CIPFA The Chartered Institute of Public Finance & Accountancy

report

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Committee	CIPFA/LASAAC
Venue	CIPFA, Mansell St, London
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Subject	Development of the 2016/17 Code of Practice on Local Authority Accounting – Consideration of the Invitation to Comment and Exposure Drafts

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To consider the accounting and reporting developments for inclusion Invitation to Comment and Exposure Drafts for the Code of Practice on Local Authority Accounting in the United Kingdom for 2016/17

1 Introduction

1.1 At its March 2015 meeting CIPFA/LASAAC agreed the developments to be included in the consultation on the *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)* for 2016/17.

1.2 This report provides a description of the developments in legislation and financial reporting standards and the issues to be considered in the Invitation to Comment (ITC) and Exposure Drafts (EDs) of the 2016/17 Code. CIPFA/LASAAC is therefore invited to consider the modifications it requires to the 2015/16 Code to be included in the ITC and Exposure Drafts for the 2016/17 Code.

1.3 The 2015/16 Code was developed to incorporate:

- any known legislative changes;
- changes in relation to pronouncements by CIPFA and other bodies; and
- new accounting standards that have a mandatory commencement date of 1 January 2015 or earlier, provided that they are EU adopted by this date.

The Code has not been developed to incorporate other financial reporting or accounting standards ahead of their effective date.

1.4 It is recommended that CIPFA/LASAAC maintain this approach in developing the 2016/17 Code.

2015/16 Code Consultation

1.5 The consultation on the 2015/16 Code sought local authorities' views on areas where further guidance might be needed. At its last meeting CIPFA/LASAAC considered the one issue (not covered by the pension fund review) that was raised by respondents to the 2015/16 Code consultation. This was PFI/PPP transactions as a result of third party payments. This is covered in paragraph 4.3.2.19 of the Code. Per the report to the Board at its March 2015 meeting CIPFA/LASAAC has decided to keep this issue under review until the leasing standard is issued.

2 Streamlining of Local Authority Financial Statements

2.1 CIPFA/LASAAC has also prioritised the need to take forward the Streamlining Project. This is considered under a separate agenda item. The changes that arise from the proposals are made primarily to Section 3.4 of the Code (Presentation of Financial Statements). As a part of the Code development programme there are other relatively substantial changes (although they are considered to be clarifications) to this section of the Code ie as a result of the amendments to IAS 1 *Presentation of Financial Statements* (the IASB Disclosure Initiative). The themes of the IASB's Disclosure Initiative are very similar to that of the Streamlining Review and indeed some of the proposed changes are made easier as a result of the proposed changes to IAS 1. Therefore it is proposed that the amendments as a result of both sets of changes are included in the same Exposure Draft.

2.2 The Secretariat would therefore propose including two consultation papers on the same consultation pages but utilising the same Exposure Draft (ED) 1 Streamlining and Amendments to IAS 1.

CIPFA/LASAAC is invited to consider whether it agrees with this approach to the presentation of both consultation papers.

3 Transport Infrastructure Assets

Introduction

3.1 CIPFA/LASAAC has confirmed its intention to adopt the measurement requirements of the *Code of Practice on Transport Infrastructure Assets* (Transport Code) ie measurement at Depreciated Replacement Cost (DRC) in the 2016/17 Code. CIPFA/LASAAC members will be aware that this will have a significant impact on the local authority financial statements and that it has previously considered the need for effective preparation for this change.

3.2 As such an important change, the move has been prioritised in the ITC and is the first set of proposals discussed.

Scope and Definitions

3.3 At its last meeting CIPFA/LASAAC agreed that the definitions section of the Code should include as full a description as possible of the assets to be included as transport infrastructure assets and therefore the definitions section includes a description of each sub category of transport infrastructure assets. Transport infrastructure assets will remain property, plant and equipment assets and therefore should draw, where relevant, from the relevant accounting policies within section 4.1 of the Code.

CIPFA/LASAAC is invited to confirm that it agrees with the approach to the scope and definitions of transport infrastructure assets (ref ED2).

Recognition

3.4 At its November 2015 meeting CIPFA/LASAAC agreed that the carriageways category of transport infrastructure assets should be treated as a single asset. It required further information before confirming whether the network as a whole could be considered as an asset. The Secretariat is of the view that the homogenous interconnected nature of the network does support the network being treated as a single asset.

