

# Contents

## MODULE 1

<b>INTRODUCTION</b>	<b>1</b>
<b>A OBJECTIVE OF THE CODE</b>	<b>1</b>
The Status of the Guidance Notes and Other Supporting Documents	1
Objective of the Code	2
Sources for the Code's Provisions	3
Statutory Requirements	3
Accounting Standards	3
Adaptations and Interpretations of IFRS and Transactions Not Covered by the Code	4
<b>B APPLICABILITY OF THE CODE</b>	<b>4</b>
Overall Legal Requirements in Respect of the Form of Accounts	7
England	7
Wales	8
Scotland	10
Northern Ireland	12
<b>C CONTEXT OF THE CODE'S RECOMMENDATIONS</b>	<b>13</b>
Statutory Sources	13
Basis of Preparation – True and Fair	13
Influence of the Financial Reporting Advisory Board	13
Providing Additional Information	14
Professional Framework	14
<b>D ACCOUNTING STANDARDS</b>	<b>16</b>
<b>E PURPOSE OF THE STATEMENT OF ACCOUNTS (ANNUAL ACCOUNTS IN SCOTLAND)</b>	<b>17</b>
Common Pattern of Presentation	17
Interpretation and Explanation	17
Relationship with Summary Accounts	17
<b>F PUBLICATION</b>	<b>18</b>
England	18
Wales	18
Approval in England and Wales	19
Scotland	19
Northern Ireland	20
Meaning of Publication	20
Relationship with the Annual Report	20
Auditor's Report	20
Audit Considerations	20
<b>APPENDIX A</b>	
<b>RELEVANT STANDARDS</b>	<b>23</b>

APPENDIX B

**NEW OR AMENDED STANDARDS INTRODUCED TO THE 2016/17 CODE ..... 27**

Note 1: Details of the Annual Improvements to IFRSs 2010–2012 Cycle .....28

Note 2: Details of the Annual Improvements to IFRSs 2012–2014 Cycle .....30

MODULE 2

**CONCEPTS AND PRINCIPLES ..... 31**

**A CONCEPTS ..... 31**

Introduction ..... 31

Accounting Requirements.....32

    Objectives of Financial Statements .....32

Financial Performance Reflected by Accrual Accounting.....34

    Accruals Basis .....34

Underlying Assumption .....35

    Going Concern.....35

Qualitative Characteristics of Useful Financial Information .....36

Fundamental Qualitative Characteristics .....36

    Introduction .....36

    Relevance.....36

    Materiality .....37

    Faithful Representation.....39

    Completeness.....40

    Neutrality .....40

    Free from Error .....40

    Faithful Representation and Substance over Form .....41

    Enhancing Qualitative Characteristics .....41

    Applying Enhancing Qualitative Characteristics .....44

    Primacy of Legislative Requirements .....45

Elements of Financial Statements.....45

    Balance Sheet .....45

    Comprehensive Income and Expenditure Statement .....48

Recognition of the Elements of Financial Statements .....49

Measurement of the Elements of Financial Statements .....50

Fair Value .....50

Current Value Measurement of Property, Plant and Equipment .....50

Measurement at Fair Value or the Different Current Value Measurements of Property, Plant and Equipment .....51

**B BUSINESS IMPROVEMENT DISTRICT SCHEMES (ENGLAND, WALES AND SCOTLAND);  
BUSINESS RATE SUPPLEMENTS (ENGLAND); AND COMMUNITY INFRASTRUCTURE LEVY  
(ENGLAND AND WALES) ..... 53**

Business Improvement District Schemes – Introduction .....53

Business Improvement District Schemes – Accounting Requirements.....53

    Authority Acting as BID Body.....53

    Authority Acting as Billing Authority Only .....53

    Costs of Balloting .....55

Business Rate Supplements – Introduction .....55

Business Rate Supplements – Authority Acting as Billing Authority Only .....57

    Accounting Requirements.....57

Statutory Disclosure Requirements.....	58
Business Rate Supplements – Authority Acting as Levying Authority Only.....	58
Accounting Requirements.....	59
Statutory Accounting Requirements.....	60
Statutory Disclosure Requirements.....	61
Business Rate Supplements – Authority Acting as Billing and Levying Authority .....	62
Accounting Requirements.....	62
Statutory Accounting Requirements.....	63
Statutory Disclosure Requirements.....	64
Community Infrastructure Levy – Introduction .....	65
Accounting Requirements.....	66
Authority Acting as Charging Authority.....	66
Authority Acting as Collecting Authority.....	67
<b>C GOVERNMENT GRANTS AND NON-GOVERNMENT GRANTS .....</b>	<b>67</b>
Introduction .....	67
Stipulations, Conditions and Restrictions.....	68
Recognition and Presentation – Grants and Contributions.....	69
Recognition and Presentation – Donated Assets.....	71
Repayment of Grants and Contributions.....	72
Future Specified Events Giving Rise to a Return Obligation.....	72
Transfers.....	72
Statutory Accounting Requirements – Capital Grants and Contributions.....	73
Statutory Accounting Requirements – Donated Assets .....	77
Repayment of Capital Grants and Contributions.....	78
Summary Example of Accounting Arrangements for a Capital Grant.....	79
Accounting Requirements – Revenue Grants and Contributions .....	81
Grants Applied to Revenue Expenditure Funded from Capital under Statute (REFCUS) .....	83
Scottish Government Statutory Guidance on Grants, Contributions and Donated Assets.....	85
Developers’ Contributions .....	85
Local Services Support Grant (England Only) .....	85
<b>D LANDFILL ALLOWANCE AND OTHER TRADING SCHEMES.....</b>	<b>86</b>
Landfill Allowances.....	86
Introduction .....	86
Arrangements for England and Scotland .....	86
Arrangements for Wales.....	86
Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.....	86
Introduction .....	86
Accounting for the CRC Energy Efficiency Scheme in Phase 2.....	87
Disclosure Requirements.....	88
CRC Emissions in Schools – Local Authority Responsibilities.....	89
Further Guidance.....	89
<b>E COMBINATIONS OF PUBLIC SECTOR BODIES .....</b>	<b>89</b>
Introduction .....	89
Transfer by Absorption.....	90
Gross Expenditure, Income and Net Expenditure of Acquired Functions.....	90
Gross Expenditure (including Depreciation and Impairment of Non-current Assets, the Current and Past Service Costs of Pensions and Gains and Losses on Settlements and	

