

EXPOSURE DRAFT D: LEGISLATION AMENDMENTS

1.4 PUBLICATION

Issue and publication of the statement of accounts in Wales

- 145 In Wales, the requirement is to prepare and approve accounts by ~~31 May~~ and to publish them by ~~31 July~~ ~~September~~. ~~Note that for fire and rescue authorities, national park authorities, police and crime commissioners and chief constables these dates are 31 May and 31 July respectively.~~ The ~~[061]~~ complete set of financial statements as defined in paragraph 3.4.2.17, and including the significant accounting policies and notes to the accounts, should form the relevant statement of accounts for the purpose of the auditor's certificate and opinion. The statements should be published with an audit certificate and opinion. If the published statement of accounts has not been audited, this should be stated clearly on the front of the document.

2.3 GOVERNMENT AND NON-GOVERNMENT GRANTS

- 2335 Where a capital grant or contribution (or part thereof) has been recognised as income in the comprehensive income and expenditure statement, but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date, the grant or contribution shall be transferred to the capital grants unapplied account / capital grants and receipts unapplied account in Scotland (within the usable reserves section of the balance sheet), reflecting its status as a capital resource available to finance expenditure. This transfer shall be reported in the movement in reserves statement.
- 2336 When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution (or part thereof) shall be transferred from the capital grants unapplied account (capital grants and receipts unapplied account in Scotland) to the capital adjustment account, reflecting the application of capital resources to finance expenditure. This transfer shall be reported in the movement in reserves statement or in the notes to the accounts.

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Movement in reserves statement

3.4.2.56 A local authority shall present, either in the movement in reserves statement or in the notes, an analysis of the amounts included in items b), d) g) (and for Scottish local authorities item c)) of the statement. The analysis of item g) shall include the following transactions where relevant, but these transactions do not have to be individually identified in the analysis (authorities shall refer to paragraph 3.4.2.26 and 3.4.2.27, and legislative requirements where necessary, when preparing this disclosure):

- amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements (In Scotland statutory guidance requires an analysis of the total amount into constituent elements – see paragraph 3.4.5.1).
- amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS 19) are different from the contributions due under the pension scheme regulations
- amount by which council tax income, non-domestic rate income and residual community charge adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulations (England only)
- fair value gains and losses of pooled investment funds as required or allowed by regulation (England only)
- amounts related to statutory adjustments for equal pay, with an analysis of the amounts into constituent elements according to statutory guidance (Scotland only – see paragraph 3.4.5.1)
- capital receipts transferred to the capital grants and receipts unapplied account, differentiating between amounts to fund equal pay settlements and amounts to support transformation projects (Scotland only – see paragraph 3.4.5.1)

3.4.5 Statutory disclosure requirements

3.4.5.1

- 5) In Scotland transactions in the movements in reserves statement related to the use of capital receipts transferred to the capital grants and receipts unapplied account to support transformation projects will be analysed as required by statutory guidance to disclose:
 - i) Use of capital receipts to fund qualifying expenditure on service transformation or service redesign projects in the financial year
 - ii) Use of capital receipts to fund qualifying expenditure on service transformation or service redesign projects in any other stated financial year

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- 6) In Scotland transactions in the movements in reserves statement related to the financial instruments adjustment account will be analysed as required by statutory guidance to disclose:
 - i) Deferral of premium(s) from the refinancing of debt
 - ii) Deferred discount(s) from the refinancing of debt
 - iii) Annual recharge of deferred premiums (and discounts) from the refinancing of debt
 - iv) Adjustment for interest on loans to third parties at less than commercial interest rates
 - v) Adjustment for interest on stepped interest rate loans
 - vi) The total movement in the financial instrument adjustment account
- 7) In Scotland transactions in the movements in reserves statement related to use of equal pay statutory guidance will be analysed as required by statutory guidance to disclose:
 - i) The deferred charge when there is a relevant increase in an equal pay provision
 - ii) The reversal of the deferred charge when an equal pay provision is derecognized
 - iii) The capital receipts transferred to the capital grants and receipts unapplied account when an asset is sold
- 8) In Scotland the employee statutory adjustment account will be analysed as required by statutory guidance to separately identify balances relating to equal pay and those relating to short term accumulating paid absences.
- 9) In Scotland the capital grants and receipts unapplied account (Scotland only) will be analysed as required by statutory guidance to identify balances relating to service transformation projects, capital grants for equal pay settlement and capital receipts for equal pay settlement.
- 10) In Scotland the financial instruments adjustment account will be analysed as required by statutory guidance to disclose balances related to:
 - i) Premiums and discounts associated with the refinancing of loans
 - ii) Loans to third parties granted at less than market rates
 - iii) Borrowing where the loan is a stepped interest rate loan

