CIPFA The Chartered Institute of Public Finance & Accountancy

LAAP BULLETIN 104

Closure of the 2015/16 Accounts and Related Matters

March 2016

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, SeRCOP and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the Code, SeRCOP or Prudential Code.

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INTRODUCTION

1. This bulletin covers the closure of accounts and related matters for the 2015/16 year and provides further guidance and clarification to complement the 2015/16 *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners* (Code Guidance Notes). It addresses frequently asked questions, and other issues that have arisen since the publication of the Code Guidance Notes.

2. The bulletin focuses on those areas that are expected to be relevant for most authorities. It is not intended to replace authorities' processes for identifying issues, but to complement them.

3. In addition, the bulletin addresses matters that will generally be applicable to authorities across England, Wales, Scotland and Northern Ireland. However, some sections are region specific and are indicated as such.

4. A new section D is included to make local authority practitioners aware of future accounting developments that might have an impact on their authority's current financial planning.

5. Section E provides information from both HM Treasury and DCLG in relation to the preparation of the WGA returns for authorities in England. This section also includes guidance from the Welsh Government for the preparation of the WGA returns for authorities in Wales.

SECTION A – ADDITIONAL GUIDANCE AND CLARIFICATION IN RESPONSE TO FAQS

6. This section provides clarification and further guidance in response to issues identified by practitioners and auditors.

7. The additional guidance, set out below, aims to provide further clarification on the application of the 2015/16 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) and relevant legislation that will affect the 2015/16 financial statements. It also aims to address any significant issues that may have arisen since the production of the 2015/16 Code Guidance Notes and assist practitioners to effectively produce their 2015/16 financial statements, in accordance with the 2015/16 Code and relevant legislation.

IFRS 13 – FAIR VALUE MEASUREMENT – KEY FEATURES

8. Local authorities are required to apply the fair value measurement and disclosure requirements of Section 2.10 of the Code prospectively from 1 April 2015. Restatement of prior year transactions is not required.

9. Practitioners are reminded that specific guidance in respect of the 2015/16 Code's adoption of IFRS 13 is provided in a new Section J in Module 2 of the 2015/16 Code Guidance Notes. This new section includes:

- the fair value framework and how it applies to local authorities
- detailed guidance and illustrations to assist local authorities with the implementation of this substantial and complex new Standard as

adopted by the Code (IFRS 13 is is designed to apply to assets and liabilities covered by those sections of the Code that currently permit or require measurement at fair value), and

- example fair value disclosures – provided in the Appendix to new section J.

Measurement of Property, Plant and Equipment

10. The 2015/16 Code has introduced[1] the concept and definition of current value for the measurement of property, plant and equipment. This concept requires that local authorities measure the service potential and thus operating capacity used to deliver local authority goods and services inherent in the assets. This means that the measurement requirements for **operational** property, plant and equipment **have not changed** from those in the 2014/15 Code. However, the Code requires that **non-operational** property, plant and equipment classified as surplus assets are measured at fair value in accordance with section 2.10 of the Code.

Disclosure Requirements

11. In addition to ensuring that relevant assets and liabilities have been measured at fair value in accordance with the Code's requirements, practitioners are reminded of the enhanced disclosure requirements under the new fair value framework. Authorities will need to ensure that relevant information needed to make the disclosures required by paragraph 2.10.4.1 of the Code is available (eg information from property professionals and/or treasury management advisers). For example, where Level 2 or Level 3 inputs have been used to achieve fair value measurements, this will have required judgement by the authority (eg deciding appropriate valuation techniques or assessing the level of significance of the inputs to the fair value measurement) and therefore needing explanation (ie disclosure) of the decisions made and how these impacted the valuation.

12. Practitioners are also reminded that a fair value disclosure is required at each reporting date for financial instruments, such as PWLB loans or soft loans that are measured at amortised cost (if this is materially different from the amortised cost carrying amount)[2]. Authorities will need to ensure that the relevant information needed to make such disclosures is available (eg from their treasury and other relevant advisors). Guidance on the fair value measurement and disclosure of PWLB loans is included in Module 7, paragraph B26 of the 2015/16 Code Guidance Notes (this guidance should be read in conjunction with Section J of Module 2).

13. When making the fair value disclosures for financial liabilities measured at amortised cost, the fair value measurement of those financial liabilities must meet the requirements in paragraph 2.10.2.25 of the Code which stipulates that:

'*A fair value measurement assumes that a financial or non-financial liability is transferred to a market participant at the measurement date. The transfer of a liability assumes that a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.*'

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[1] The 2015/16 Code does not directly adapt IFRS 13 but instead adapts IAS 16 (in section 4.1) to introduce the concept and definition of current value.

[2] See paragraph 2.10.4.1 7) for the relevant disclosure.

14. IFRS 13 (paragraph 2) makes it clear that fair value is a market-based measurement, not an entity-specific measurement. The objective for a local authority measuring a financial asset or a liability is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Therefore both paragraph 2.10.2.25 and the objective of the standard would mean that a redemption rate is unlikely to provide an appropriate measure of fair value, as such a measurement would be specific to the local authority ie entity-specific. The PWLB redemption rate is not a price for transferring a liability between market participants under current market conditions. It would also not comply with the second sentence of paragraph 2.10.2.25 as it could not be assumed that the liability is outstanding. However, as paragraph B26 of the Code Guidance Notes explains, the redemption rate may provide useful information to the users of local authority financial statements.

15. It is important to note that when considering the disclosure requirements of paragraph 2.10.4.1, authorities should also give due consideration to the Code's provisions in paragraph 3.4.2.26 which stipulates that a local authority need not provide a specific disclosure required by the Code if the information is not material. The importance of materiality is emphasised in the Code in paragraph 1.5.1 which highlights that the Code only requires local authority financial statements to disclose information that is material to the presentation of a 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users of the financial statements. The Code also includes specific commentary on the application of materiality to fair value disclosures in paragraph 2.10.4.1.

UPDATE TO THE 2015/16 CODE

16. CIPFA/LASAAC has issued an Update to the 2015/16 Code which includes amendments as a result of legislative changes and particularly the Accounts and Audit Regulations 2015 for English authorities. It also includes amendments relating to the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015. The 2015/16 Code Guidance Notes take account of these legislative changes in Modules 1 and 3.