Curtailment of Pensions, Provisions and Exceptional Items), Income and Net Expenditure on General Fund Continuing Operations .....	91
Transferred Functions .....	91
Transfer by Merger .....	92
Mid-year Transfers .....	93
Presentation and Disclosure .....	93
Detailed Accounting Requirements for Combinations of Public Sector Bodies .....	96
<b>F PRINCIPAL AND AGENT .....</b>	<b>99</b>
Introduction .....	99
Features of Agent and Principal Relationships .....	99
Accounting Treatments.....	100
Disclosure Requirements.....	101
<b>G REVENUE RECOGNITION.....</b>	<b>101</b>
Introduction .....	101
Recognition and Measurement .....	102
Measurement .....	102
Recognition .....	103
Timing Differences.....	109
Disclosure Requirements.....	109
<b>H TAX INCOME (COUNCIL TAX, RESIDUAL COMMUNITY CHARGES, NON-DOMESTIC RATES AND RATES).....</b>	<b>110</b>
Non-domestic Rates (Wales and Scotland).....	110
Non-domestic Rates – England.....	111
Apportioning Collection Fund Surpluses and Deficits in Relation to Non-domestic Rates ..	114
Comprehensive Income and Expenditure Statement – Implications of Agency Accounting in Relation to Non-domestic Rates .....	115
Apportioning Non-domestic Rate Arrears and Overpayments.....	120
Cash Flow Statement Implications of Agency Accounting in Relation to Non-domestic Rates .....	122
Pool of Authorities for Non-domestic Rating Income.....	122
Non-domestic Rates – Retention of Percentage of Income Growth (England and Scotland) .....	123
Non-domestic Rates – Business Rates Incentivisation Scheme.....	123
Council Tax in England.....	123
Apportioning Collection Fund Surpluses and Deficits in Relation to Council Tax.....	125
Comprehensive Income and Expenditure Statement – Implications of Agency Accounting in Relation to Council Tax .....	127
Apportioning Council Tax Arrears and Overpayments.....	129
Cash Flow Statement Implications of Agency Accounting in Relation to Council Tax .....	131
Residual Community Charges in England .....	132
Council Tax in Scotland.....	132
Council Tax in Wales .....	132
<b>I VALUE ADDED TAX.....</b>	<b>133</b>
Introduction .....	133
Accounting Requirements.....	133
<b>J FAIR VALUE MEASUREMENT .....</b>	<b>134</b>
Introduction .....	134

Adaptation and Application for the Public Sector Context.....	134
Local Authority Property, Plant and Equipment.....	134
Scope Exclusions of Section 2.10 of the Code.....	135
Fair Value Measurement.....	138
Key Features.....	138
Restrictions on the Sale or Use of an Asset.....	145
Fair Value Measurement of Non-financial Assets – Highest and Best Use and Valuation Premise.....	146
Fair Value Measurement of Liabilities.....	147
Fair Value Measurement Approach for Liabilities.....	147
Financial Assets and Financial Liabilities with Offsetting Positions in Market Risks or Counterparty Credit Risk.....	150
Valuation Techniques.....	150
Fair Value Hierarchy.....	151
Disclosures.....	154
For Assets and Liabilities Measured at Fair Value.....	155
For Assets and Liabilities Not Measured at Fair Value But For Which the Fair Value is Disclosed.....	156
Transition.....	158

### MODULE 3

<b>THE FINANCIAL STATEMENTS.....</b>	<b>159</b>
<b>A THE STATEMENT OF ACCOUNTS.....</b>	<b>159</b>
General Requirements for the Statement of Accounts.....	161
Specific Requirements for the Financial Statements.....	162
<b>B NARRATIVE REPORT/MANAGEMENT COMMENTARY (SCOTLAND).....</b>	<b>171</b>
Introduction.....	171
Recommended Topics for Inclusion in the Narrative Report.....	171
Voluntary/Optional Approach to the Production of the Narrative Report.....	174
Statutory Narrative Reporting Requirements for Authorities in England.....	177
Principles for Narrative Reporting to Meet the Requirements of the Accounts and Audit Regulations 2015 – Authorities in England.....	178
Narrative Report – Welsh and Northern Irish Local Authorities.....	180
Management Commentary (Scotland).....	180
<b>C STATEMENT OF RESPONSIBILITIES.....</b>	<b>182</b>
Introduction.....	182
<b>D ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS.....</b>	<b>183</b>
Introduction.....	183
Impact of New Standards.....	183
Selection and Application of Accounting Policies.....	183
Materiality and Accounting Policies.....	183
Transactions Outside the Scope of the Code.....	184
Consistency.....	185
Changes in Accounting Policies.....	185
Applying a Change in Accounting Policy.....	186
Changes in Accounting Estimates.....	188
Errors.....	190
Disclosures.....	192

Changes in Accounting Policy .....	192
Future Accounting Standards – Disclosures .....	196
Changes in Accounting Estimates – Disclosures .....	197
Prior Period Errors .....	197
<b>E COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT .....</b>	<b>200</b>
Introduction .....	200
Contents of the Comprehensive Income and Expenditure Statement .....	200
Design of the Comprehensive Income and Expenditure Statement .....	205
Presentation of Items in Other Comprehensive Income and Expenditure .....	206
Transition .....	207
Nature of Expenses Disclosure .....	207
Transition .....	208
<b>F MOVEMENT IN RESERVES STATEMENT .....</b>	<b>208</b>
Introduction .....	208
Contents of the Movement in Reserves Statement .....	209
Adjustments between Accounting Basis and Funding Basis .....	211
Design of the Movement in Reserves Statement .....	217
Transition .....	218
Disclosure of Earmarked Reserves .....	218
<b>G BALANCE SHEET .....</b>	<b>218</b>
Introduction .....	218
Contents of the Balance Sheet .....	219
Current or Non-current? .....	226
Disclosures in Relation to the Balance Sheet .....	227
<b>H CASH FLOW STATEMENT .....</b>	<b>228</b>
Introduction .....	228
Cash and Cash Equivalents .....	229
Cash .....	229
Cash Equivalents .....	229
Foreign Currency .....	231
Obtaining or Losing Control of Subsidiaries .....	231
Presentational Requirements for the Direct Method .....	231
Presentational Requirements for the Indirect Method .....	237
Additional Disclosure Requirements Applicable to Indirect and Direct Methods .....	240
<b>I NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>240</b>
Introduction .....	240
Significant Accounting Policies .....	243
Judgements Made by Management .....	244
Assumptions about the Future .....	245
Segment Reporting .....	246
Management Information to Be Used .....	248
Segments to Be Disclosed .....	249
Disclosure Requirements .....	255
Acquired and Discontinued Operations (1) .....	255
Trading Operations (2) .....	256
Agency Income and Expenditure (3) .....	261
Pooled Budgets for Health and Social Care (4) .....	262