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4.1 PROPERTY, PLANT AND EQUIPMENT

Gains or losses on derecognition

- 4.13.11 Net gains or losses on derecognition shall be charged to other operating expenditure.
- 4.13.12 The gain or loss is not a proper charge to the general fund or Housing Revenue Account (see part 2 of Appendix B for the legislative basis). As a result the general fund or Housing Revenue Account should be debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on disposal of the asset (net of any disposal costs), with the double entries being:
- a credit to the capital receipts reserve or (in Scotland) a statutory capital fund or capital grants and receipts unapplied account of an amount equal to the disposal proceeds (subject to paragraph 4.1.2.52)
 - a debit to the capital adjustment account of an amount equal to the carrying amount of the fixed asset disposal (less any balance transferred from the donated assets account).

4.4 INVESTMENT PROPERTY

4.4.3 Statutory accounting requirements

- 4.4.3.1 Statute and proper practice restrict the use of capital receipts, and prescribe the charges that can be made to the general fund (see part 2 of Appendix B for the legislative basis). To comply with these restrictions, the gain or loss on derecognition of an investment property shall be reversed out of the general fund. The general fund shall be debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on derecognition of the investment property (excluding any costs of disposal which are a proper charge to the general fund). The double entries are a credit to the capital receipts reserve or (in Scotland) a statutory capital fund or capital grants and receipts unapplied account of an amount equal to the disposal proceeds and a debit to the capital adjustment account equal to the carrying amount of the investment property.

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4.6.3.2 Legislation in Scotland results in some expenditure being treated as capital for statutory purposes. Regulation 2 of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 permits a Scottish local authority to borrow to provide a grant to a third party or to finance certain capital expenditure on a (tangible) non-current asset not owned by the authority. The conditions of Scottish Government or other central government grant may permit the grant to be used for similar purposes. Scottish ministers ~~have~~ also agreed that, for a limited time, ~~and~~ in compliance with certain conditions, equal pay settlements ~~and severance costs~~ may be funded from capital receipts recognised before 1 April 2020 (see Scottish Government Finance Circular 1/20194/2015). Additionally for Scotland, transformation or service redesign projects may be funded from capital receipts (applies up to 31 March 2022, see Scottish Government Finance Circular 4/2019). Scottish ministers' consent to borrow is required for lending to third parties where these third parties are not included in the list of bodies set out in Part 3 of the 2016 Regulations and to grant aid to a third party where the test of capital expenditure is not met.

CHAPTER 7 FINANCIAL INSTRUMENTS

7.1.9 Statutory accounting requirements

Regulations on fair value gains and losses of pooled investment funds

7.1.9.38 In England the recognition in reserves of fair value gains and losses of pooled investment funds is affected by legislation (see part 2 of Appendix B for the legislative basis), unless the authority is acting in its capacity of administering a pension fund. The regulations exclude impairment losses and sales or other disposals. The effect of applying the regulations/statutory guidance shall be accounted for through the movement in reserves statement. The difference between the amount charged or credited in the year to surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the general fund in accordance with regulations/statutory guidance should be debited or credited to the general fund balance with the double entry going to the pooled investment funds adjustment account such that the general fund is charged or credited with the amount that accords with the applicable regulations/statutory guidance.

7.3.8 Statutory disclosure requirements

7.3.8.1 In Scotland statutory guidance (see Part 2 of Appendix B for the legislative basis) requires that balances held in, and movements in reserves affecting, the financial instruments adjustment account are analysed into specified constituent elements (see paragraph 3.4.5.1).

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8.2 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

8.2.3 Statutory accounting requirements

- 8.2.3.1 In England and Wales, regulations and, in Scotland, statutory guidance (see part 2 of Appendix B for the legislative basis) permitted an authority to defer the impact of any provision made for back pay arising out of unequal pay claims on a revenue account. In England and Wales the ability to defer the reserves impact of new provisions ceases on 1 April 2020. In Scotland, statutory guidance in Scottish Government Finance Circular 4/2015 also allows deferral of severance pay.
- 8.2.3.2 Where an authority has elects to apply the regulation or statutory guidance, the difference between the amount of expenditure included in surplus or deficit on the provision of services in each year and the amount charged under the regulations shall be debited to the unequal pay back pay account, with a corresponding credit to the appropriate revenue account. In Scotland the account shall be the employee equal pay provision-statutory adjustment account ~~and for severance, a severance provision statutory adjustment account.~~
- 8.2.3.3 To the extent that a provision is derecognised (for example where payments are made to a group of employees), an authority shall credit the unequal pay back pay account or, employee equal pay provision-statutory adjustment account ~~or severance provision statutory adjustment account,~~ with a corresponding debit to the appropriate revenue account.