17. The Update to the 2015/16 Code also specifies the principles for narrative reporting which CIPFA/LASAAC considers should be used to meet the requirements of the Accounts and Audit Regulations in England (see Regulation 8 (2)). At the time of drafting the 2015/16 Code Guidance Notes did not reflect Code's specifications on the new narrative reporting requirements as CIPFA/LASAAC had not issued the Update. However, to assist practitioners, outline guidance is provided in this bulletin consistent with the specifications in the 2015/16 Code Update in Section 3.1.

18. The Update to the 2015/16 Code, which was issued in January 2016, must be read in conjunction with the 2015/16 Code which was published by CIPFA on 1 April 2015. The tracked changes to appropriate extracts of the 2015/16 Code include both new and amended paragraphs to form the Update to the 2015/16 Code.

Highways Network Asset

19. Following the consultation on the 2016/17 Code, specific transitional reporting requirements for the measurement of the Highways Network Asset, which relate to the production of preceding year information (ie 2015/16), have been confirmed in the Update to the 2015/16 Code. Further discussion on this is included in paragraph 40 below.

20. The Update to the 2015/16 Code can be found at the following link:

http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/ifrsbased-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-the-code

NARRATIVE REPORTING

Introduction and Background

21. Local authorities in England, Northern Ireland and Wales are required to publish a Narrative Report (previously the Explanatory Forward) with their financial statements. An Update to the 2015/16 Code was published in January 2016 which:

- uses the term Narrative Report rather than Explanatory Foreword
- clarifies that the Narrative Report should be fair, balanced and understandable, and
- includes additional guidance for authorities in England to meet the new requirements of the Accounts and Audit Regulations 2015.

Narrative Reporting Requirements Applicable to England[3], Wales and Northern Ireland

22. The purpose of the Narrative Report is to offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.

23. Paragraph 3.1.4.1 of the 2015/16 Code (and the Update to the 2015/16 Code) recommends topics to be included in the Narrative Report, on the basis that they are likely to be significant to an understanding of the financial statements. To assist authorities in providing an effective Narrative Report, these recommendations are further exemplified in paragraphs B5 to B7 in the 2015/16 Code Guidance Notes (ie 'Recommended Topics for Inclusion in the Explanatory Foreword[4]').

24. The 2015/16 Code (and previous editions of the Code) includes an encouragement for local authorities to prepare the Narrative Report taking into consideration the provisions of the 2015–2016 Government's Financial Reporting Manual (FReM) in paragraphs 5.2.1 to 5.2.10. For those authorities who wish to follow the voluntary/optional approach to the production of the Narrative Report, a summary of the requirements is provided in paragraphs B10 to B14 in the 2015/16 Code Guidance Notes.

25. Practitioners should note that references to the operating and financial review (OFR) statement in the 2015/16 Code Guidance Notes (paragraphs B8 and B9) are no longer directly relevant as the statement has been replaced by the Financial Reporting Council's (FRC's) Guidance on the Strategic Report, issued in June 2014. However, some of the commentary may still be useful in respect of an authority's approach to its narrative reporting requirements.

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[3] Local authorities in England must also meet the requirements of Regulation 8(2) of the Accounts and Audit Regulations 2015.

[4] The Code now uses the term Narrative Report rather than Explanatory Foreword.

Additional Narrative Reporting Requirements for Authorities in England

26. The Accounts and Audit Regulations 2015 have introduced the following new requirements in Regulation 8 for local authorities in England:

    (1) A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year

    (2) A narrative statement prepared under paragraph (1) must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

27. In order to ensure that this new statutory requirement for authorities in England is supported by appropriate guidance on proper practices, CIPFA/LASAAC has specified the principles for narrative reporting which it considers should be used to meet the new requirements of the Accounts and Audit Regulations 2015. This is provided in the Update to the 2015/16 Code and is based on the business performance elements of the Financial Reporting Council's Guidance on the Strategic Report issued in June 2014, interpreted for local government circumstances.

Specifications for Narrative Reporting to Meet the Requirements of the Accounts and Audit Regulations 2015 – Authorities in England

28. Paragraph 3.1.5.3 in the Update to the 2015/16 Code sets out CIPFA/LASAAC's guidance on the key areas that authorities in England should consider in order to meet the requirement of Regulation 8 (2) of the Accounts and Audit Regulations 2015. Therefore to meet the requirements in the legislation, the Code recommends that the narrative statement should provide an analysis of:

a)	**The development and the performance of the authority in that financial year and its position at the end of the year**	In providing this commentary the Narrative Report should be analysed in the context of the authority's strategic/corporate reports for that year, ensuring eg that any analysis on the authority's operating segments is consistent with the reportable segments set out in the notes to the authority's accounts (ie in accordance with section 3.4 of the 2015/16 Code Update). The Narrative Report should make reference to cash flows during the year and the factors that may affect future cash flows (eg the report might include discussion on the authority's ability to fund major projects). Information on an authority's key strengths and resources should be included in the report, which might include, for example: ▪ consideration of an authority's employees ▪ capital expenditure and commitments ▪ other financing arrangements

		▪ key services including commentary on significant matters covered in the budget report ▪ consideration of any significant assets or liabilities earned or incurred ▪ corporate reputation and relevant information on service recipients. Authorities may need to cross refer to the items included in paragraph 3.1.4.1 of the 2015/16 Code Update (ie recommended disclosure requirements for the Narrative Report). These are further exemplified in the table at paragraph B5 in Module 3 of the 2015/16 Code Guidance Notes. Authorities may also wish to refer to paragraph 7.38 in the FRC Guidance.
b)	**The financial and non-financial performance indicators as relevant to the performance of the authority**	In producing a narrative commentary on the use of resources the performance indicators used should include those that the authority considers are most effective in: ▪ assessing progress against its strategic objectives ▪ monitoring its risks, or ▪ measuring performance in the year. Non-financial indicators can be indicators of future financial prospects and progress in managing risks and opportunities and may include, for example, measures related to quality of service delivery, service recipient complaints or feedback from other recipients of local authority services. The performance indicators used in the Narrative Report should, where possible, represent generally accepted measures of performance for local authorities whether on a corporate, financial or service basis. It is important that comparatives are included and the reasons for any significant changes from year to year explained. When using performance indicators in the Narrative Report, where relevant, an authority should provide an appropriate description of the performance indicator used, explaining for

		example: ▪ its definition and calculation method ▪ its purpose ▪ the source of underlying data ▪ any significant assumptions made ▪ any changes in estimation methods. Authorities may wish to refer to paragraph 7.43 in the FRC Guidance for further discussion in this area.