Members' Allowances (5) .....	263
Exit packages (6) .....	263
Fees Payable to Auditors (7) .....	264
Local Taxation in Wales (8) .....	265
Domestic and Non-domestic Rates in Northern Ireland (9) .....	266
Amounts Shown in the Movement in Reserves Statement (10) .....	266
Nature and Amount of Trust Funds (11) .....	266
Components of Cash and Cash Equivalents (12) .....	268
Officers' Remuneration (1) .....	269
Schemes under the Transport Act (2) .....	269
Dedicated Schools Grant (England) (3) .....	269
Treatment of Copyright Licences and Reimbursement of VAT .....	270
Officers' Remuneration – England and Wales .....	273
Definitions Common to the Banding Note and the Senior Employees Note .....	273
Banding Note .....	276
Senior Employees Note .....	277
Disclosure Requirements for Employees of Local Authority Maintained Schools in England and Wales .....	280
Remuneration Report – Northern Ireland .....	281
Remuneration Report – Scotland .....	281
Statutory Definitions .....	281
Overview of the Disclosure Requirements .....	282
Implementing the Requirements .....	282
Remuneration Report – Northern Ireland .....	283
Exit Packages – All Administrations .....	283
Recognition and Measurement .....	284
Pension Strain .....	284
Disclosing Costs Charged to the Comprehensive Income and Expenditure Statement .....	285
Definition of Exit Packages .....	285
Ill Health Retirements .....	285
<b>J HOUSING REVENUE ACCOUNT (ENGLAND) .....</b>	<b>285</b>
Introduction and Statutory Background .....	285
The HRA Income and Expenditure Statement .....	286
Repairs and Maintenance .....	288
Supervision and Management .....	289
Rents, Rates, Taxes and Other Charges .....	289
Depreciation, Impairments and Revaluation Losses in relation to Non-current Assets .....	289
Debt Management Costs .....	290
Movement in the Allowance for Bad or Doubtful Debts .....	290
Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code .....	290
Dwelling Rents .....	290
Non-dwelling Rents .....	291
Charges for Services and Facilities .....	291
Contributions Towards Expenditure .....	291
Sums Directed by the Secretary of State that are Income in Accordance with Proper Practices .....	291
HRA Share of Corporate and Democratic Core .....	291

HRA Share of Other Amounts Included in the Whole Authority Net Expenditure of Continuing Operations but Not Allocated to Specific Services.....	292
Gain or Loss on the Sale of HRA Non-current Assets.....	292
Interest Payable and Similar Charges.....	292
Interest and Investment Income.....	293
Net Interest on the Net Defined Benefit Liability (Asset).....	293
Capital Grants and Contributions.....	293
Movement on the HRA Statement.....	293
Disclosure Requirements.....	296
Statutory Disclosure Requirements.....	297
<b>K HOUSING REVENUE ACCOUNT (WALES) .....</b>	<b>298</b>
Introduction and Statutory Background.....	298
General Determination of the Item 8 Credit and Item 8 Debit (Wales) 2015 .....	299
Performance Statements for the Housing Revenue Account in Wales.....	299
The HRA Income and Expenditure Statement.....	299
Management and Maintenance – Repairs and Maintenance.....	302
Management and Maintenance – Supervision and Management.....	302
Rents, Rates, Taxes and Other Charges.....	302
Negative Subsidy Payable to the Welsh Government.....	302
Depreciation, Impairments and Revaluation Losses in relation to Non-current Assets .....	302
Debt Management Costs.....	303
Movement in the Allowance for Bad or Doubtful Debts.....	303
Sums Directed by the Welsh Government that are Expenditure in Accordance with the Code .....	303
Dwelling Rents.....	304
Non-dwelling Rents.....	304
Charges for Services and Facilities.....	304
Contributions Towards Expenditure.....	304
Negative Subsidy Receivable .....	304
Major Repairs Allowance.....	304
Sums Directed by the Welsh Government that are Income in Accordance with Proper Practices.....	305
HRA Share of Corporate and Democratic Core.....	305
HRA Share of Other Amounts included in the Whole Authority Net Expenditure of Continuing Operations but Not Allocated to Specific Services.....	305
Gain or Loss on the Sale of HRA Non-current Assets.....	305
Interest Payable and Similar Charges.....	306
Interest and Investment Income.....	306
Net Interest on the Net Defined Benefit Liability (Asset).....	307
Capital Grants and Contributions.....	307
Movement on the HRA Statement.....	307
Disclosure Requirements.....	310
Statutory Disclosure Requirements.....	310
<b>L HOUSING REVENUE ACCOUNT (SCOTLAND).....</b>	<b>311</b>
Introduction and Statutory Background.....	311
The HRA Income and Expenditure Statement.....	312
Repairs and Maintenance.....	314



Supervision and Management .....	314
Depreciation, Impairments and Revaluation Losses in Relation to Non-current Assets .....	315
Movement in the Allowance for Bad or Doubtful Debts.....	315
Other Expenditure .....	315
Dwelling Rents .....	315
Non-dwelling Rents.....	316
Charges for Services and Facilities.....	316
Housing Support Grant.....	316
Other Income .....	316
HRA Share of Corporate and Democratic Core.....	316
HRA Share of Other Amounts included in the Whole Authority Net Cost of Services but Not Allocated to Specific Services .....	317
Gain or Loss on the Sale of HRA Non-current Assets.....	317
Interest Payable and Similar Charges.....	317
Interest and Investment Income .....	318
Net Interest on the Net Defined Benefit Liability (Asset).....	318
Capital Grants and Contributions.....	318
Movement on the HRA Statement .....	318
Disclosures.....	321
<b>M COLLECTION FUND (ENGLAND).....</b>	<b>321</b>
Introduction .....	321
Accounting Policies for the Collection Fund.....	321
The Collection Fund Statement.....	323
<b>N COUNCIL TAX INCOME ACCOUNT AND NON-DOMESTIC RATE ACCOUNT (SCOTLAND) .....</b>	<b>328</b>
Council Tax Income Account .....	328
Statutory Background .....	328
Accounting Requirements .....	328
Non-Domestic Rate Account.....	329
Statutory Background .....	329
Accounting Requirements .....	329
<b>O STATEMENTS REPORTING REVIEWS OF INTERNAL CONTROLS.....</b>	<b>332</b>
Development of Governance Reporting.....	332
Arrangements for 2016/17 .....	333
Annual Governance Statement .....	333
Recommendations for Reporting and Presenting the Annual Governance Statement with the Financial Statements – Wales and Northern Ireland .....	334
Recommendations for Reporting and Presenting the Financial Statements to Members..	335
<b>P EVENTS AFTER THE REPORTING PERIOD.....</b>	<b>335</b>
Introduction .....	335
Authorised for Issue Date.....	336
Adjusting and Non-adjusting Events .....	336
Disclosure Requirements.....	338
<b>Q RELATED PARTY DISCLOSURES.....</b>	<b>338</b>
Introduction .....	338
Applicability to Local Government .....	339
Relationships that Give Rise to Related Parties.....	339
Identifying Material Transactions and Balances .....	344

Materiality .....	344
Practicalities of Identifying Transactions .....	344
Presentation and Disclosure of Relationships, Transactions and Balances .....	346