EXPOSURE DRAFT D: LEGISLATION AMENDMENTS**APPENDIX B PART 2 – LEGISLATIVE BASIS FOR STATUTORY ACCOUNTING SECTIONS OF THE CODE**

Chapter/ section	England and Wales	Scotland	Northern Ireland
4.1 Property, Plant and Equipment (cont.)	<p>Gains and losses on disposal: As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Government Act 2003 and various regulations and statutory guidance).</p> <p>Minimum revenue provision: SI 2008/414 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance.</p>	<p>Gains and losses on disposal: As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (SSI 2016/123) requiring local authorities to have regard to generally recognised codes of practice in relation to capital finance and see SSI 2004/29 requiring adherence to CIPFA's <i>Prudential Code for Capital Finance in Local Authorities</i>). <u>See also Finance Circular 1/2019 where receipts are to be used for equal pay settlements.</u></p> <p>Loans fund: The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (SSI 2016/123) and related statutory guidance.</p>	<p>Gains and losses on disposal: As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed. See the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 (SRNI 2011/326).</p>

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Chapter/ section	England and Wales	Scotland	Northern Ireland
4.4 Investment Property	<p>Gains and losses on disposal: As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see Local Government Act 2003 and various regulations and statutory guidance).</p> <p>Movements in fair value: As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see Local Government Act 2003 and various regulations and statutory guidance).</p> <p>Minimum revenue provision: SI 2008/414 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance.</p>	<p>Gains and losses on disposal: As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (SSI 2016/123) requiring local authorities to have regard to generally recognised codes of practice in relation to capital finance and see SSI 2004/29 requiring adherence to CIPFA's <i>Prudential Code for Capital Finance in Local Authorities</i>). Statutory guidance issued under Scottish Government Finance Circular 7/2011. See also Finance Circular 1/2019 where receipts are to be used for equal pay settlements.</p>	<p>Gains and losses on disposal: As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Government Finance Act (Northern Ireland) 2011, the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 (SRNI 2011/326) and <i>Guidance on Minimum Revenue Provision for District Councils in Northern Ireland</i>).</p> <p>Movements in fair value: As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Government Finance Act (Northern Ireland) 2011, the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 (SRNI 2011/326) and <i>Guidance on Minimum Revenue Provision for District Councils in Northern Ireland</i>).</p>

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Chapter/ section	England and Wales	Scotland	Northern Ireland
4.6 Revenue Expenditure Funded from Capital under Statute	Local Government Act 2003, and related regulations and directions.	The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (SSI 2016/123) and statutory guidance issued under Section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circulars 7/2016, 1/2019 and 4/2019).	The Local Government Finance Act (Northern Ireland) 2011 sections 19(2) and 19(3), the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 (SRNI 2011/326) and <i>Guidance on Minimum Revenue Provision for District Councils in Northern Ireland</i> .
7.1 Financial Instruments: Introduction etc (in respect of 'Soft Loans')	SI 2007/573 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007. SI 2007/1051 (W.108) the Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2007.	Statutory guidance issued under Section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular 7/20184/2007). Note this only applies to 'soft loans' issued prior to 1 April 2007.	Not applicable.
7.1 Financial Instruments: Introduction etc (in respect of premiums and discounts)	Premiums and discounts: SI 2007/573 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007. SI 2007/1051 (W.108) the Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2007.	Premiums and discounts: Statutory guidance issued under Section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular 74/201807). Acquisition of share or loan capital: Not applicable.	Premiums and discounts: Not applicable. Acquisition of share or loan capital: Not applicable.

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Chapter/ section	England and Wales	Scotland	Northern Ireland
<u>7.1 Financial Instruments: Introduction etc (in respect of fair value gains and losses of pooled investment funds)</u>	<u>SI 2018/1207 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2018</u>	<u>Not applicable</u>	<u>Not applicable</u>

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Chapter/ section	England and Wales	Scotland	Northern Ireland
8.2 Provisions (in respect of unequal pay back pay and severance for Scottish local authorities)	<p>SI 2007/573 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007.</p> <p>SI 2010/454 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010.</p> <p>SI 2013/476 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010.</p> <p><u>SI 2018/1207 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2018</u></p> <p><u>WSI 2007/1051 (W.108) the Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2007.</u></p> <p><u>WSI 2010/685 (W.67) the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2010.</u></p> <p><u>WSI 2018/325 (W.61) the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018.</u></p>	<p><u>Statutory guidance issued under Section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular 1/2019).</u></p> <p>The previous statutory guidance issued under Section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular 4/2015) lapsed as at 1 April 2018. At the time of publication preparation a consultation to extend the arrangements was being undertaken.</p>	Not applicable.