29. In preparing this section of the Narrative Report (as specified in a) and b) above), paragraph 3.1.5.3 of the Update to the 2015/16 Code advises local authorities in England to also have regard to the communication principles and the approach to materiality set out in the FRC Guidance.

30. One of the key communication principles (in the FRC Guidance), ie that the Narrative Report should be fair, balanced and understandable, is included in paragraph 3.1.1.2 in the 2015/16 Code Update and is applicable to authorities in England, Wales and Northern Ireland. However, authorities in England may wish to further consider the communication principles in Section 6 of the FRC Guidance which also recommends that the Narrative Report should be **comprehensive but concise**; forward-looking (eg to reflect the impact of changes in government policies or the economic environment in which local authorities operate), and linked to related areas in the financial statements, etc.

31. Application of the concept of materiality is important for the Narrative Report. Local authorities should ensure that the key messages and material information can be clearly identified and understood by the readers of the Narrative Report. Including immaterial information is likely to clutter the report and may obscure material information and key messages. This may result in the Narrative Report not achieving the Code's objective in paragraph 3.1.1.2, ie that it is fair, balanced and understandable. For further guidance in this area, practitioners might wish to consider the Code's definition of materiality in paragraph 2.1.2.9 and the FRC guidance in Section 5.

32. The FRC's Guidance on the Strategic Report can be found at:

https://www.frc.org.uk/Our-Work/Codes-Standards/Accounting-and-Reporting-Policy/Clear-and-Concise-Reporting/Narrative-Reporting/Guidance-on-the-Strategic-Report.aspx

Narrative Report – Welsh and Northern Irish Local Authorities

33. Local authorities in Wales and Northern Ireland may also find it useful to refer to the Code's new provisions in paragraph 3.1.5.3 in the production of their Narrative Reports, though they are not obliged to follow the Code's specifications in that paragraph.

USE OF INDICES IN VALUATIONS

34. CIPFA has had queries on the use of indices in the valuations of their non-current assets and would confirm that it does not support the use of indices in valuations and has previously indicated this in LAAP Bulletin 98 – *Closure of the 2013/14 Accounts and Related Matters* which commented that:

> "*Indices should only be used by appropriate valuations experts, in support of their professional judgement, when determining the measurements of items of property, plant and equipment*."

35. Indices might be used to support market-based evidence that valuations are kept up to date rather than be used to update the valuations of items of property, plant and equipment.

36. CIPFA would argue that neither IAS 16 nor the Code support the annual indexation of valuations[5].

SECTION B – OTHER ISSUES AFFECTING THE 2015/16 CLOSURE OF ACCOUNTS

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

37. Paragraph 3.3.2.13 of the 2015/16 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2016/17 Code that are relevant to the requirements of paragraph 3.3.4.3 are:

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle (see Appendix A of the Invitation to Comment (ITC) on the 2016/17 Code for further details – see link below at the end of these bullets)
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle (see Appendix B of the ITC on the 2016/17 Code for further details – see link below at the end of these bullets)
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)

[5] The above position for property, plant and equipment will contrast with the measurement of the Highways Network Asset from 2016/17 where indices are used but which are applied to individual rates and not to overall valuations. Furthermore, these rates are required under the Transport Code to be applied under appropriate professional judgement.

- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

Appendix A (ie the Annual Improvements to IFRSs 2010 – 2012 Cycle) and Appendix B (ie the Annual Improvements to IFRSs 2012 – 2014 Cycle) can be found at:

http://www.cipfa.org/policy-and-guidance/consultations-archive/201617-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment

38. The Code does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements ie there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority financial statements.

39. If any of the amendments (in paragraph 37) above are expected to have a material impact on information in the financial statements, authorities should refer to Appendix C in the 2016/17 Code in relation to their own disclosures regarding the amendments to the above mentioned standards.

DISCLOSURE OF A CHANGE OF ACCOUNTING POLICY FOR THE HIGHWAYS NETWORK ASSET IN THE 2015/16 AND 2016/17 FINANCIAL YEARS

40. The following is the text from a FAQ available on the CIPFA website:

"The reporting requirements for the 2015/16 financial statements to disclose information relating to new standards issued but not yet adopted by the Code are stipulated in Appendix C as amended by the Update to the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom.

The requirements to restate opening balances at 1 April 2015 and preceding year information in the 2016/17 financial statements [for the Highways Network Asset] have now been removed under an exceptional adaptation to IAS 1 Presentation of Financial Statements.

As there are no reporting requirements in the 2015/16 year for 2016/17, then the reporting requirements for the 2015/16 financial statements have been removed from Appendix C. A local authority may find it useful to include a commentary in its Narrative Report that there will be a change in accounting policy for 2016/17 and describe the nature of the changes of that accounting policy."

The FAQ can be found at:

http://www.cipfa.org/members/members-benefits/technical-enquiry-service/frequently-asked-questions

USE OF EXAMPLE FINANCIAL STATEMENTS FOR PREPARATION OF THE 2015/16 ACCOUNTS AND EFFECTIVE PRESENTATION OF FINANCIAL INFORMATION

41. Authorities are reminded that the Example Financial Statements included in Module 3, Section A in the 2015/16 Code Guidance Notes and the example IFRS 13 fair value disclosures in Module 2 section J are provided to illustrate the reporting and disclosure requirements of the 2015/16 Code, they are **not intended as a template for local authority disclosures**. The examples satisfy the minimum reporting and disclosure requirements of the Code and each disclosure is based on the assumption that the transactions, balances or other information are material.

42. The Example Financial Statements include a streamlined example note 7 describing the Adjustments between Accounting Basis and Funding Basis under Regulations line in the Movement in Reserves Statement. This streamlined version of Note 7 is similar to the format presented in the Telling the Story consultation and is intended to meets the requirements of paragraph 3.4.2.39 g) of the Code. The previous more detailed version of this note included in the previous editions of the Code Guidance Notes was intended to assist local authorities to identify the major transactions to be included in the Adjustments Between Accounting Basis and Funding Basis Under Regulations and is now included in a new Section C of Module 3 - *Background Information*. CIPFA would note that the new example disclosure in the Code Guidance Notes provides an example of one format and that there may be other formats that are more suitable to a local authority's own circumstances. Paragraph 3.4.2.40 of the Code states that the list of items considered for the analysis of paragraph 3.4.2.39 g) may be aggregated to ensure that useful financial information is not obscured.