## APPENDIX

### INTRODUCTION .....347

Section A: Example Financial Statements and Notes to the Accounts for Local Authorities 2016/17.....	347
Scope and Limitations of the Example Financial Statements.....	347
Section B: Example Financial Statements and Notes to the Accounts for Local Authorities 2016/17 (Alternative Presentation) .....	348
Section C: Background Information .....	348
Section D: Understanding Local Authority Financial Statements – References to CIPFA Guidance and Further Reading.....	348

## SECTION A

### EXAMPLE FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS FOR LOCAL

#### AUTHORITIES 2016/17 .....349

#### CONTENTS .....349

#### EXPENDITURE AND FUNDING ANALYSIS.....351

Comprehensive Income and Expenditure Statement Format 1*.....	352
Comprehensive Income and Expenditure Statement Format 2* (example including the split of the CIES for items that will not be reclassifiable to the Surplus and Deficit on the Provision of Services and those that may be) .....	353
Movement in Reserves Statement .....	355
Balance Sheet .....	356
Cash Flow Statement.....	359

## NOTES TO THE ACCOUNTS,

### 1. ACCOUNTING POLICIES .....360

i. General Principles .....	360
ii. Accruals of Income and Expenditure [A].....	360
[iii. Acquisitions and Discontinued Operations .....	361
Acquired operations [B] .....	361
Discontinued operations [I] .....	361
iv. Cash and Cash Equivalents [E].....	361
v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors [L].....	361
vi. Charges to Revenue for Non-current Assets .....	362
vii. Council Tax and Non-Domestic Rates (England) [H] .....	362
Accounting for Council Tax and NDR.....	362
viii. Employee Benefits [J] .....	363
Benefits Payable During Employment.....	363
Termination Benefits .....	363
Post-employment Benefits.....	363
ix. Events After the Reporting Period [K] .....	365
x. Financial Instruments [M] .....	366
Loans and Receivables .....	367
Available-for-Sale Assets .....	367
[xi. Foreign Currency Translation [N] .....	369
xii. Government Grants and Contributions [O].....	369

xiii. Heritage Assets [P].....	370
Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets).....	370
Heritage Assets – General.....	372
xiv. Intangible Assets [Q].....	372
xv. Interests in Companies and Other Entities .....	373
xvi. Inventories and Long-term Contracts [R].....	373
xvii. Investment Property [S].....	373
xviii. Joint Operations .....	374
xix. Leases [U].....	374
The Authority as Lessee.....	374
The Authority as Lessor .....	375
xx. Overheads and Support Services [W] .....	376
xxi. Property, Plant and Equipment [Y].....	376
Recognition .....	376
Measurement .....	376
Impairment .....	378
Depreciation .....	378
Disposals and Non-current Assets Held for Sale [V] .....	379
xxii. Highways Network Asset .....	380
Recognition .....	380
Measurement .....	380
Depreciated Replacement Cost .....	382
Depreciation .....	383
Disposals and Derecognition.....	384
xxiii. Private Finance Initiatives (PFI) and Similar Contracts [X] .....	384
xxiv. Provisions, Contingent Liabilities and Contingent Assets.....	385
Provisions [Z] .....	385
Contingent Liabilities [G] .....	386
Contingent Assets [F].....	386
xxv. Reserves [AA] .....	386
xxvi. Revenue Expenditure Funded from Capital under Statute [AB].....	386
xxviii. VAT [AC].....	387
xxix. Fair Value Measurement .....	387
<b>2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED</b> .....	<b>388</b>
<b>3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES .....</b>	<b>388</b>
<b>4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY .....</b>	<b>389</b>
<b>5. MATERIAL ITEMS OF INCOME AND EXPENSE.....</b>	<b>391</b>
<b>6. EVENTS AFTER THE REPORTING PERIOD.....</b>	<b>391</b>
<b>7A). NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS .....</b>	<b>393</b>
Adjustments for Capital Purposes .....	394
Net Change for the Pensions Adjustments .....	395
Other Differences.....	395
<b>7B). SEGMENTAL INCOME .....</b>	<b>395</b>
<b>8. EXPENDITURE AND INCOME ANALYSED BY NATURE .....</b>	<b>396</b>

<b>9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS</b>	
<b>UNDER REGULATIONS</b> .....	<b>397</b>
General Fund Balance.....	397
Housing Revenue Account Balance.....	397
Major Repairs Reserve.....	398
Capital Receipts Reserve.....	398
Capital Grants Unapplied.....	398
<b>10. MOVEMENTS IN EARMARKED RESERVES</b> .....	<b>401</b>
<b>11. OTHER OPERATING EXPENDITURE</b> .....	<b>401</b>
<b>12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE</b> .....	<b>402</b>
<b>13. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE</b> .....	<b>402</b>
<b>14. PROPERTY, PLANT AND EQUIPMENT</b> .....	<b>403</b>
<b>15. HERITAGE ASSETS</b> .....	<b>408</b>
<b>16. HIGHWAYS NETWORK ASSET</b> .....	<b>410</b>
<b>17. INVESTMENT PROPERTIES</b> .....	<b>411</b>
Valuation Process for Investment Properties.....	415
<b>18. INTANGIBLE ASSETS</b> .....	<b>416</b>
<b>19. FINANCIAL INSTRUMENTS</b> .....	<b>419</b>
Material Soft Loans Made by the Authority.....	420
<b>20. INVENTORIES</b> .....	<b>430</b>
<b>21. CONSTRUCTION CONTRACTS</b> .....	<b>431</b>
<b>22. DEBTORS</b> .....	<b>431</b>
<b>23. CASH AND CASH EQUIVALENTS</b> .....	<b>432</b>
<b>24. ASSETS HELD FOR SALE</b> .....	<b>432</b>
<b>25. CREDITORS</b> .....	<b>433</b>
<b>26. PROVISIONS</b> .....	<b>433</b>
<b>27. USABLE RESERVES</b> .....	<b>434</b>
<b>28. UNUSABLE RESERVES</b> .....	<b>434</b>
Revaluation Reserve.....	435
Available for Sale Financial Instruments Reserve.....	435
Capital Adjustment Account.....	436
Financial Instruments Adjustment Account.....	437
Pensions Reserve.....	438
Deferred Capital Receipts Reserve (England and Wales).....	439
Collection Fund Adjustment Account.....	439
Unequal Pay Back Pay Account.....	440
Accumulated Absences Account.....	440
<b>29. CASH FLOW STATEMENT – OPERATING ACTIVITIES</b> .....	<b>441</b>
<b>30. CASH FLOW STATEMENT – INVESTING ACTIVITIES</b> .....	<b>442</b>
<b>31. CASH FLOW STATEMENT – FINANCING ACTIVITIES</b> .....	<b>443</b>
<b>32. ACQUIRED AND DISCONTINUED OPERATIONS</b> .....	<b>443</b>
<b>33. TRADING OPERATIONS</b> .....	<b>443</b>
<b>34. AGENCY SERVICES</b> .....	<b>445</b>
<b>35. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000 [OR TRANSPORT</b>	
<b>(SCOTLAND) ACT 2001]</b> .....	<b>445</b>
<b>36. POOLED BUDGETS</b> .....	<b>446</b>
<b>37. MEMBERS’ ALLOWANCES</b> .....	<b>446</b>

