

Schedule of Changes

SECTION 1

These Guidance Notes reflect the key accounting changes principally introduced by the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*, including:

- i) Presentation of Financial Statements** – Module 3, Sections C to I reflect the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the introduction of the new Expenditure and Funding Analysis as a result of the *Telling the Story* review of the presentation of local authority financial statements. Module 3 also includes the Code's amendments to reflect the December 2014 changes to IAS 1 *Presentation of Financial Statements* under the International Accounting Standards Board (IASB) Disclosure Initiative.
- ii) Accounting and Reporting by Pension Funds** – Module 6, Section F includes:
 - updates to the format of the Fund Account and the Net Asset Statement to be consistent with the new Financial Reports of Pension Schemes – A Statement of Recommended Practice 2015
 - confirmation of the new disclosure requirements for retirement benefit plan investments measured at fair value
 - recommendations for a new disclosure on investment management transaction costs
 - a new Annex setting out the application of other sections of the Code to the pension fund accounts.
- iii) Narrative Reporting** – Module 3, Section B reflects the requirements of the Accounts and Audit Regulations 2015 for English authorities in respect of the narrative statement.
- iv) Concepts** – Module 2, Section A includes the changes in the 2016/17 Code relating to the new IPSASB *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* and to particularly reflect the description of public sector users and understandability of local authority financial statements.
- v) Housing Revenue Account Wales** – Module 3, Section K reflects the move to the self-financing regime in Wales including the requirements of the General Determination of the Item 8 Credit and Item 8 Debit (Wales) 2015 (Item 8 Determination).
- vi) Statements Reporting Reviews of Internal Controls** – Module 3, Section O reflects the changes to the *Delivering Good Governance in Local Government: Framework* (2016) published by CIPFA/Solace.
- vii) Related Party Disclosures** – Module 3, Section Q includes an addition to the definition of a related party in section 3.9 of the Code (for changes to IAS 24 – Related Party Disclosures) in relation to key management personnel which resulted from the Annual Improvements to IFRSs 2010-2012 Cycle.

- viii) Dedicated Schools Grant (DSG)** – Module 3, Section I includes the latest on the disclosure requirements for DSG and has been developed with the Department for Education (DfE).
- ix) The Example Financial Statements** in the Appendix to Module 3 have been updated to reflect the Code’s reporting and disclosure requirements, including the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, the new Expenditure and Funding Analysis and the new Income Analysed by Nature note. The Example Financial Statements also include the new reporting requirements for the move to measuring the Highways Network Asset at DRC (ie the new accounting policies and the movements on the Highways Network Asset note).
- x) Module 10 – Other Accounting Themes** – Section C (Informal Commentary and Clarification) includes guidance on the order of events for approval and publication of the statement of accounts for local authorities in England as required by the Local Government, England and Wales Accounts and Audit Regulations 2015.
- xi) Landfill Allowance and Other Trading Schemes** (Module 2, Section D) reflect the latest developments for the Carbon Reduction Commitment (CRC) Energy Efficiency.
- xii) Module 4 – Non Current Assets** – is updated:
- In Sections A to E, to reflect the 2016/17 Code’s changes to definitions, measurement and disclosure provisions (in Section 4.1 – Property, Plant and Equipment) resulting from the introduction of the new measurement requirements for the Highways Network Asset in Section 4.11 of the Code (*see Section 2 below*)
 - In Section B (Recognition): to provide further clarification on the recognition requirements for property, plant and equipment
 - In Section C (Measurement after Recognition): to clarify the treatment of accumulated depreciation and impairment for items of property, plant and equipment (that are not a part of the Highways Network Asset – *see Section 2 below*)
- xiii) Module 6 – Employee Benefits** – is updated in Sections C to E (Termination benefits; post-employment benefits and Accounting for Contributions Arising from Pension Strain) to reflect the impact of the *Telling the Story* changes to the Code which no longer requires local authorities to follow the reporting requirements of the Service Reporting Code of Practice (SeRCOP) when charging individual components of the pension asset/liability to service segments.
- xiv) These Guidance Notes** have been revised to take account of issues arising from practitioner queries raised through CIPFA’s technical enquiry service.

SECTION 2

Highways Network Asset

Module 4 includes Section P (Highways Network Asset) which reflects the requirements of Section 4.11 of the 2016/17 Code as it had been planned to apply for the 2016/17 year. Following the *Important Update* issued by the CIPFA/LASAAC Local Authority Accounting Code Board on 14 November 2016, which announced the postponement of the new measurement requirements for the Highways Network Asset (at depreciated replacement cost) from the 2016/17 year, this section **will no longer apply** to local authority financial statements. However, it has been retained in these Guidance Notes so that local authorities can understand the full reporting implications for application of the new measurement requirements in the 2017/18 year, as CIPFA/LASAAC has indicated that it will review this position at its meeting in March 2017 with a view to implementation in 2017/18. CIPFA/LASAAC has decided that the approach to adoption of the new measurement requirements in the 2017/18 Code will be on the same basis as that planned for 2016/17, ie not requiring restatement of preceding year information.

It is recommended that local highways authorities read the full CIPFA/LASAAC announcement which is available on the CIPFA/LASAAC pages of the CIPFA website.

As these provisions have been retained in Module 4 (Section P), all the changes as a result of the move to measuring the Highways Network Asset have been retained throughout these Guidance Notes. However, it must be stressed that any reference to the Highways Network Asset **will not apply** in the 2016/17 year. Local authorities will **not be required** to change their accounting policies in the 2016/17 year for the infrastructure class of assets from the approach adopted in previous years, ie the infrastructure class of assets will be defined as it was in the 2015/16 Code and be measured at depreciated historical cost.