3.5 The Secretariat considers that all of the elements that make up the network eg structures (bridges), street lighting, traffic management all exist for a single purpose ie to secure the effective and safe management of the traffic using the network, they are all maintained from this one objective and are thus largely inalienable. For example, a bridge only exists to connect one or more elements of the network, without the other elements of the network the service potential generated by the bridge could be argued not to exist and that as intended for use with roads would otherwise be substantially impaired. A similar argument can be made for the other categories such as street lighting.

3.6 The approach to componentisation in the Transport Code allows separation where the flows of service potential require separate treatment, for example, for the consumption of assets for depreciation purposes.

3.7 Other accounting issues that arise would become very difficult to manage if disaggregation were required. For example, the revaluation reserve entries for the transfer of the difference between historical cost depreciation and current value depreciation would need to be made for every bridge or item within structures but are unlikely to be reasonably estimable. The current draft of the Code does consider a form of a transitional approach if CIPFA/LASAAC does not wish to consider other elements of the network to be treated as a single asset though this would not be able to overcome the volume of entries.

3.8 In support of this approach two of the national roads authorities take a similar approach to that proposed by the Secretariat, for example, the **Highways Agency Annual Report and Accounts 2013-14** includes the following accounting policy:

"*Valuation*

Network Infrastructure Assets

The network infrastructure asset consists of carriageways, structures, land and communication equipment which form a single integrated network. The network infrastructure is intended to be maintained at a specific level of service potential by continual replacement and refurbishment.

The network infrastructure assets are specialised (i.e. a market value is not available) and therefore must be valued using Gross Replacement Cost (GRC) in accordance with the FReM, before applying depreciation.

The purpose of the valuation is to provide an asset value of the network, including all classes of roads, structures, and land, for which the Agency is responsible. This is to ensure the inclusion of all asset classes in the annual accounts."

The following is an extract from the **Transport Scotland Annual Report and Accounts for the year ended 31 March 2014:**

"*Capitalisation Policy*

The trunk road network is recognised as a single infrastructure asset in accordance with FReM Para 6.2.11. However it comprises four distinct elements that are accounted for differently: Land; the Road Pavement; Structures (such as bridges and culverts); and Communications (such as variable message signs)."

3.9 As is identified in the Transport Scotland Accounts this approach is an option in the FReM.

3.10 For other recognition issues CIPFA/LASAAC agreed at its March 2015 meeting that transport infrastructure assets should be reported on the face of the balance sheet.

CIPFA/LASAAC is invited to consider the proposals for the treatment of the network as a single asset (ref ED2).

CIPFA/LASAAC is invited to confirm the remainder of its approach to recognition as agreed in the previous discussions of the Board (ref ED2).

Measurement

3.11 The nature of transport infrastructure assets is such that particular methodologies need to be applied to measure the economic benefits, and perhaps more importantly due to the inalienable nature of the assets, the service potential in a network of assets. This methodology is specified in the Transport Code.

3.12 As with the approach in the early draft the methodology prescribes the measurement of annual depreciation which is based on the definition of the assets as inalienable (ie assets whose benefits cannot be realised by sale) and measures the consumption of the asset. It also assumes that the performance of an asset is maintained by the replacement by means of capital expenditure of its service potential. The definition of annual depreciation is included in the ITC.

3.13 An issue raised with the Project Implementation Steering Group (PISG) is that the measurement methodology and systems does not allow clear identification of annual changes in condition. The Guidance and supporting tools, including UKPMS[1], use the definition for annual depreciation and the specific definitions for each asset type for the calculation of annual depreciation. Condition is used as a proxy for age in order to establish where the assets sit on the depreciation line (per the Transport Code for carriageways – paragraph 8.5.5.1). However, the gradient of the line (the annual depreciation) does not change. In line with the Transport Code, the actual deterioration of the asset between years is not compared to the annual depreciation as this data is not currently readily available. If the estimated age of the asset changes (up or down) by more than expected this impact is assumed to be a revaluation movement per paragraphs 4.1.2.34 to 4.1.2.36 of the Code and not a direct annual charge to the Comprehensive Income and Expenditure Statement (CIES).

3.14 This approach differs from that normally taken for property, plant and equipment where changes in condition would normally be part of a depreciation charge to the CIES as condition would be reflected in the formal revaluations undertaken by (qualified) valuers. Change in condition would not be reflected until the next formal valuation in accordance with the requirements of the Code for frequency of valuations unless indications of impairment exist.

[1] UKPMS – UK Pavement Management System – the asset management system used to estimate the GRC, DRC of carriageways and the annual depreciation charge.