43. The Example Financial Statements do not include an HRA, Collection Fund, Business Rate Supplement Revenue or Pension Fund Accounts as illustrations and/or detailed guidance regarding the disclosure requirements are provided in the relevant sections of the Code Guidance Notes (or separate guidance issued by CIPFA for the pension fund).

44. Authorities should ensure that the disclosures meet their own reporting needs in order to give a "true and fair" view of their financial position and performance.

45. Local authorities may wish to consult with their auditors in the decision making process that establishes the basis upon which notes are included in the financial statements.

46. The 2015/16 Code sets out the disclosure and reporting requirements of local authorities under IFRS. Authorities are reminded that paragraphs 1.5.1 and 3.4.2.26 of the 2015/16 Code, as outlined in paragraph 15 above (see section on IFRS 13 *Fair Value Measurement* – Key Features), set out the Code's prescriptions on the treatment of material transactions.

47. Authorities may find it useful to refer to Chapter 2 of the Code and Module 2, Section A of the Code Guidance Notes which provide further guidance on the qualitative characteristics of useful financial information in Financial Statements.

48. For further information/reading in this area CIPFA's publication *Financial Statements – A Good Practice Guide for Local Authorities* may assist in identifying improvements in the way the year end accounts are produced. The publication includes guidance on:

- identifying the users (and potential users) of the financial statements, and what information they need

- materiality – the guidance highlights the importance of information that is useful to the users of local authority financial statements.

Further details about this publication can be found at:

http://www.cipfa.org/policy-and-guidance/publications/f/financial-statements-a-good-practice-guide-for-local-authorities-book

ACCOUNTING FOR NDR – REMINDER FOR ENGLISH AUTHORITIES

49. Accounting for NDR and in particular providing for business rates refunds granted on appeal has been an important financial reporting issue for local authorities since the move to the business rates retention scheme.

50. To assist authorities, the last two year-end LAAP Bulletins have provided extensive guidance in this area. Paragraphs 14-23 of LAAP Bulletin 98 (for the 2013/14 year) provided initial guidance for local authorities on making a provision for business rates refunds granted on appeal. Further guidance was provided in paragraphs 59 to 67 of LAAP Bulletin 103 (for the 2014/15 year) in respect of business rates refunds for appeals not yet lodged. Substantial guidance including illustrations is also provided in section B, Module 8 in the Code Guidance Notes.

51. Local authorities may be aware of the issue regarding applications for mandatory business rate relief from NHS trusts. For those authorities with a trust hospital in their area they may need to consider whether there are any reporting requirements against the Code's provisions in Section 8.2 – *Provisions, Contingent Liabilities and Contingent Assets*.

52. To assist with their considerations in this area, authorities may wish to refer to the Code's requirements in Section 8.2, and the guidance provided in section B, Module 8 in the 2015/16 Code Guidance Notes (for example see paragraphs B19 to B23).

THE BETTER CARE FUND FOR ENGLISH AUTHORITIES

Background

53. The Better Care Fund (BCF) came into operation on 1 April 2015 for the 2015/16 financial year. To administer the fund, Clinical Commissioning Groups (CCGs) were required to establish joint arrangements with local authorities to operate a pooled budget for the joint delivery of more integrated health and social care.

54. Queries have arisen regarding the accounting and disclosure requirements for the BCF. The main provisions for accounting for interests in other entities are included in Chapter Nine of the Code (Group Accounts). Detailed guidance is available in Module Nine of the Code Guidance Notes and more particularly in CIPFA's publication, *Accounting for Collaboration in Local Government* (published in 2014) which provides comprehensive guidance on the accounting for interests in other entities including useful illustrations and examples. It is also important that both parties to the arrangement have a thorough understanding of the events and transactions.

55. Authorities may also wish to refer to the HFMA's 'Pooled Budgets and the Better Care Fund' guidance, published in October 2014, which looks at the governance and finance issues underpinning the operation of a pooled budget. The guidance is available free from the HFMA website at:

http://www.hfma.org.uk/NR/rdonlyres/7BF426D9-4CDE-4D4A-B6F9-16CDD17E5F9D/0/BCFguidance.pdf

56. Detailed guidance on accounting for BCF transactions between CCGs and local authorities is included in Chapter 3 Annex 1 to the 'Department of Health Group Manual for Accounts 2015-16'. The footnote to Paragraph 5 of this guidance sets out that "Local authorities account for their collaborative arrangements under the specifications of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). They may find this guidance as useful background, in particular explaining the NHS context, while continuing to comply with the Code". The guidance can be found at:

http://www.info.doh.gov.uk/doh/finman.nsf/4db79df91d978b6c00256728004f9d6b/aeda7648c62c72c680257e99004acdd6/$FILE/DH%20Group%20Manual%20for%20Accounts%202015-16%20Dec%2015%20update.pdf

SELF-FINANCING FOR LOCAL HOUSING AUTHORITIES IN WALES

57. The 2015/16 year marks the commencement of the new self-financing regime for the Housing Revenue Account in Wales and follows the exit of local authorities in Wales with a Housing Revenue Account (HRA) from the housing subsidy system.

58. On 2 April 2015 each local (housing) authority in Wales with a HRA paid the Government an amount set out in the Settlement Payments Determination 2015 in order to exit the current housing subsidy system.

59. To assist housing authorities in Wales with the accounting entries required for making settlement payments to exit the housing subsidy system, the Local Authority Accounting Panel would refer practitioners to the relevant accounting entries in paragraph 13 of LAAP Bulletin 92 - *The Accounting Transactions in Relation to the Settlement Payments Determination 2012 (Housing Revenue Account (England))*, which can be found at:

http://www.cipfa.org/policy-and-guidance/laap-bulletins/laap-bulletin-92-the-accounting-transactions-in-relation-to-settlement-payments-determination-2012

60. Practitioners in Wales will be aware that the 2015/16 Code Guidance Notes do not reflect the move to the new self-financing regime as The General Determination of the Item 8 Credit and Item 8 Debit (Wales) 2015 for Wales had not been issued when the Code Guidance Notes were being prepared for publication.

61. The Item 8 Determination 2015 was issued by the Welsh Government on 4 December 2015, effective from 1 April 2015 for the year 2015/16 and subsequent financial years. This new Item 8 Determination reflects a move to increasing reliance on proper accounting practice under the new self-financing regime and adopts proper accounting practice for the apportionment of interest to the HRA and for premia and discounts. Previously statutory provisions (Item 8) determined the more detailed prescription of these charges (or credits) to the HRA. Local authorities in Wales with a HRA should ensure that they are familiar with the prescriptions of the new Item 8 Determination.

