

## SeRCOP 2015/16

### Consultation on Proposed Changes to:

- **Service Expenditure Analysis, England and Wales**
- **The Definition of Total Cost**

### Introduction

- 1 SeRCOP was first issued in February 2000 and CIPFA is committed to keeping it up to date by reviewing it each year and developing it in response to:
  - changes in the external environment, including legislative changes and changes in the Code of Practice on Local Authority Accounting in the United Kingdom; and
  - suggestions made for the improvement or clarification of specific issues.
- 2 The Service Expenditure Analysis (SEA) defines the mandatory divisions of service at which total cost must be aggregated, and provides further discretionary subdivisions of service.
- 3 This consultation paper proposes changes to the SeRCOP 2015/16 SEA (see **Section A** below) that authorities in England and Wales will need to follow and that are mandatory for authorities in preparing financial information for the following:
  - 2015/16 Budget
  - 2015/16 Performance Indicators
  - 2015/16 Statement of Accounts
- 4 A separate SEA is in place for Scottish and Northern Irish authorities.
- 5 The proposed changes to the Service Expenditure Analysis, for England and Wales, within this consultation paper are largely based on a series of recommendations made by the practitioners who serve on the network of working groups run by the CIPFA Information Services. These groups review the service information collected by Information Services which are based around the SEA divisions and subdivisions of service, and hence are well-placed to review the relevance of the SEA categorisations and the guidance notes. Informal invitations to comment are also sent to CIPFA Panels, CIPFA Technical Information Services Online (TISonline) editorial boards and other key stakeholders.
- 6 The consultation also proposes changes to the Definition of Total Cost in relation to the Partnerships and Definition of Total Cost for Group Accounts sections arising from changes to the 2014/15 Code (see **Section B** below). This follows the introduction of the requirements of the five new or amended standards introduced by the IASB in May 2011 ie IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, 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).

- 7 CIPFA would welcome comments and feedback on any aspect of this consultation paper or SeRCOP generally but the questions at the end of this consultation paper on the proposed change may assist respondents.

## SECTION A

### Consultation on Proposed Changes to Section 3 (SEA) for England and Wales

- 8 Proposals to alter mandatory divisions of service are limited to the following SEA:
- Adult Social Care (England)
- 9 Remaining SEAs are largely unchanged with alterations for the most part consisting of amendments to the subdivisions and guidance notes.

#### Adult Social Care

##### Adult Social Care (England)

- 10 The proposed changes to mandatory lines:
- Division of Older people (65+) into three lines; Older people (65-74), Older people (75-84) and Older people (85+). This would apply to the following mandatory lines:
    - Physical Support
    - Sensory Support
    - Support with Memory and Cognition
    - Learning Disability Support
    - Mental Health Support
  - New line – ‘Social support – Social isolation’

#### ***Invitation to comment questions***

##### *Adult Social Care (England)*

- Q1. *Do you agree with the new split of ‘Older people (65+)’ into 3 lines, ‘Older people (65-74)’, ‘Older people (75-84)’ and ‘Older people (85+)’?*
- Q2. *If you agree with Q1, do agree with 3 lines for older people for the mandatory lines ‘Physical Support’, ‘Sensory Support’, ‘Support with Memory and Cognition’, ‘Learning Disability Support’ and ‘Mental Health Support’?*
- Q3. *Do you agree with the new mandatory line of ‘Social Support – Social Isolation’?*

- Q4. Do you agree with the new guidance for mandatory line 'Social Support – Social Isolation'?
- Q5. Do you agree with the guidance change to note 4? Note has been change to "It is important for consistent reporting purposes to attribute each client to one long term client group only and according to that client's primary support reason. It is possible that clients will have additional short term episodes of care which might be recorded against a different primary support reason"?
- Q6. Do you agree that guidance for discretionary line "Long Term support – residential" has been amended to include residential care direct payments"?
- Q7. Do you agree with the change in guidance for Social Support – Substance Misuse Support"?

#### *Central Services*

- Q8. Do you agree with the guidance for mandatory line "Local Welfare Assistance Schemes"?

#### *Cultural Services and related services*

- Q9. Do you agree with the additional guidance on discretionary line "Heritage"?

#### *Highways and transport related services*

- Q10. Do you agree with new discretionary line "Traffic Management – Bus lane enforcement" in "Traffic Management and Road Safety"?
- Q11. If you agree with Q36, do you agree with the new guidance for "Traffic Management" and "Traffic Management – Bus Lane enforcements"?

#### *Housing Services*

- Q12. Do you agree with the updated discretionary line "Social Homebuy, Shared Ownership & Affordable Rents"?
- Q13. Do you agree with the updated discretionary line "Commercial Properties"?