3.15 This means that condition will be reflected in the financial statements by means of the annual assessment of condition but these will be by means of revaluation gains or losses and not charges for depreciation or impairment. It is suggested for implementation in 2016/17 that this position is considered as an interim position as the average consumption of the asset will be measured by depreciation charges and any impairment events will still be recognised.

3.16 CIPFA/LASAAC agreed at its November 2014 meeting that the Code should prescribe the treatment for accumulated depreciation and impairment should not be the elimination method (the latter is the normal treatment for property, plant and equipment). The ITC and ED maintain this approach.

3.17 Accumulated depreciation is estimated by the various supporting materials (ie toolkits and calculators) and estimates the amount of the asset that has been consumed at the reporting date. The change in accumulated depreciation, allows for:

- the annual depreciation charge
- deductions for disposals, these are estimated by the authority using relevant information on GRC, and
- deductions for the disposals for the replaced parts of the network, where the provisions in both Codes permit these may be estimated on the basis of using the amount spent on the asset as a proxy for the amount derecognised (as agreed at CIPFA/LASAAC's last meeting).

3.18 The annual movement in accumulated depreciation as a calculated from the sum of these three elements and the year-end accumulated depreciation is due to:

i) changes in the replacement price and rate and dimension of the asset,

ii) differences between the derecognised accumulated depreciation (estimated using the replacement expenditure as a proxy) and the actual accumulated depreciation on the derecognised part,

iii) differences between the GRC derecognised and used as a proxy for derecognition for the accumulated depreciation and actual accumulated depreciation, and

iv) differences in the assessed condition of the asset.

3.19 Paragraph 35 of IAS 16 stipulates that the amount of the adjustment arising on the restatement of accumulated depreciation forms a part of the increase or decrease in carrying amount. For transport infrastructure assets, due to the large balance on the revaluation reserve, these will be revaluation adjustments to the revaluation reserve.

CIPFA/LASAAC is invited to agree the proposals for measurement of transport infrastructure assets in the 2016/17 Code (ref ED2).

Derecognition

3.20 The draft of the 2016/17 Code stipulates that the requirements for derecognition will follow the requirements of the Code for property, plant and equipment. At its

March meeting CIPFA/LASAAC decided that the cost of a replacement part, e.g. surface of a road, may be used as an estimate of the value of the part it has replaced. This differs from the usual approach where local authorities use this cost as an indication of what the cost of the replaced part was at the time the asset was acquired.

3.21 The CIPFA Secretariat is of the view that for at least the first year of implementation it would assist authorities in their implementation preparation if the Codes' provisions for this issue were to provide certainty and authorities would not have to prove that they could not provide more exact estimates of GRC. The draft of the Code does allow for those rare exceptions where an authority might have more exact information to estimate gross replacement cost and accumulated depreciation on derecognition.

3.22 The early draft of the Code also permitted authorities to assume that on replacement the asset has reached the end of its useful/economic life and/or has been fully utilised. Again for consistency and clarity it is suggested that the provisions in the Code provide certainty for at least the first year of implementation. The Secretariat considers that substantially this is likely to be the case as for the vast majority of instances the replacement expenditure would in substance mean that any service potential left in the asset would be replaced by the new expenditure. Thus logic dictates for the vast majority of circumstances that, following the expenditure, there will not be any further service potential in the old component in existence as it will be subsumed into or replaced by the new replacement expenditure.

CIPFA/LASAAC is invited to consider the approach to derecognition of transport infrastructure assets and whether it is content with the proposals for the derecognition of transport infrastructure assets (ref ED2).

Transition

3.23 At its March meeting CIPFA/LASAAC confirmed the approach to transition per the 2014/15 and 15/16 Codes ie full retrospective restatement for the change in accounting policy.

3.24 One area of difficulty on transition is the estimation of the revaluation gain for the opening balance sheet. The Secretariat understands that a common practical application of the current requirements has been to treat infrastructure as a block of assets with depreciation being calculated using an average or estimated useful life. Infrastructure assets may therefore not have been recorded separately in the asset register. It is likely that for many authorities there will need to be an estimation process to split the balance between the new transport infrastructure assets and the remaining infrastructure assets. The Secretariat proposes to assist authorities that the Code permits authorities to estimate the split by means of any reasonable estimation method.