62. There is no specification in the Item 8 Determination that depreciation should be debited to the HRA Income and Expenditure Statement (or equally that it should be

reversed out in the Movement on the HRA Statement). However, since the introduction of resource accounting to the HRA in 2005/06, it has become generally accepted that statutory requirements can be satisfied on a 'no net impact' basis whereby debits and credits expected by proper practices (but not specified in legislation) can be made to the HRA provided that they are subsequently reversed out and replaced by statutory amounts in the calculation of the HRA Balance. This current practice will continue under the new self-financing regime requiring authorities to transfer to/from the HRA to the Capital Adjustment Account (CAA) depreciation, impairment, revaluation gains and losses and items classified as Revenue Expenditure Funded from Capital under Statute (and capital grants) debited to Net Cost of HRA Services in the HRA Income and Expenditure Statement. Practitioners may wish to refer to the guidance in paragraphs K14 to K18 in the 2015/16 Code Guidance Notes, which are still extant.

63. Under the provisions of the Item 8 Determination and in accordance with current practice, the HRA Minimum Revenue Provision (the statutory charge) replaces the depreciation and other capital charges (see paragraph 62 above) in respect of HRA dwellings (via a transfer to or from the CAA). However, the new Item 8 Determination provides a new approach to the calculation of a prudent MRP for the HRA and now provides four options for its calculation.

ISSUES AFFECTING THE 2015/16 CLOSURE OF ACCOUNTS [SCOTLAND ONLY]

INTEGRATION OF HEALTH AND SOCIAL CARE IN SCOTLAND (INTEGRATION JOINT BOARDS)

64. Integration Joint Boards (IJBs) were established during 2015/16 under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014. IJBs are local government bodies under section 106 of the Local Government (Scotland) Act 1973 and therefore the Scottish local government financial reporting legislation generally applies to IJBs.

65. Finance practitioners in local authorities and Integration Joint Boards should be aware of guidance affecting the financial reporting and annual accounts closedown process. This includes:

- The Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200)
- General webpage for Scottish Government guidance regarding integration
- IRAG Guidance see especially
    - Page 61 the IJB illustrative accounts
    - Page 113 Appendix D re LASAAC-TAG Guidance
- LASAAC Additional Guidance - This provides detailed guidance affecting the annual accounts
- Financial Assurance (Due Diligence) Guidance - Reference to how this was applied may be relevant in the Annual Governance Statement
- Large Hospital and Hosted Services - The application of this may be relevant to the Annual Governance Statement as it clarifies the risk responsibilities for any changes in the volume and cost of the services.

STATUTORY ADJUSTMENT FOR LGPS IAS 19 PENSION COSTS

66. Audit Scotland has identified that the statutory instrument providing statutory adjustments for the impact of accounting based pension costs (SSI 2003/580) does

not apply to the new (revised) LGPS scheme applicable from 1 April 2015. This could have a significant impact on 2015/16 year end accounts. The statutory adjustment for 2015/16 is anticipated to be available through statutory guidance on accounting for pension costs, rather than creation of a specific Scottish Statutory Instrument (SSI).

67. LASAAC has established a working group to help develop the specification of any statutory guidance. The Scottish Government has indicated it will draft the statutory accounting guidance. Finance practitioners should be aware of and continue to monitor for the issue of this guidance (for example by monitoring the Finance Circulars webpage).

ISSUES AFFECTING THE 2015/16 CLOSURE OF ACCOUNTS [NORTHERN IRELAND ONLY]

LOCAL GOVERNMENT REFORM IN NORTHERN IRELAND

68. The previous 26 district councils in Northern Ireland became 11 new councils on 1 April 2015. The reform also includes the transfer of powers for certain functions from central to local government.

69. Authorities in Northern Ireland should take note of the guidance issued by CIPFA under the TASS arrangements with the Department on 23 November 2015. This covers the accounting arrangements for reform and completion of the pro-forma accounts model for opening balances for the new councils.

70. Practitioners should also refer to the CIPFA training under TASS completed in early December 2015. The materials, and the opening balance guidance, are available on the CIPFA webpages for the Northern Ireland local government network.

71. The reforms have necessitated structural changes to the Northern Ireland Service Expenditure Analysis which are set out in the in the 2015/16 Service Reporting Code of Practice. The changes are summarised in an Excel file available to network members on the CIPFA website.

72. CIPFA, the Northern Ireland Audit Office and the Technical Accountancy Support Service (TASS) Steering Group have agreed the approach to revaluations of non-current assets in between five yearly revaluation cycles. Councils should refer to guidance that will be issued with the accounts direction for district councils by the Department.

73. Practitioners should refer to the 2015/16 Code of Practice and Code Guidance Notes for information on the application of discount rates to long-term provisions.

FURTHER USEFUL REFERENCES FOR THE PREPARATION OF THE 2015/16 ACCOUNTS

LAAP Bulletin 99 – *Local Authority Reserves and Balances*

74. LAAP Bulletin 99 provides guidance to local authorities in England, Northern Ireland, Scotland and Wales on the establishment and maintenance of local authority reserves and balances.

75. LAAP Bulletin 99 can be found at:

http://www.cipfa.org/policy-and-guidance/laap-bulletins/laap-99

SECTION C – LOOKING FORWARD TO 2016/17

INTRODUCTION

76. This section provides a brief summary of the **accounting issues** that will affect local government accounting during 2016/17.

ACCOUNTING ISSUES AFFECTING LOCAL GOVERNMENT IN 2016/17

HIGHWAYS NETWORK ASSET

77. The 2016/17 Code introduces a new section 4.11 (Highways Network Asset) for the new measurement requirements at depreciated replacement cost for the Highways Network Asset, based on the methodologies in the CIPFA *Code of Practice on Transport Infrastructure Assets*.

78. As discussed above (see paragraphs 19 and 40), CIPFA/LASAAC has also introduced specific transitional reporting requirements relating to the production of preceding year information (ie 2015/16) and has confirmed these reporting requirements in an Update to the 2015/16 Code. This means that the Code does not require a change to the preceding year information for the move to measuring the Highways Network Asset at current value (and under that provision would not require a change to the balance sheet information at 1 April 2015). It also does not require a restatement of the opening 1 April 2016 information but there will need to be an adjustment to those balances. Therefore, the transitional arrangements will apply such that the accounting policies will be on a retrospective basis from 1 April 2016.

