph 3.1.1.1 encourages authorities to prepare the explanatory foreword taking into account the provisions of the FReM.</p> <p>However, this is not reflected in paragraph 3.1.4.1 which lists the recommended topics for inclusion in the foreword. We suggest that relevant provisions of the FReM be assimilated into this paragraph.</p>	<p>The encouragement approach did not extend to an explicit recommendation to include these provisions for recommended topics which would be more than an encouragement. It is recommended that no change be made until CIPFA/LASAAC has agreed its longer term approach to the management commentary.</p> <p><b>CIPFA/LASAAC is invited to consider this issue.</b></p>
9	<p>Paragraph 3.4.2.17 lists what a complete set of financial statements comprises. However, it omits the HRA statements; collection fund/council tax income account; and non-domestic rate income account.</p>	<p>This statement accords with IAS 1 comments that formal extension to include the HRA and other statutory statements would require consultation. The inclusion of the other statements can be considered in the development programme for the 2014/15 Code.</p> <p><b>CIPFA/LASAAC is invited to consider this issue.</b></p>
10	<p>Paragraph 3.4.2.34 states that the financial statements should be clearly identified from other information. We suggest that 'and notes' be added after 'financial statements'.</p>	<p>The Secretariat would suggest the approach to the previous point is used.</p> <p><b>CIPFA/LASAAC is invited to consider this issue.</b></p>
11	<p>Paragraph 4.1.2.42 states that depreciation should be recognised in the surplus or deficit on the provision of services, unless it is included in the carrying amount of another asset. It is not clear what is meant by 'included in the carrying amount of another asset'.</p>	<p>This is explained in more detail in paragraph 49 of IAS 16 ie this is where future economic benefits embodied in an asset are absorbed in producing other assets. In this case the depreciation charge constitutes a part of the other asset and is included in its carrying amount. The Secretariat has not before had any queries on this issue and thought the issue was commonly understood. This could be included in application guidance.</p> <p><b>No further action recommended.</b></p>
12	<p>Paragraph 4.1.4.1 requires the inclusion of 'the de minimis level within the disclosure of accounting policies'. No further explanation is provided in regard to what is meant by 'de minimis levels' in this context nor is it referred to anywhere else in the Code.</p> <p>We suggest that clarification be added.</p>	<p>It is suggested that this issue is included in detailed application guidance in the Code Guidance Notes. If the Board wish this to be included in the Code it would need to be included in the development programme for the 2014/15 Code.</p> <p><b>CIPFA/LASAAC's views are sought on whether the concept of de minimis should be included in the development</b></p>

		<b>programme for the 2014/15 Code.</b>
13	<p>Paragraph 6.5.1.3 states that section 6.5 of the Code does not by itself specify all the requirements for preparing pension fund financial statements, and other relevant provisions of the Code apply to the extent they are not superseded by section 6.5. It would be helpful on the grounds of consistency if the main relevant provisions in respect of other statements to be included with the financial statements in the pension fund annual report were listed in this paragraph. We suggest, for example, clarification is added that paragraph 3.2.1.1 of the Code which requires a statement of responsibilities and paragraph 3.1.1.1 of the Code which requires an explanatory foreword apply to the pension fund financial statements.</p> <p>However, the Code's requirement for an annual governance statement is superseded by the statutory requirement for a governance compliance statement, and therefore an annual governance statement should not be included with the pension fund financial statements. We suggest that this be clarified in the Code.</p> <p>Another authority referred to pension fund accounting not being incorporated into "your normal change regime. 2010/11 saw a fundamental change in relation to financial instruments and 2011/12 the introduction of related party disclosures".</p>	<p>Much of this information is provided in the CIPFA <i>Example Accounts and Disclosure Checklist</i>. However, the Board might wish to consider the inclusion of a list of the provisions and disclosures of the Code which apply to the pension fund in section 6.5 or, alternatively it might consider that this is best covered in application guidance.</p> <p><b>CIPFA/LASAAC is invited to provide its views on its preferred approach.</b></p>
14	<p>Paragraph 9.1.1.5, which is under the heading of interpretations and adaptations, includes a requirement for authorities in Scotland to consider the consolidation of common good funds in the group accounts. It is not clear why it is considered that this requirement is an adaptation or interpretation. The inclusion of the common good in group accounts should be considered in line with SIC 12 (see following point in regard to paragraph 9.1.1.9).</p>	<p>The Secretariat considers that amendment of the provision would need to be considered in a future edition of the Code. However, this will be considered against the provisions of IFRS 10<sup>1</sup> and the suite of Group Accounts Standards.</p> <p><b>CIPFA/LASAAC's views are sought on this approach.</b></p>
15	Constructive guidance on related parties.	Guidance on related parties would need to be

<sup>1</sup> IFRS 10 *Consolidated Financial Statements*; IFRS 11 *Joint Arrangements*; IFRS 12 *Disclosure of Interests in Other Entities*; IAS 27 *Separate Financial Statements* (as amended in 2011); and IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)

	<p>Collection Fund accounting has become a dark art - Code guidance might not be right place to address but it does not look at. Accounting for academy transfers - lack of clarification for treatment of land assets.</p>	<p>referred to LAAP. It is suggested that guidance on the collection fund accounting would also need to be referred to the Panel.</p> <p><b>The Secretariat recommends referral to LAAP.</b></p> <p>Accounting for academy transfers needs to be considered by the Board following its decisions on the FReM approach for merger accounting.</p>
16	<p>We feel that it would be helpful for a user of the accounts if the annual accounts contained more detailed information on staff numbers and staff costs.</p>	<p>The Secretariat does not concur with this issue. Such disclosures are not required by financial reporting standards but emanate from statutory reporting requirements. The Secretariat considers that this issue might be raised in a management commentary but this is an issue of reporting judgement for the authority itself.</p> <p><b>CIPFA/LASAAC's views are sought on the above comments.</b></p>
17	<p>Many examples of lack of clarity and areas where simplification of explanations and definitions would be useful, in areas such as:</p> <ul style="list-style-type: none"> <li>• Trading Operations</li> <li>• Treatment of agency arrangements in LA accounts</li> <li>• Inconsistency in treatment of the required 2 notes to the accounts relating to Officers' Remuneration - Senior Officers and +£60k, which does not lend clarity in explanation to the reader.</li> </ul>	<p>There is application guidance available for these issues, some of which is extensive. The Secretariat does not consider that further detail is required in the Code. The Secretariat would note that this £60k threshold is for Welsh authorities only and is stipulated by statute.</p> <p><b>CIPFA/LASAAC's views are sought on whether the Code's provisions need to be augmented in any of these areas.</b></p>
18	<p>In our view, the proposed wording of paragraphs 6.3.2.1 and 6.3.2.2 of the Code contain repetition and are capable of being misinterpreted.</p> <p>We would suggest that paragraphs 6.3.2.1 and 6.3.2.2 be replaced with:  Termination Benefits only arise where an authority has established a scheme which provides additional benefits to those earned during employment to encourage staff to leave the employment of the authority. Benefits which employees become entitled to on leaving the employment of the authority at their own request are not termination benefits, they are post-employment benefits.</p>	<p>This appears to be referring to the 2012/13 Code which has been amended by the 2013/14 Code amendments.</p> <p><b>No further action recommended.</b></p>