#### *National parks*

- Q14. Do you agree with new mandatory line "Strategic Planning" for National Parks?
- Q15. If you agree with Q14, do you agree with the guidance?
- Q16. Do you agree with new mandatory line "Sustainable Communities" for National Parks?
- Q17. If you agree with Q16, do you agree with the guidance?
- Q18. Do you agree with the new discretionary lines "Sustainable Development Fund", "Other Environmental Initiatives", and "Community Development" under mandatory line "Sustainable Communities"?

*Police services*

Q19. Do you agree to the new mandatory line "Operational Support" for Police Services?

*General*

Q20. If you have any further comments on the changes of the SEA, please let us know here

**RESPONDING TO THE "SEA for ENGLAND & WALES" SECTION OF THE CONSULTATION**

Responses to this consultation paper (SeRCOP **Section A**) should be sent by email to: ([sercop@cipfa.org](mailto:sercop@cipfa.org))

To arrive no later than noon on **12<sup>th</sup> September 2014**.

During the consultation period, any questions or queries about the proposed changes should be directed to Graham Kairis on:

Telephone: 029 2052 3474  
Email: [sercop@cipfa.org](mailto:sercop@cipfa.org)

## **SECTION B**

### **Consultation on Proposed Changes to Section 2: The Definition of Total Cost in the 2015/16 SeRCOP**

#### THE PURPOSE OF 'TOTAL COST'

- 11 'Total cost' is a key SeRCOP concept. It was established to provide a consistent basis for all statutory financial disclosures in relation to formal financial reporting and performance indicators. Total cost must also be used for reporting the cost of services in the Comprehensive Income and Expenditure Account.

#### UPDATES TO REFLECT DEVELOPMENT ITEMS INCLUDED IN THE 2014/15 CODE

- 12 The International Accounting Standards Board (IASB) introduced five new or amended standards in May 2011 ie 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).
- 12.1 IFRS 10-*Consolidated Financial Statements* and IFRS 11-*Joint Arrangements* principally apply to the Service Reporting Code of Practice.
- 12.2 The changes introduced by the Code in relation to IFRS 11- *Joint Arrangements* requires the section on 'Partnerships' to be updated.

- 12.3 IFRS 11-*Joint Arrangements* which replaces IAS 31- *Interests in Joint Ventures* recognises two types of joint arrangement:
- Joint Ventures
  - Joint Operations
- 12.4 Joint operations (previously referred to in SeRCOP as jointly controlled operations and jointly controlled assets) are accounted for by recognition of the authority's share of assets, liabilities revenues and expenses arising from a joint operation. Revenue and expenditure attributable to joint operations is recognised for total cost purposes within Net Cost of Services of the authority.
- 12.5 However, where the arrangement is classified as a joint venture, consolidation should be accounted for using the equity method as described by IAS 28 (as amended in 2011). The option for proportional consolidation of joint ventures has been removed. Joint ventures are therefore excluded from the total cost of local authority services and are not considered for the purposes of SeRCOP.
- 12.6 It is proposed that the title of the section "Partnerships" is renamed Joint Arrangements in order that it is not in conflict with the terminology in the new standard [IFRS 11].
- 13 In relation to Group Accounts, the principle of total cost remains applicable to group reporting. Operating results of subsidiaries should be allocated or apportioned as income and expenditure to the group total cost of services. Where this is not possible, a separate line or lines describing the activity should be included alongside the SEA services.
- 14 This consultation paper also proposes removal of the guidance material in the Partnerships and Definition of Total Cost for Group Accounts sections on the basis that updated comprehensive guidance in this area will be provided in the new Group Accounts and Joint Working Arrangements Workbook-2014 edition.

#### **INVITATION TO COMMENT QUESTIONS**

- 15 It would be helpful if you could support your answers to the following questions with reasons.

Q1	Do you agree that the amendments to the Definition of Total Cost in the SeRCOP Exposure Draft accurately reflect the reporting requirements for local authorities under the new Group Accounts Standards? If not, why not? What alternatives do you suggest?
Q2	Do you agree that the title of the section "Partnerships" is renamed Joint Arrangements in order that it is not in conflict with the terminology in the new standard [IFRS 11]. If not, why not? What alternatives do you suggest?
Q3	Do you agree with the removal of the guidance material in the Partnerships (Joint Arrangements) and Total Cost for Group Accounts sections on the basis that updated comprehensive guidance in this area will be provided in the new ' <i>Accounting for Collaboration in Local Government including the Group Accounts Workbook</i> '. If not, why not? What alternatives do you suggest?

**RESPONDING TO “THE DEFINITION OF TOTAL COST” SECTION OF THE CONSULTATION**

- 16 Responses to the consultation paper relating to The Definition of Total Cost (SeRCOP **Section B**) should be sent preferably by email (laura.deery@cipfa.org.uk) to:

Laura Deery  
CIPFA  
3 Robert Street  
London WC2N 6RL

To arrive no later than noon on **12<sup>th</sup> September 2014**.

- 17 During the consultation period, any questions or queries about the changes proposed should be directed to Laura Deery at: laura.deery@cipfa.org.uk