79. The Code of Practice on Transport Infrastructure Assets, which will be renamed to become the *Code of Practice on the Highways Network Asset* (the HNA Code), will also be updated along with the associated Guidance Notes. It is important to note that it is **not** intended to change the principles or measurement processes within the HNA Code.

The changes are intended to:

- reflect the CIPFA/LASAAC decisions
- clarify any ambiguities raised in the implementation process
- provide more robust links to the Accounting Code.

80. The update of the HNA Code will also see certain paragraphs emboldened. These will form part of the HNA Code and provide the principles to be applied in order to meet the financial reporting requirements of the Accounting Code. The explanatory statements will be in standard type and will also be regarded as part of the HNA Code insofar as they assist with interpreting the HNA Code. This mirrors the long standing approach in the Prudential Code.

81. The HNA Code will be the subject of consultation during March 2016. Given there are no changes to the principles, the consultation will be short and will close on Wednesday 6 April 2016. The consultation can be found at:

http://www.cipfa.org/policy-and-guidance/consultations/hna-consultation

82. A separate publication providing early guidance on the detailed accounting entries and other accounting guidance to implement and support the new measurement

requirements is currently being finalised and will be available in 2016. This guidance will include application guidance on the new provisions in section 4.11 of the Code including the detailed accounting entries, example accounting policies, an example Highways Network Asset note and transitional reporting requirements including an example of a:

- property, plant and equipment note, and
- Movement in Reserves Statement.

83. A series of Briefings are being produced by CIPFA to support the implementation of the new measurement requirements for the Highways Network Asset. The first briefing focuses on the decisions made by CIPFA/LASAAC and the second covers the HNA Code consultation, the definition of the HNA, reporting requirements for 2015/16 and the Central Assurance Process.

The briefings can be found at:

http://www.cipfa.org/policy-and-guidance/local-authority-highways-network-asset

TELLING THE STORY IMPROVING THE PRESENTATION OF LOCAL AUTHORITY FINANCIAL STATEMENTS

84. The changes introduced to the 2016/17 Code as a result of the Telling the Story consultation will make substantial changes to local authority financial reporting. These changes:

- require local authorities to report on the same basis that they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities budget (and are funded) and the CIES in a way that is accessible to users of the accounts. This Expenditure and Funding Analysis is supported by a streamlined Movement in Reserves Statement and it largely replaces the segmental reporting requirements in the Code.

85. The new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement are included in section 3.4 (Presentation of Financial Statements). Section 3.4 also introduces the new Expenditure and Funding Analysis.

86. In the 2016/17 Comprehensive Income and Expenditure Statement, the comparative year c (2015/16) cost of services, previously reported in accordance with the SeRCOP SEA segmental analysis, will need to be restated in line with the new requirements.

87. Section 3.4 of the Code has also been amended to reflect the December 2014 changes to IAS 1 *Presentation of Financial Statements* under the International Accounting Standards Board (IASB) Disclosure Initiative. The amendments respond to overly prescriptive interpretations of the wording in IAS and are considered helpful in improving the presentation of the local authority financial statements.

ACCOUNTING AND REPORTING BY PENSION FUNDS

88. The 2016/17 Code includes amendments as a result of the review of the Accounting and Reporting by Pension Funds section of the Code. These amendments include:

- update to the format of the Fund Account and the Net Asset Statement to be consistent with the new 2015 Pensions SORP
- the new disclosure requirements for retirement benefit plan investments measured at fair value (NB the 2015/16 Code Guidance Notes, in Module 6 paragraph F27, recommend that 'preparers include in the financial statements of local authority pension funds the disclosures referred to in paragraph 2.10.4.1 of the Code')
- recommendations for a new disclosure on investment management transaction costs
- a new Annex setting out the application of other sections of the Code, and
- other minor drafting improvements.

STATUTORY GUIDANCE ON THE FLEXIBLE USE OF CAPITAL RECEIPTS [ENGLAND]

89. DCLG has recently issued a Direction and Statutory Guidance on the flexible use of capital receipts, providing local authorities with the flexibility to spend receipts from asset sales on the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019. Further details of the requirements can be found in the Statutory Guidance at:

https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts

the Direction can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/507185/direction_LG_Final.pdf

90. The Direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform and can only use capital receipts from the disposals received in the years in which the flexibility is offered (for qualifying projects). The Direction also confirms that local authorities are not permitted to use their existing stock of capital receipts to finance the revenue costs of reform. Authorities must have regard to the Statutory Guidance when applying the Direction.

91. Although the Statutory Guidance confirms that authorities are best placed to decide which projects will be most effective for their areas, it provides a list of the types of project that would qualify for the flexible use of capital receipts. The list is not intended to be prescriptive or exhaustive.

92. The direction requires that authorities should prepare at least one Flexible Use of Capital Receipts Strategy each year, which could be part of the annual budget, the mid-term financial plan, or as part of the Efficiency Plan that local authorities who sign up to four year settlement deals will be required to produce.

93. As a minimum, the Strategy should list each project that plans to make use of the flexibility and detail on a project by project basis the expected savings/service transformation. The Strategy should report the impact on the authority's Prudential Indicators for the forthcoming year and subsequent years.

94. For 2017/18 and 2018/19, the Strategy should contain information about projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.

95. The Strategy should be approved by full council before the start of the year to which it applies. A revised Strategy may be issued at any time, but preferably in accordance with the provisions for revision set in the original Strategy. When setting a revised Strategy, the impact on the Prudential Indicators must be considered and are required to be advised to DCLG.

96. The initial Strategy and any revised Strategies should be made available on the website free of charge.

THE ACCOUNTS AND AUDIT REGULATIONS 2015 [ENGLAND]

97. Amendments to the Accounts and Audit Regulations 2015 for English local authorities are anticipated to be issued – it is expected that DCLG will consult on introducing the following changes, which will be required for the 2016/17 financial year:

- disclosures relating to employee contributions – the Government Actuary's Department (GAD) has requested that local authority pension fund accounts contain a breakdown of benefits paid from the fund, split into those that derive from pre- and post-2014 service (the further split to identify those benefits that derive from the so-called '50/50'[6] scheme), as well as a breakdown of employee contributions to identify those paid in respect of membership of the '50/50' scheme
- amendments to the regulations to require a separate statement of accounts – it is anticipated that local authority pension funds will be required to produce a separate statement of accounts in a combined document with the local authority pension fund annual report, meaning that the pension fund accounts will no longer be reported in the administering authority main financial statements
- amendments to require the disclosure of the remuneration of elected mayors (and their deputies where they are remunerated by the authority) – it is anticipated that authorities will be required to separately disclose the remuneration of directly elected mayors (and their deputies where applicable), and
- amendments to reflect the governance and accountability arrangements of combined authorities.