<b>38. OFFICERS' REMUNERATION .....</b>	<b>447</b>
<b>39. EXTERNAL AUDIT COSTS .....</b>	<b>449</b>
England, Scotland and Northern Ireland.....	449
Wales .....	449
<b>40. DEDICATED SCHOOLS GRANT .....</b>	<b>449</b>
<b>41. GRANT INCOME.....</b>	<b>450</b>
Current Liabilities.....	451
Current Liabilities.....	451
Long-term Liabilities .....	452
Long-term Liabilities .....	453
<b>42. RELATED PARTIES .....</b>	<b>453</b>
Central Government.....	453
Members.....	454
Officers .....	454
Other Public Bodies [subject to common control by central government].....	454
Entities Controlled or Significantly Influenced by the Authority.....	454
<b>43. CAPITAL EXPENDITURE AND CAPITAL FINANCING .....</b>	<b>455</b>
<b>44. LEASES .....</b>	<b>456</b>
Authority as Lessee.....	456
Authority as Lessor .....	458
<b>45. PRIVATE FINANCE INITIATIVES (PFI) AND SIMILAR CONTRACTS.....</b>	<b>460</b>
Leisure Services PFI Scheme.....	460
<b>46. IMPAIRMENT LOSSES .....</b>	<b>461</b>
<b>47. CAPITALISATION OF BORROWING COSTS .....</b>	<b>462</b>
<b>48. TERMINATION BENEFITS.....</b>	<b>462</b>
<b>49. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES .....</b>	<b>462</b>
<b>50. DEFINED BENEFIT PENSION SCHEMES .....</b>	<b>463</b>
Participation in Pension Schemes .....	463
Discretionary Post-retirement Benefits .....	464
Transactions Relating to Post-employment Benefits .....	464
Pensions Assets and Liabilities Recognised in the Balance Sheet.....	466
Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets .....	466
Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation).....	467
Local Government Pension Scheme assets comprised.....	468
Basis for Estimating Assets and Liabilities .....	469
Asset and Liability Matching (ALM) Strategy (where applicable).....	471
Impact on the Authority's Cash Flows .....	471
<b>51. CONTINGENT LIABILITIES .....</b>	<b>472</b>
<b>52. CONTINGENT ASSETS.....</b>	<b>472</b>
<b>53. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS .....</b>	<b>472</b>
Market Risk.....	475
<b>54. HERITAGE ASSETS: SUMMARY OF TRANSACTIONS.....</b>	<b>477</b>
<b>55. HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS.....</b>	<b>478</b>
Ceramics, Porcelains and Figurines.....	478
Art Collection.....	478
Machinery, Equipment and Other Artefacts Relating to the Pottery Industry .....	478
Archaeology Collection .....	479

Heritage Assets of Particular Importance .....	479
Preservation and Management.....	480
<b>56. TRUST FUNDS.....</b>	<b>480</b>
<b>SECTION B</b>	
<b>EXAMPLE FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS FOR LOCAL AUTHORITIES 2016/17 (ALTERNATIVE PRESENTATION) .....</b>	<b>483</b>
Comprehensive Income and Expenditure Statement Format 1*.....	483
Comprehensive Income and Expenditure Statement Format 2* (example including the split of the CIES for items that will not be reclassifiable to the Surplus or Deficit on the Provision of Services and those that may be).....	485
Movement in Reserves Statement .....	487
Balance Sheet .....	490
<b>HERITAGE ASSETS.....</b>	<b>493</b>
<b>SHORT-TERM DEBTORS.....</b>	<b>495</b>
<b>SECTION C</b>	
<b>BACKGROUND INFORMATION.....</b>	<b>497</b>
<b>ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS ..</b>	<b>497</b>
General Fund Balance.....	497
Housing Revenue Account Balance .....	498
Major Repairs Reserve .....	498
Capital Receipts Reserve .....	498
Capital Grants Unapplied.....	498
<b>SECTION D</b>	
<b>UNDERSTANDING LOCAL AUTHORITY FINANCIAL STATEMENTS – REFERENCES TO CIPFA GUIDANCE AND FURTHER READING.....</b>	<b>505</b>
<b>MODULE 4</b>	
<b>NON-CURRENT ASSETS.....</b>	<b>507</b>
<b>A INTRODUCTION.....</b>	<b>507</b>
Key Principles of Accounting for Non-current Assets.....	507
Capital Accounting and Capital Financing Overview .....	513
Adaptation and Interpretation for the Public Sector Context.....	515
Operational Property, Plant and Equipment Held by Local Authorities .....	515
<b>B PROPERTY, PLANT AND EQUIPMENT – RECOGNITION .....</b>	<b>515</b>
What is Property, Plant and Equipment? .....	515
De Minimis.....	517
Acquisition and Construction of Property, Plant and Equipment .....	519
Purchase Price .....	519
Donated Assets .....	519
Attributable Costs .....	523
Dismantling, Removing and Restoring Costs .....	527
Applying Principles to Particular Areas of Expenditure.....	528
Subsequent Expenditure on Property, Plant and Equipment.....	532
Non-current Assets Used by Local Authority Maintained Schools.....	536
Background.....	536
Recognition of Schools’ Non-current Assets.....	536
Non-current Assets Used By Community and Community Special Schools.....	537