3.25 If CIPFA/LASAAC decides that it does not want to consider the network a single asset further transitional provisions will be necessary for treatment of the entries on the Revaluation Reserve. CIPFA/LASAAC will be aware that the Code also requires authorities to make a transfer for the difference between historical cost depreciation and current value depreciation. Therefore local authorities would need to know the opening balance for the depreciated historical cost of each asset. Again it is recommended that authorities be allowed to use any reasonable process to do this.

CIPFA/LASAAC is invited to agree the approach to transition for the measurement of transport infrastructure assets (ref ED2).

Practical Issues

3.26 CIPFA/LASAAC has been concerned about the practical implementation issues of the move to the DRC measurement for transport infrastructure assets each year it has consulted on its implementation in the Accounting Code. One of the reasons it decided to delay implementation to the 2016/17 year was to provide authorities sufficient time to implement the move. The ITC again seeks interested parties' views on their level of preparedness to be able to move to the new measurement base.

CIPFA/LASAAC is invited to consider the text in the ITC and whether it is content with the issues and the questions included on the practical implementation and/or the level of preparedness of authorities.

5 Financial Reporting and Accounting Developments

5.1 The 2016/17 Code will require adoption of standards with an effective date between and including 2 January 2015 and 1 January 2016. It will also need to include the narrow scope amendments to the Code which have an effective date before these dates but were withdrawn from the 2015/16 Code as they were not legally in force until 12 January 2015. These are:

- Amendments to IAS 19 *Employee Benefits: Defined Benefit Plans: Employee Contributions* (issued on 21 November 2013); and
- *Annual Improvements to IFRSs 2010–2012 Cycle*.

The Secretariat recommends their approach to adoption in the Code should follow the approach in the 2015/16 Code consultation.

5.2 The approach for these two sets of changes has largely been replicated from the approach in the 2015/16 Code and the changes included in Appendix C to the ITC. However, the measurement of transport infrastructure assets has caused the Secretariat to consider in more detail, one of the changes under the Annual Improvements. The Annual Improvements requires changes to the estimation of the non-elimination method such that "The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount *and the carrying amount of the asset after taking into account accumulated impairment losses*."

5.3 The Secretariat is of the view that this treatment of accumulated depreciation and impairment can only really work for assets measured at DRC. Adjustments to the gross carrying amount would seem counterintuitive for any valuations measured under a market or an income based approach as both these measurement bases measure the value of the assets and grossing-up of these values would be an accounting construct which would not be able to be supported by any evidence. In addition local authorities are used to regarding their formal valuations as a gross or certified value and again this would be counterintuitive.

5.4 The Secretariat therefore suggests that the Code recommends that non-elimination method only be used for DRC measurements (see paragraph 4.1.2.34). This is largely consistent with the previous and current approach in the

Code which has not particularly supported the non-elimination method and has maintained the view that where authorities wish to adopt this approach they should follow the standard.

CIPFA/LASAAC is invited to agree the approach to IAS 19 amendments as set out in the ITC.

CIPFA/LASAAC is invited to agree the approach to Annual Improvement to IFRSs 2010 – 2012 Cycle amendments as set out in the ITC (refs ED 1, ED 2, ED3 and ED 9).

IAS 1 *Presentation of Financial Statements* Disclosure Initiative

5.5 The amendments to IAS 1 address some of the concerns expressed about existing presentation and disclosure requirements and ensure that entities are able to use judgement when applying IAS 1. The amendments to IAS 1 have been included in the Exposure Draft of the Code and are discussed in the ITC. The amendments include:

- **Materiality** – the amendments clarify that:
  - information should not be obscured by aggregating or providing immaterial information,
  - materiality considerations apply to all parts of the financial statements
  - even when a standard requires a specific disclosure materiality considerations will still apply.
- **The Order of Notes** - the amendments:
  - affirm that local authorities have flexibility as to the order in which they present the notes to financial statements, but also emphasise that understandability and comparability should be considered by an entity when deciding on that order.
  - also provide examples of ways of ordering notes.
- **Disaggregation and Subtotals** – the amendments clarify that the line list of items to be presented in the balance sheet can be disaggregated and aggregated as relevant and provide additional guidance on subtotals.
- **Accounting Policies** – the amendments as they apply to the Code change the references to significant accounting policies rather than summary of significant accounting policies.
- **Presentation of Items of Other Comprehensive Income and Expenditure Arising from Equity Accounted Investments in Joint Ventures and Associates** – the amendments clarify that an entities share of Other Comprehensive Income (and Expenditure for local authorities) of equity accounted associates and adventures should be presented as items which should be classified whether or not they will be subsequently reclassified in the Surplus or Deficit on the Provision of Services.