THE LOCAL AUTHORITY (CAPITAL FINANCE AND ACCOUNTING) (SCOTLAND) REGULATIONS 2016 [SCOTLAND]

98. Scottish local authorities should note that The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (SSI 2016/123) have now been made. This will in future affect:

[6] From April 2014 there is a new option in the LGPS called '50/50' where members can elect to pay 50% of the employee contributions.

- the borrowing of money by the local authority
- the purposes for which borrowing can be incurred
- the statutory charges to the General Fund/HRA for such borrowing, and
- the governance of borrowing by an authority.

99. Practitioners may wish to consider referring to the implementation of the new requirements in the 2015/16 annual accounts, in their Management Commentary, the Annual Governance Statement (corporate control of borrowing) and/or as non-adjusting events after the reporting period.

SECTION D – ISSUES THAT WILL AFFECT FUTURE FINANCIAL REPORTING

100. This section of the Bulletin is intended to make local authority practitioners aware of future events that will affect future financial reporting (including new international financial reporting standards) that might have an impact on their authority's current financial planning.

IFRS 9 – FINANCIAL INSTRUMENTS

101. IFRS 9 *Financial Instruments* has been issued by the IASB with an effective date of 1 January 2018. The Standard is therefore currently anticipated to be adopted in the 2018/19 Code subject to EU adoption of the Standard by the effective date for that Code. Although this might appear a distant prospect, the new Standard could have a financial impact on some local authorities, particularly those that hold or are planning to hold investments that would fall within the available-for-sale class of financial assets.

102. Currently, available-for-sale financial assets are required to be carried in the Balance Sheet at fair value. However, movements in fair value are accrued in a revaluation reserve and posted to the Comprehensive Income and Expenditure Statement only when the investment matures or is sold or if it becomes impaired. This classification of financial assets is not included in IFRS 9, exposing these investments to the risk of an accounting treatment in which fair value gains and losses are posted to the Comprehensive Income and Expenditure Statement as they arise.

103. Opportunities may exist under IFRS 9 to exempt such assets from being carried at fair value (eg if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and meet the other relevant criteria in IFRS 9) or from immediate debit/credit of losses/gains (eg equity instruments in the Surplus or Deficit on the Provision of Services if certain instruments are designated at fair value through other comprehensive income). However, the exemptions/designations in IFRS 9 may not extend to all the instruments in which authorities invest.

104. CIPFA/LASAAC is working with HM Treasury and the other relevant authorities that produce manuals under the oversight of the Financial Reporting Advisory Board (FRAB) to consider the impact of the implementation of this standard. Authorities holding or considering holding available-for-sale assets in their medium term financial plans are recommended to start following the debate so that they can ensure their budgetary assumptions will be in line with any newly required accounting treatments.

105. IFRS 9 will introduce a new, expected-loss impairment model that will require earlier recognition of expected credit losses ie a move from the incurred loss model under the Code's adoption of IAS 39 *Financial Instruments; Recognition and Measurement*.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

106. The IASB published IFRS 15 *Revenue from Contracts with Customers* in May 2014. IFRS 15 is effective from 1 January 2018. It is therefore expected to apply to local authorities from 2018/19 (subject to EU adoption in time for the 2018/19 Code). IFRS 15 seeks to provide a comprehensive standard for revenue recognition to address inconsistent practices. The core principle in IFRS 15 is that entities should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

107. For many contracts, accounting for revenue will remain unchanged. Where there are changes (see below) they may have budgetary implications. Where contracts include a variable consideration, this is measured at either expected value (ie probability-weighted amount) or the most likely amount, depending on which is the best predictor of the amount of consideration to which the entity is entitled.

108. Possible areas where practice may change include:

- sales with incidental obligations (eg equipment sales with maintenance agreements)
- transfers of goods and services where there is no observable evidence of the stand-alone price of each of the goods and services
- licenses of intellectual property
- situations where there is uncertainty about whether revenue should be recognised at a point in time or over time (eg development of a service provided over time or goods transferred on completion)
- estimates where consideration is variable, and
- situations where customers pay in advance or arrears and financing of the contract needs to be considered.

109. IFRS 15 will also introduce substantial new disclosure requirements for material transactions.

IFRS 16 LEASES

110. The IASB issued IFRS 16 *Leases* in January 2016. The standard has an effective date of 1 January 2019 which means that, subject to CIPFA/LASAAC's considerations of the applicability to local authorities (and EU adoption), it will be adopted in the Code in the 2019/20 financial year.

111. The standard establishes a new accounting model for lessees in which all leases for substantial assets for more than 12 months will be accounted for by recognising a 'right to use' asset on the Balance Sheet, together with a liability for the present value of the unavoidable lease payments. In overall terms, this means that leases currently accounted for as operating leases would be treated similarly to finance leases (but recognising only a proportion of the asset's overall value).

112. When the Code adopts the new standard, it is likely that lessees will need to invest time in converting operating leases to the new accounting basis. More importantly from a financial management perspective, the asset recognition requirements are

likely to bring all new qualifying leases within the scope of the prudential framework as capital expenditure.

113. However, any authorities proposing to become lessees of property in the medium term are recommended to familiarise themselves with this new leasing standard.

TIMETABLE FOR CLOSURE OF ACCOUNTS

114. Local authorities in England are reminded that the Accounts and Audit Regulations 2015 bring forward the timetable for the closure of the accounts in respect of the 2017/18 year.

115. Therefore, local authorities will be required to publish their audited statement of accounts by the end of July 2018 (including on the authority's website). Prior to that, as the period for the exercise of public rights must include the first 10 working days of June, the authority must publish the unaudited statement of accounts by the end of May 2018.

THE ITEM 8 CREDIT AND ITEM 8 DEBIT (GENERAL) DETERMINATION FROM 1 APRIL 2012 FOR ENGLISH AUTHORITIES

116. The transitional arrangements for the treatment of depreciation of housing dwellings in the Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012 (Item 8 Determination) will cease at the end of 2016/17. However, it is understood that the Item 8 Determination will be subject to amendment and the transitional arrangements extended for impairment of HRA dwellings. The treatment of impairment and revaluation losses for non-dwellings is anticipated to be amended to follow the same requirements as dwellings. This treatment will not be applied retrospectively. It is anticipated that the Department for Communities and Local Government will shortly consult on the changes.