Assets Owned by Religious Bodies and Used by Voluntary Aided, Voluntary Controlled and Some Foundation Schools .....	537
<b>C PROPERTY, PLANT AND EQUIPMENT – MEASUREMENT AFTER RECOGNITION .....</b>	<b>539</b>
Classes of Property, Plant and Equipment.....	539
Infrastructure Assets .....	539
Community Assets.....	540
Assets Under Construction .....	540
Surplus Assets.....	540
Measurement Bases for Classes of Property, Plant and Equipment.....	541
Existing Use Value versus Depreciated Replacement Cost .....	543
Use of Depreciated Historical Cost as a Proxy .....	543
Existing Use Value – Social Housing.....	544
Valuation of Surplus Assets.....	545
The Cost Model .....	545
Arrangements for Revaluations.....	546
The Valuation Process .....	546
Commissioning Valuation Services.....	547
Regularity of Valuations .....	550
Timing of Valuations.....	551
Qualifications of Valuers.....	551
Accounting for Revaluations.....	552
Status of the Revaluation Reserve .....	552
Accumulated Depreciation and Accumulated Impairment.....	552
Status of Charges to the Surplus or Deficit on the Provision of Services .....	553
Upward Revaluation.....	553
Partial Reversal of a Revaluation Loss .....	557
Downward Revaluation.....	557
Summary of Operation of the Revaluation Reserve .....	560
<b>D PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION AND REVENUE ACCOUNTING .....</b>	<b>563</b>
The Importance of Depreciation in Local Government.....	563
Process for Calculating Depreciation .....	564
Property, Plant and Equipment Falling within the Scope of Depreciation .....	565
Identification of Components .....	566
Establishing Component Accounting Procedures.....	566
Outcome of Componentisation Procedures .....	568
Impact of Transitional Provisions .....	569
Establishing Depreciable Amounts.....	569
Balances to be Used for Depreciable Amounts.....	570
Residual Value.....	570
Assessing Useful Lives.....	571
Allocating Depreciable Amounts over Useful Lives.....	572
Examples of Depreciation Methods .....	573
Accounting for Depreciation .....	574
Statutory Accounting Requirements.....	574
Changes in Depreciation Calculations .....	578
Implications of Current Value Depreciation.....	579
<b>E PROPERTY, PLANT AND EQUIPMENT – DERECOGNITION.....</b>	<b>580</b>
Circumstances Requiring Derecognition.....	580

Date of Disposal.....	580
Calculation of Gains and Losses.....	580
Net Disposal Proceeds.....	581
Carrying Amount of the Asset.....	583
Components.....	583
Sale and Leaseback.....	584
Outstanding Balance of Revaluation Gains.....	584
Disposal of a Donated Asset.....	584
Treatment of Sales Proceeds.....	584
Costs of Disposal.....	585
Pooling of Housing Capital Receipts (England and Wales).....	586
Disposals where Other Parties Have Interests.....	587
Non-cash Disposals.....	589
Treatment of Insurance Receipts – Scotland.....	589
Payment of Capital Receipts into Capital Funds – Scotland.....	589
Accounting for Derecognition.....	590
Items Held for Rental.....	591
<b>F LEASES AND LEASE-TYPE ARRANGEMENTS.....</b>	<b>592</b>
Introduction.....	592
Classification of Leases: Distinguishing between Operating and Finance Leases.....	593
The lease transfers ownership of the leased asset to the lessee by the end of the lease term.....	594
The lessee has an option to purchase the asset at a price expected to be sufficiently lower than the fair value at the date the option is exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised.....	595
The lease term is for the major part of the economic life of the asset, even if title is not transferred.....	595
At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.....	595
The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.....	598
If the lessee can cancel the lease, the lessor’s losses from the cancellation are borne by the lessee.....	598
Fluctuations in the fair value of the leased assets’ residual interest are passed back to the lessee, for example as a rebate equalling most of the sales proceeds.....	599
The lessee may, if they wish, extend the lease period for a rent substantially lower than market rent levels.....	599
Forming a Judgement on the Lease Classification.....	599
Judging Situations with Conflicting Indicators.....	600
Leases of Land and Buildings.....	602
Agreements to Amend the Lease Contract.....	604
Leases in the Financial Statements of Lessees.....	604
Finance Leases.....	604
Operating Leases.....	607
Leases in the Financial Statements of Lessors.....	608
Finance Leases.....	608
Operating Leases.....	610
Finance Leases: Head-lease and Sub-lease Arrangements.....	611



Sale and Leaseback Transactions .....	611
Accounting for Sale and Finance Leaseback Transactions as Seller/Lessee.....	611
Accounting for Sale and Operating Leaseback Transactions as Seller/Lessee .....	612
Sale and Leaseback Transactions that, in Substance, are Not Leases.....	613
Required Accounting .....	615
Arrangements Containing a Lease.....	615
Use of a Specific Asset .....	616
Conveyance of a Right to Use the Asset .....	616
Assessing or Reassessing Whether an Arrangement is, or Contains, a Lease.....	617
Separating Payments for the Lease from Other Payments.....	617
Statutory Accounting Requirements.....	618
Implications for Finance Leases of the Prudential Framework – England and Wales.....	618
Implications for Finance Leases of the Prudential Framework – Scotland.....	622
Disclosure Requirements.....	624
<b>G ACCOUNTING FOR SERVICE CONCESSION ARRANGEMENTS: LOCAL AUTHORITY</b>	
<b>AS GRANTOR .....</b>	<b>626</b>
Introduction .....	626
Identifying Arrangements.....	627
Service Concessions.....	627
Qualifying Assets.....	628
Tests of Control .....	629
Control over Residual Interest .....	631
Summary of Considerations.....	632
Recognising Service Concession Assets .....	634
Overview of Principles.....	634
Recognising Assets and Liabilities on the Balance Sheet.....	635
Preparatory Costs .....	637
Accounting for the Liability .....	637
The Unitary Payment .....	639
Fair Value of Services.....	640
Lifecycle Replacement Costs .....	640
Finance Lease Rentals.....	642
Subsequent Accounting Entries.....	648
Allocating Indexation Increases .....	648
Miscellaneous Accounting Issues.....	651
Schemes with No Unitary Payment.....	651
Initial Contributions of Cash and Property Not Required to be Used for Service Provision	652
Initial Contributions of Property to be Used in the Service Concession Arrangement .....	654
Deductions from the Unitary Payment.....	654
Variations in Lifecycle Replacement Costs .....	655
Implications for Capital Accounting .....	658
Implications for the Prudential Framework.....	658
England and Wales.....	659
Scotland .....	663
Overall Impact of the Statutory Arrangements in England and Wales .....	665
Disclosure Requirements.....	666
Accounting for Refinancing Gains.....	668
<b>H INVESTMENT PROPERTY .....</b>	<b>669</b>

Introduction .....	669
Classification of Investment Properties.....	669
Property Held on an Operating Lease.....	671
Multi-use Properties.....	671
Recognition and Measurement .....	672
Recognition .....	672
Measurement .....	673
Transfers.....	676
Accounting for the Transfer.....	677
Disposals.....	677
Criteria for Derecognition .....	677
When to Recognise the Disposal.....	677
Classification and Measurement Immediately Prior to Disposal.....	678
Recognition of Gains and Losses on Disposal.....	678
Statutory Accounting Requirements.....	678
Disclosure Requirements.....	679
<b>I INTANGIBLE ASSETS .....</b>	<b>680</b>
Introduction .....	680
Definition of Intangible Assets.....	681
Recognition and Measurement .....	682
Government Grants.....	683
Internally Generated Assets.....	683
Development of Websites .....	684
Past Expenses.....	685
Measurement after Recognition .....	686
Useful Life .....	686
Amortisation .....	687
Retirements and Disposals.....	688
Statutory Accounting Requirements.....	688
Disclosures.....	689
<b>J REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE .....</b>	<b>691</b>
Introduction .....	691
Disclosures.....	692
<b>K LOANS AND ADVANCES TREATED AS CAPITAL EXPENDITURE (LONG-TERM DEBTORS) .....</b>	<b>692</b>
Introduction .....	692
Disclosures.....	695
<b>L IMPAIRMENT OF ASSETS.....</b>	<b>695</b>
Introduction .....	695
Application .....	695
Accounting Requirements.....	696
Recoverable Amount.....	696
Comparing Recoverable Amount and Carrying Amount .....	696
Assessing for Impairment .....	697
Recognising Impairments.....	699
Reversing Impairments.....	700
Cash-generating Units.....	701
Disclosure Requirements.....	701