The amendments to IAS 1 have been included in the Code as appropriate to local authority circumstances without the need for adaptation.

CIPFA/LASAAC is invited to agree the approach to IAS 1 amendments in the ITC and ED 1.

Annual Improvement to IFRSs 2012 – 2014 Cycle

5.6 The Annual Improvement to IFRSs 2012 – 2014 Cycle has been included in the ITC. Most of the amendments will not be applicable to local authorities and the one amendment that might be applicable is not considered to be a frequently occurring transaction. The amendments are summarised in Appendix B to the ITC. No changes are proposed for the 2016/17 Code.

CIPFA/LASAAC is invited to agree the approach to Annual Improvement to IFRSs 2012 – 2014 Cycle amendments as set out in the ITC.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortisation

5.7 The amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* clarify that revenue is not an appropriate method to calculate depreciation or amoritisation of intangible assets. The amendments apply to local authorities. However, the paragraphs which are amended were not included in previous editions of the Code. The Secretariat considers that local authorities would not use this method of estimation under IAS 16 or IAS 38 and therefore have proposed not to include these amendments in the 2016/17 Code.

CIPFA/LASAAC is invited to agree the approach to IAS 16 and IAS 38 amendments as set out in the ITC.

Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

5.8 The amendments to *IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* the amendments to IFRS 11 have been included in the ED of the Code without adaptation.

CIPFA/LASAAC is invited to agree the approach to IFRS 11 amendments as set out in the ITC (ref ED4).

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

5.9 The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 *Investments in Associates and Joint Ventures* (2011) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture would apply to local authorities. The amendments are not to paragraphs currently included in the Code and also are not frequently occurring transactions in local authorities and therefore no Exposure Draft has been produced. It is also very possible that these amendments will not be adopted by the EU in time for inclusion in the 2016/17 Code. However, the Secretariat considers that for completeness it is worthwhile including the amendments in the ITC.

CIPFA/LASAAC is invited to agree the approach to IFRS 10 and IAS 28 amendments as set out in the ITC.

Amendments to IAS 27 Separate Financial Statements (2011), Equity Method in Separate Financial Statements

5.10 The Amendments to IAS 27 *Separate Financial Statements* (2011), Equity Method in Separate Financial Statements would apply to local authorities. However, the Secretariat considers that this accounting policy option should not be included in the Code. The full rationale for not adopting this change has been set out in the ITC. The main reason though is the importance of ensuring the reliability of local authority single entity financial statements.

CIPFA/LASAAC is invited to agree the approach to the IAS 27 amendments as set out in the ITC.

IPSASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

5.11 CIPFA/LASAAC agreed a review of the IPSASB Conceptual Framework to identify whether there are any areas in the Code where guidance might be improved utilising the concepts in the IPSASB Conceptual Framework. The main section of the Code where the Conceptual Framework is most relevant is section 2.1 Concepts. The Secretariat has limited the review to Chapters Two, Objectives and Users of General Purpose Financial Reporting and Three, Qualitative Characteristics of the IPSASB Conceptual Framework as the IASB Conceptual Framework is also subject to review with the Exposure Draft being issued in 2015. The Secretariat considers that it would therefore not be helpful to issue two sets of changes to the same provisions in a relatively short period of time. The Secretariat recommends that the remaining Chapters of the Conceptual Framework should be reviewed when the new IASB Framework is issued.

5.12 The changes proposed by the Secretariat to the Code are largely those inspired by the Streamlining review ie identification of the primary users of public sector financial statements, a reordering of the objective of the financial statements and a commentary on the understandability of useful financial information.

CIPFA/LASAAC is invited to agree the approach to amendments proposed as a result of the IPSASB Conceptual Framework as set out in the ITC and Exposure Draft (ref ED5).

The Review of the Accounting and Reporting by Pension Fund Section of the Code

5.13 This review is subject of a separate report – see item 05 -06 -15 B.

Minor Amendment – Accounting for Schools Non-Current Assets

5.14 Following the debate and the LAAP Bulletin on this issue[2]. The Secretariat recommend the confirmation of the position that is absolutely implicit in the Code ie that to be recognised in a local authority balance sheet a non-current asset must meet the definition of an asset in the Code.

CIPFA/LASAAC is invited to agree the approach to amendments proposed as for accounting for non-current schools assets as set out in the ITC and Exposure Draft (ref ED9).

