ED 1 – Amendments to IAS 7 Statements of Cash Flows (Disclosure Initiative)

CHAPTER THREE
Financial statements

3.4 PRESENTATION OF FINANCIAL STATEMENTS

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Cash Flow Statement

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Cash Flow Statement disclosures

3.4.2.81 An authority (and the Group Accounts) shall:

1) disclose the components of cash and cash equivalents in the Cash Flow Statement or in the notes.

2) provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (see paragraphs 44B to 44E of IAS 7 for guidance on this disclosure).

3.4.6 Changes since the ~~2016~~2017/~~17~~ 18 Code

3.4.6.1 The ~~2017/18~~2018/19 Code includes amendments to the ~~Code's provisions~~section on the presentation of financial statements to ~~clarify~~ reflect the disclosure requirements under IAS 7 *Statement of Cash Flows* (Disclosure Initiative).

~~the reporting requirements for significant accounting policies.~~

~~3.4.6.2 The 2017/18 Code includes clarifications of the application of going concern basis of accounting to local authorities and other bodies that apply the provisions of the Code.~~

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CHAPTER NINE
Group accounts

9.1 GROUP ACCOUNTS

Adaptation, interpretation and application for the public sector context

9.1.1.3 The following adaptation of IFRS 10 and of IAS 28 for the public sector context applies:

- Where an authority has investments in associates and/or interests in joint ventures but no interests in subsidiaries, Group Accounts that include these interests in associates and joint ventures shall still be prepared (see paragraphs 9.1.2.42 and 9.1.4.43).

9.1.1.4 The following interpretation of IAS 27 for the public sector context applies:

- Where an authority has investments in subsidiaries, associates or interests in joint ventures the option to equity account in the separate financial statements (known as single entity financial statements in the Code) is withdrawn.

9.1.1.5 The following adaptation of IFRS 3 for the public sector context applies:

- Combinations of public sector bodies (ie local government reorganisation and other transfers of function from one public sector body to another) are deemed to be combinations of businesses under common control and as such are excluded from the scope of this section of the Code. For the accounting treatment of combinations of public sector bodies see section 2.5 of the Code.

9.1.1.6 Local authority pension funds shall not be considered for consolidation in Group Accounts (see section 6.4 of the Code). Authorities in Scotland should consider the consolidation of Common Goods Fund within Group Accounts.

9.1.1.7 Authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered not material.

9.1.1.8 Where Group Accounts are required, authorities shall produce the financial statements as set out in section 3.4 of the Code and the disclosures, as required by paragraphs 9.1.4.1 to 9.1.4.31.

9.1.1.9 The accounting for business combinations (ie subsidiaries and associates) covered by this section of the Code does not apply to the formation of a joint venture, the acquisition of an asset or a group of assets that does not constitute a business[1] and a combination of entities or businesses under common control (ie the combination of two or more public sector bodies into one new body, or the transfer of functions from the responsibility of one part of the public sector to another). Merger accounting should be applied where the entity in which the interest has been acquired was 100% in public sector ownership both before and after acquisition by the local authority.

9.1.1.10 The disclosure requirements of paragraphs 9.1.4.1 to 9.1.4.31 of this chapter shall be applied by a reporting authority, as appropriate, that has an interest in any of the following:

a) subsidiaries

b) joint arrangements (ie joint operations or joint ventures)

c) associates

d) unconsolidated structured entities.

9.1.1.11 Except as described in paragraph B17 of IFRS 12, the disclosure requirements in this Section of the Code apply to an authority's interests listed in paragraph 9.1.1.10 that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with section 4.9 of the Code and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

9.1.1.~~11~~12 The disclosure requirements of paragraphs 9.1.4.1 to 9.1.4.31 of this chapter do not include the following:

a) Post-employment benefit plans or other long-term employee benefit plans to which IAS 19 *Employee Benefits* applies.

b) An authority's single entity financial statements. However, if a reporting authority has interests in unconsolidated structured entities and prepares single entity financial statements as its only financial statements, it shall apply the requirements in paragraphs 9.1.4.24 to 9.1.4.~~31~~ 32 of this chapter when preparing those single entity financial statements.

c) An interest held by a reporting authority that participates in, but does not have joint control of, a joint arrangement unless that interest results in significant influence over the arrangement or is an interest in a structured entity.

d) An interest in another entity that is accounted for in accordance with chapter seven. However, a reporting authority shall apply the disclosures in paragraphs 9.1.4.1 to 9.1.4.~~31~~ 32 of this chapter:

1 An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic or service benefits directly to investors or other owners, members or participants.

i) when that interest is an interest in an associate or a joint venture that, in accordance with IAS 28 *Investments in Associates and Joint Ventures*, is measured at fair value through profit or loss, or

ii) when that interest is an interest in an unconsolidated structured entity.