THE HOUSING AND PLANNING BILL 2015/16

117. The Housing and Planning Bill contains a number of housing reforms, including a requirement for local housing authorities to pay the Secretary of State a sum in line with the anticipated receipt from the sale of high value council housing. Councils will be able to retain some of the sale funds to support new house building locally to increase the overall housing numbers in their area. The legislation allows for the payment to be calculated using a formula, providing local authorities with flexibility to choose to retain an individual high value property, while making the payment from other sources.

118. Local authorities may wish to discuss the impact of this in their Narrative Report.

CITIES AND LOCAL GOVERNMENT DEVOLUTION ACT 2016

119. The Cities and Local Government Devolution Act 2016 is intended to support delivery of the government's policy to "devolve powers and budgets to boost local growth in England".

120. The Act allows for the implementation of devolution agreements with combined authority areas and with other areas. It is enabling legislation which will enable any public authority function relating to an area to be conferred on a county council or district council, or confer any local government function on a combined authority. It is understood that the combined authorities are likely to be constituted as a local authority. Local authorities that are accounting for formal combinations of public

sector bodies will need to consider the provisions of section 2.5 of the Code (Local Government Reorganisations and Other Combinations).

SECTION E – WGA RETURNS

WGA RETURNS FOR 2015/16 [ENGLAND ONLY]

121. The following information in relation to the preparation of the WGA returns for authorities in England has been provided to the Local Authority Accounting Panel by HM Treasury, for information. The final paragraph is provided by DCLG in relation to the Data Collection Tool guidance.

122. Blank Data Collection Tool (DCT) pro-formas for English local government for 2015/16 will be* uploaded onto the website at:

https://www.gov.uk/government/publications/whole-of-government-accounts-2015-to-2016-guidance-for-preparers

[**NB** *at the time this bulletin was published, the above link was not yet in place*]

123. Please note that this is not the actual DCT that you will be required to submit. Instead these are unlocked, macro-free blank templates highlighting any revisions to data capture requirements. Practitioners will be able to begin work using these templates. Unlike the final DCT, there are no protections on these worksheets. This will give you greater freedom to incorporate the DCT (or sections of it) into accounts closure working papers.

124. Authorities will still have to submit a complete DCT that has been through the locking process. This, along with comprehensive guidance and the other necessary forms, will be uploaded in due course.

125. A local government WGA user group has recently been set up. Practitioners wishing to be involved with this should contact wga.team@hmtreasury.gsi.gov.uk. There are also opportunities to work at HM Treasury on the 2015/16 WGA production on a short term loan basis in October through to December 2016. For more details or to send an expression of interest, please email the WGA team.

126. DCLG has updated the DCT guidance for 2015/16, which will be available from the same page as the DCT packs in due course. The guidance includes flow diagrams on how to complete both the unaudited and audited stages of the WGA process.

127. HM Treasury will ensure that training is available for officers involved in the WGA process. Information can be obtained through HM Treasury in respect of the arrangements for your area at:

http://goo.gl/ssGqz4

128. The WGA key dates for 2015/16 are:

Dates	Deadline for submitting
31 March	Details of WGA contacts to be provided to HM Treasury
1 April	Start process of agreeing transaction streams and balances with other central government WGA bodies

29 April	Final alterations to the minor bodies list for 2015/16, after which no further alterations will be accepted
3 June	Complete agreement of transactions and balances with other central government WGA bodies
3 June	CG-02 "Notification of Completion of the WGA Agreement Process" form by central government bodies and CG-02 Annex 'Departments balances with local authorities'
30 June	CG-03 "Confirmation of Minor Body Status" form by anybody that believes it should be treated as minor for 2016/17
1 July	Upload the unaudited WGA Data Collection Tool into OSCAR – by all central government (CYLCLE 1)
8 July	Submit to LG contact the unaudited WGA Data Collection Tool – by all local government (LG) bodies (CYCLE 1)
5 August	Upload the unaudited WGA sub-consolidations of central government departments and devolved administrations into OSCAR
5 August	Upload the audited WGA Data Collection Tool into OSCAR – by central government WGA bodies (CYCLE 2)
12 August	Submission of CG-05 "Confirmation of Audit Completion" by all central government
26 August	Upload the audited WGA sub-consolidations of central government departments and devolved administrations into OSCAR (CYCLE 2)
30 September	Submit to LG contact the audited WGA Data Collection Tool – by local government WGA bodies (CYCLE 2)
3 October	OSCAR WGA module ("Controller") will be closed for central government
10 October	OSCAR WGA module ("Controller") will be closed for all DCT uploads

*note that local government WGA bodies in Northern Ireland and Scotland may have different deadlines, as agreed with the relevant devolved administrations

WGA RETURNS FOR 2015/16 [WALES ONLY]

129. The following information in relation to the preparation of the WGA returns for authorities in Wales has been provided to the Local Authority Accounting Panel by the Welsh Government.

130. Blank Data Collection Tool (DCT) pro-formas for Welsh local government bodies for 2015/16 will be uploaded onto the website at:

http://gov.wales/topics/localgovernment/finandfunding/whole-government-accounts/?lang=en

131. The guidance for completion of the DCT will be available from the HM Treasury website, there is no separate guidance for Welsh bodies, a link is provided from the Welsh Government page.

132. Welsh Government will update the guidance to outline the process for agreeing transactions and balances to assist the 2015-16 WGA exercise, which will be available from the same page as the DCT packs in due course.

133. The Wales Local Government WGA sub group has recently met to agree the approach and arrangements for 2015-16 in Wales. The group agreed to apply the £350m audit threshold to all bodies in Wales from 2015-16. Only bodies which exceed this will be subject to an audit of their cycle 1 submission. Local auditors will review the 2015-16 accounts to determine whether the threshold has been exceeded.

134. Local Government bodies not subject to an audit of their cycle 1 submission will still be required to submit a cycle 2 return to include any material audit adjustments to ensure key data requirements reflect their audited statutory account.

135. Deadlines for submitting the DCT have been agreed as follows;

- Cycle 1 – 8 July 2016
- Cycle 2 – 30 September 2016

136. Training is available for officers involved in the WGA process. Information can be obtained by emailing LGF-WGA@Wales.gsi.gov.uk.