<b>M BORROWING COSTS .....</b>	<b>703</b>
Introduction .....	703
Accounting Requirements – Expensing .....	703
Accounting Requirements – Capitalisation .....	703
Qualifying Assets.....	703
Eligible Borrowing Costs.....	704
Disclosure Requirements.....	705
<b>N NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS.....</b>	<b>705</b>
Introduction .....	705
Held for Sale – Qualifying Assets.....	706
Right-to-Buy Properties .....	708
Disposal Groups .....	708
Measurement of Assets Held for Sale.....	709
Initial Measurement .....	709
Subsequent Measurement.....	710
Derecognition.....	711
Changes to a Plan for Sale.....	711
Presentation of Discontinued Operations .....	713
Disclosure Requirements.....	713
<b>O HERITAGE ASSETS .....</b>	<b>714</b>
Introduction .....	714
Definitions .....	714
Heritage or Community Assets? .....	715
Scope and Definition of Heritage Assets .....	716
Recognition and Measurement .....	716
Recognition .....	716
Measurement .....	717
Revaluation Gains and Losses .....	720
Depreciation, Amortisation and Impairment.....	720
Donated Heritage Assets .....	721
Statutory Accounting Requirements.....	721
Presentation Requirements .....	722
Disclosure Requirements.....	722
<b>P HIGHWAYS NETWORK ASSET .....</b>	<b>726</b>
Introduction .....	726
Definition.....	729
Scope .....	730
Application to Non-highways Authorities .....	731
Recognition .....	732
The Highways Network Asset – a Single Asset .....	732
Additions to the Highways Network Asset .....	732
Measurement .....	735
Gross Replacement Cost .....	735
Estimation of Depreciated Replacement Cost.....	738
Regularity of Revaluations.....	740
Qualifications of Valuers .....	741
Depreciation .....	741

Accounting for Revaluations.....	746
Derecognition.....	750
Maintaining a Historical Cost Record of the Highways Network Asset.....	754
Impairment.....	756
Statutory Accounting Requirements.....	756
Presentation.....	757
Disclosure Requirements.....	757
Transition and Detailed In-year Accounting Entries for the Highways Network Asset.....	759
Accounting for the Highways Network Asset Including the Establishment of the Opening Balances as at 1 April 2016.....	760
Example Notes to the Financial Statements.....	773
<b>EXAMPLE PROPERTY, PLANT AND EQUIPMENT NOTE.....</b>	<b>773</b>
<b>EXAMPLE HIGHWAYS NETWORK ASSET NOTE.....</b>	<b>776</b>
<b>EXAMPLE MOVEMENT IN RESERVES STATEMENT.....</b>	<b>778</b>

## MODULE 5

<b>CURRENT ASSETS.....</b>	<b>779</b>
<b>A INVENTORIES.....</b>	<b>779</b>
Introduction.....	779
Recognition.....	780
Measurement.....	780
Cost of Purchase.....	781
Costs of Conversion.....	781
Other Costs.....	781
Cost of Inventories of Service Providers.....	782
Techniques for the Measurement of Costs.....	782
Cost Formulas.....	782
Net Realisable Value.....	783
Public Sector Measurement Issues.....	783
Recognition as an Expense.....	784
Disclosure Requirements.....	784
<b>B WORK IN PROGRESS (CONSTRUCTION CONTRACTS).....</b>	<b>785</b>
Introduction.....	785
Combining and Segmenting Construction Contracts.....	786
Contract Revenue.....	787
Contract Costs.....	789
Recognition of Contract Revenue and Expenses.....	790
Where Reliable Estimation of Contract Outcome is Not Possible.....	792
Recognition of Expected Losses.....	793
Changes in Estimates.....	793
Disclosure Requirements.....	793
<b>C DEBTORS.....</b>	<b>794</b>
Introduction.....	794
Recognition and Measurement.....	794
Disclosure Requirements.....	795

## MODULE 6

<b>EMPLOYEE BENEFITS .....</b>	<b>797</b>
<b>A INTRODUCTION.....</b>	<b>797</b>
<b>B BENEFITS PAYABLE DURING EMPLOYMENT .....</b>	<b>798</b>
Introduction .....	798
Short-term Benefits .....	799
Wages, Salaries and Social Security Contributions .....	799
Short-term Paid Absences .....	799
Establishing Accruals for Short-term Accumulating Absences .....	801
Bonuses and Similar Payments.....	809
Non-monetary Benefits.....	810
Other Long-term Employee Benefits.....	810
Accounting Requirements .....	810
Long-term Disability Benefit.....	812
Statutory Provisions Relating to Benefits Payable During Employment.....	813
Disclosure Requirements for Short-term and Other Long-term Employee Benefits .....	814
<b>C TERMINATION BENEFITS.....</b>	<b>814</b>
Introduction .....	814
Recognition .....	815
Disclosure Requirements.....	818
<b>D POST-EMPLOYMENT BENEFITS.....</b>	<b>818</b>
Introduction .....	818
Defined Contribution Plans (and Defined Benefit Plans Required to be Accounted as if They Were Defined Contribution Plans).....	820
Disclosure Requirements.....	820
Defined Benefit Plans.....	821
Overall Accounting Arrangements.....	822
Actuarial Assessments .....	827
Working with Actuaries.....	829
Accounting Policies .....	829
Disclosures for Defined Benefit Schemes.....	837
Summary of Significant Accounting Policies .....	837
Detailed Accounting Entries .....	845
Remeasurement on the Net Defined Benefit Liability (Asset) .....	848
Return on Plan Assets (excluding amounts included in net interest on the net defined benefit liability (asset)).....	848
Actuarial Gains and Losses.....	849
<b>E ACCOUNTING FOR CONTRIBUTIONS ARISING FROM PENSION STRAIN.....</b>	<b>855</b>
Introduction .....	855
Employer Accounting.....	856
Accounting by the Pension Fund.....	857
<b>F ACCOUNTING AND REPORTING BY PENSION FUNDS.....</b>	<b>858</b>
Introduction .....	858
The Local Government Pension Scheme (England, Wales and Scotland) .....	858
Accounting Issues for LGPS .....	860
Investment Risk.....	861
Accounting Requirements .....	862