6 Legislative Changes

[2] LAAP BULLETIN 101 - Accounting for Non-Current Assets Used by Local Authority Maintained Schools, December 2014.

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015

6.1 The 2016/17 Code has been updated for the references to both the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015. This will mean changes for:

- Changes to the references relating to the application of the 2016/17 Code (and by statutory override to the 2015/16 Code), this includes substantial changes to Chapter 1 of the Code.

- Changes to the references to the authorised for issue date in section 3.8 of the Code. The Secretariat has also taken the opportunity to rationalise some of the reporting requirements for the authorised for issue date. **The Secretariat is seeking CIPFA/LASAAC's views whether the text for the authorised for issue date could be rationalised further.**

- Consequential changes to the audit fee disclosure and other elements of the disclosures in Section 3.4 of the Code.

- The introduction of a requirement to provide a narrative statement.

Narrative Report/Statement

6.2 The Board will be aware that it has kept the provisions for a narrative report under review since the 2012/13 Code, as it awaited confirmation of the legislative position across the jurisdictions. The four administrations have recently issued accounts and audit regulations and therefore the legislative position is clear. However, CIPFA has initiated its integrated reporting public sector network and CIPFA/LASAAC has been of the view that the narrative reporting requirements should be supported by the outputs of the network. The Secretariat considers that it may not be helpful to local authorities to initiate more detailed proposals before CIPFA/LASAAC can take account the output of the network.

6.3 CIPFA/LASAAC members will be aware that the Accounts and Audit Regulations 2015 introduce a requirement for the narrative statement to include comment by the authority on its performance and economy, efficiency and effectiveness in its use of resources over the financial year. CIPFA/LASAAC at its last meeting requested that appropriate principles be established to assist local authorities to meet the requirements of the Regulations. Therefore the Secretariat has used the Financial Reporting Council's Guidance on the Strategic Report. This would also ensure that the Code's provisions remain aligned with the approach in the FReM which specifies the Companies Act 2006 requirements for the Strategic Report.

6.4 The Secretariat has also recommended that as an interim position the provisions in the Code to follow the FReM should for certainty be fixed on last year's FReM until the Code's provisions for narrative reporting are finalised.

6.5 CIPFA/LASAAC members will be aware that the Local Authority Accounts (Scotland) Regulations 2014 require that Scottish local authorities provide a management commentary in the Annual Accounts. Scottish Government Finance Circular 5/2005 provides statutory guidance on the management commentary. It also provides explicit commentary on the Explanatory Foreword and this is reflected in the ED of Section 3.1.

CIPFA/LASAAC is invited to agree the approach in the ITC and Exposure Draft on the Accounts and Audit Regulations 2015 (ref ED7).

CIPFA/LASAAC is invited to agree the approach in the ITC and Exposure Draft on the Narrative Report/Statement (ref ED8).

The Local Government Accounts and Audit Regulations (Northern Ireland) 2015

6.6 The 2015/16 Code does not take into account the Local Government Accounts and Audit Regulations (Northern Ireland) 2015 as the regulations were not issued in time for inclusion. The new Regulations will mean changes to the relevant references throughout the 2016/17 Code. These include:

- Changes to the references relating to the application of the 2016/17 Code (and by statutory override to the 2015/16 Code). Chapter one of the Code has been updated for the relevant references to the new Regulations.

- The introduction of the requirement to include a remuneration report with the statement of accounts. Section 3.4 has been updated to include appropriate reference to this requirement.

- Changes to the references to the authorised for issue date in section 3.8 of the Code. These changes have followed the same approach as for the Accounts and Audit Regulations 2015.

CIPFA/LASAAC is invited to agree the approach in the ITC and Exposure Draft on the Local Government Accounts and Audit Regulations (Northern Ireland) 2015 (ref ED7).

Equal Pay and Severance - Scotland

6.7 Scottish Ministers have issued statutory guidance which will allow provisions for equal pay back pay and severance not to be a charge to the General Fund until the actual payments are made. The relevant provisions in section 8.2 of the 2016/17 Code have been updated to reflect the provisions in Scottish Government Finance Circular 4/2015 (see paragraphs 8.2.3.1 to 8.2.3.4).

CIPFA/LASAAC is invited to agree the approach in the ITC and Exposure Draft on equal pay and severance (ref ED9).

recommendation

CIPFA/LASAAC is asked to provide its initial views on the:

1) Exposure Drafts of the 2016/17 Code; and
2) Invitation to Comment on 2016/17 Code.