<b>ANNEX TO SECTION F (AND SECTION 6.5 OF THE CODE)</b> .....	<b>868</b>
<b>G THE POLICE AND FIREFIGHTERS' PENSION SCHEMES IN ENGLAND AND WALES</b> .....	<b>875</b>
Police Pension Scheme in England and Wales .....	875
Firefighters' Pension Scheme in England and Wales .....	881
<b>MODULE 7</b>	
<b>FINANCIAL INSTRUMENTS</b> .....	<b>887</b>
<b>A INTRODUCTION</b> .....	<b>887</b>
Practical Implications .....	888
What Are Financial Instruments? .....	889
Exemptions from the Definition .....	890
Framework for Accounting for Financial Instruments .....	891
Initial Recognition of Financial Assets and Liabilities .....	892
Initial Measurement of Financial Instruments .....	893
Soft Loans Advanced .....	894
Loans Taken Out at Concessionary Rates.....	898
Classification of Financial Instruments.....	899
Financial Assets and Liabilities at Fair Value through Profit or Loss .....	901
Derivatives .....	904
Accounting for Financial Assets and Liabilities at Fair Value through Profit or Loss .....	905
Embedded Derivatives.....	905
Practical Consideration of Embedded Derivatives.....	907
Hedge Accounting.....	908
<b>B ACCOUNTING FOR FINANCIAL LIABILITIES AFTER INITIAL RECOGNITION</b> .....	<b>909</b>
Amortised Cost using the Effective Interest Rate .....	910
Variable Rate Financial Instruments.....	912
Expected Life and Cash Flows of a Financial Instrument .....	913
Derecognition of a Financial Liability .....	914
Restructuring of Existing Debt.....	915
Regulations and Statutory Guidance on Premiums and Discounts.....	917
Regulations and Statutory Guidance Relating to Other Financial Liabilities .....	921
Summary of Accounting Requirements for PWLB Loans .....	922
Financial Guarantee Contracts .....	925
<b>C ACCOUNTING FOR FINANCIAL ASSETS AFTER INITIAL RECOGNITION</b> .....	<b>928</b>
Loans and Receivables .....	929
Accounting Arrangements for Loans and Receivables .....	930
Impairment of Loans and Receivables.....	931
Regulations and Statutory Guidance on Loans and Receivables .....	933
Available-for-Sale Financial Assets.....	935
Accounting for Available-for-Sale Financial Assets.....	935
Fair Value for Available-for-Sale Financial Assets.....	945
Impairment of Available-for-Sale Financial Assets .....	946
Regulations and Statutory Guidance on Available-for-Sale Financial Assets.....	949
Impairment and Uncollectability of Financial Assets .....	951
Derecognition of a Financial Asset .....	953
<b>D DISCLOSURE AND PRESENTATION REQUIREMENTS</b> .....	<b>954</b>
Disclosure Requirements.....	955

Significance of Financial Instruments for Financial Position and Performance .....	955
Nature and Extent of Risks Arising from Financial Instruments .....	960
Transfers of Financial Assets .....	963
Presentation Requirements .....	963
Offsetting a Financial Asset and a Financial Liability .....	963
Current and Non-current Financial Liabilities .....	964
Current and Non-current Financial Assets .....	965
<b>MODULE 8</b>	
<b>LIABILITIES .....</b>	<b>967</b>
<b>A CREDITORS .....</b>	<b>967</b>
Introduction .....	967
Recognition and Measurement .....	967
Disclosure Requirements .....	969
<b>B PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS .....</b>	<b>969</b>
Introduction .....	969
Accounting for Provisions .....	971
Recognition and Measurement .....	972
Where Does the Debit Go? .....	977
Contingent Liabilities .....	977
Contingent Assets .....	978
Equal Pay .....	978
England and Wales .....	978
Scotland .....	986
Bad and Doubtful Debts .....	990
Disclosure Requirements for Provisions, Contingent Liabilities and Contingent Assets .....	991
<b>MODULE 9</b>	
<b>GROUP ACCOUNTS .....</b>	<b>993</b>
<b>A INTRODUCTION .....</b>	<b>993</b>
Requirements for Group Accounts .....	994
Accounting Periods and Dates .....	997
Uniform Accounting Policies .....	997
Accounting for Acquisitions in Subsidiaries and Associates .....	997
Joint Arrangements .....	998
Joint Operations .....	998
Investors in Joint Ventures with Significant Influence .....	999
Subsidiaries, Associates and Joint Arrangements in the Single Entity Financial Statements .....	999
Consideration of the Consolidation of Charitable or Trust Funds Held by Local Authorities .....	999
Overview of Accounting Treatment for Other Forms of Joint Operations .....	1001
<b>B DISCLOSURE REQUIREMENTS .....</b>	<b>1001</b>
<b>C LOCAL AUTHORITY MAINTAINED SCHOOLS .....</b>	<b>1009</b>
Application of IFRS 10 Consolidated Financial Statements to Schools .....	1009
IFRS 12 Disclosure of Interests in Other Entities and Schools .....	1012
<b>MODULE 10</b>	
<b>OTHER ACCOUNTING THEMES .....</b>	<b>1015</b>
<b>INTRODUCTION .....</b>	<b>1015</b>

**LOCAL AUTHORITY MAINTAINED SCHOOLS TRANSFERRING TO ACADEMY STATUS**

**(SECTION A) ..... 1015**

**CIPFA/LASAAC – INFORMAL COMMENTARY AND CLARIFICATION (SECTION B)..... 1016**

Summary of the process for approval and publication of the Statement of Accounts in the  
Accounts and Audit Regulations 2015 [England only]..... 1016

**SECTION A**

**LOCAL AUTHORITY MAINTAINED SCHOOLS TRANSFERRING TO ACADEMY STATUS ..... 1017**

**INTRODUCTION AND BACKGROUND ..... 1017**

**DERECOGNITION OF THE SCHOOL AS AN ENTITY FROM THE LOCAL AUTHORITY**

**SINGLE ENTITY FINANCIAL STATEMENTS ON TRANSFER ..... 1018**

**TRANSFER OF A FUNCTION AND IMPAIRMENT OF NON-CURRENT ASSETS ..... 1018**

**DERECOGNITION OF ANY NON-CURRENT ASSETS USED BY SCHOOLS ON TRANSFER..... 1018**

**SECTION B**

**CIPFA/LASAAC AND LAAP – INFORMAL COMMENTARY AND CLARIFICATION..... 1023**

**SUMMARY OF THE PROCESS FOR APPROVAL AND PUBLICATION OF THE STATEMENT OF  
ACCOUNTS IN THE ACCOUNTS AND AUDIT REGULATIONS 2015 [ENGLAND ONLY] ..... 1024**

Informal commentary on the order of events for approval and publication of the Statement of  
Accounts ..... 1024