9.1.4 Disclosure Requirements

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9.1.4.31 A reporting authority shall disclose any current intentions to provide financial or other support to an unconsolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

Transition for Scope Disclosure Amendments

9.1.4.31 An authority shall apply the scope disclosure amendments introduced to the Code by paragraph 9.1.1.11 and by the amended paragraph B17 of IFRS 12 (in accordance with *Annual Improvements to IFRS Standards 2014-2016 Cycle*) retrospectively in accordance with section 3.3 of and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* from 1 April 2018.

Business combinations

9.1.4.32 An acquirer (ie reporting authority) shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that were effected:

a) during the period

b) after the Balance Sheet date but before the financial statements are authorised for issue (see section 3.8 of the Code).

To meet the disclosure requirements in 9.1.4.32 above, the acquirer shall refer to paragraphs B64 to B66 of IFRS 3.

9.1.4.33 An acquirer (ie reporting authority) shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current period that relate to business combinations that occurred in the period or in previous reporting periods.

To meet the disclosure requirements in 9.1.4.33 above, the acquirer shall refer to paragraph B67 of IFRS 3.

9.1.6 Changes since the ~~2016~~2017/~~17~~18Code

9.1.6.1 ~~Th~~ The Group Accounts Chapter of the Code has been amended to include the scope clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ~~ere have been no changes to the Group Accounts chapter of the Code since the 2016/17 Code~~introduced by the *Annual Improvements to IFRSs 2014 to 2016 Cycle*.

CHAPTER FOUR
Non-current assets

4.1 PROPERTY, PLANT AND EQUIPMENT

4.1.3 Statutory Accounting Requirements

Housing Revenue Account – depreciation

4.1.3.3 The Housing Revenue Account Income and Expenditure Statement shall be charged with depreciation.

4.1.3.4 On a revalued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.

4.1.3.5 **England:** Depreciation is not a proper charge to the General Fund. However, for HRA non-dwellings, depreciation charged to the Surplus or Deficit on the Provision of Services in the Housing Revenue Account in England shall be charged in accordance with the requirements of *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April ~~2012~~2017*.

4.1.3.6 To ensure compliance with the Accounts and Audit Regulations and *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012*[1] requirements for the Major Repairs Reserve, depreciation for HRA dwellings charged to the Housing Revenue Account is subject to statutory provisions designed to specify the impact on the HRA (see part 2 of Appendix B for the legislative basis). The following entries are required or permitted in respect of the Major Repairs Reserve:

- The Major Repairs Reserve shall be credited, and Housing Revenue Account balances debited, with an amount equal to the depreciation charged to the HRA in accordance with this Code. This transfer is required to meet the requirements of the Accounts and Audit Regulations 2015 (Regulation 7(5)(a)). In order to neutralise the impact on the HRA of this entry, a corresponding transfer is also required where Housing Revenue Account balances are

1 Note that at the time of drafting the 2017/18 Code *The Item 8 Credit and Item 8 Debit (General) Determination from April 2017* had not been issued so the statutory provisions in this paragraph may be subject to change.

credited and the Capital Adjustment Account is debited. Both these transfers shall be reported in the Movement in Reserves Statement.

- ~~Where depreciation charges for HRA dwellings are greater than the notional Major Repairs Allowance (MRA), an amount equal to the difference is permitted to be transferred to the Housing Revenue Account from the Major Repairs Reserve and reported in the Movement in Reserves Statement. (Note that this transfer is permitted on a transitional basis as specified by *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012*.)~~
- Where relevant, the HRA shall be debited with an amount equal to that which has been credited to the HRA for decent homes backlog funding and a corresponding credit to the Major Repairs Reserve in accordance with the requirements of *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April ~~2012~~2017*.
- Where an authority funds capital expenditure on dwellings from the Major Repairs Reserve, this shall be accounted for by debiting the Major Repairs Reserve and crediting the Capital Adjustment Account, this transfer to be reported in the Movement in Reserves Statement.
- Where repayments of principal of any amounts borrowed, or repayments to meet any liability in respect of credit arrangements (other than any liability which, in accordance with proper practices, must be charged to a revenue account), are to be funded from the Major Repairs Reserve, this shall be accounted for by debiting the Major Repairs Reserve and crediting the Capital Adjustment Account, this transfer to be reported in the Movement in Reserves Statement.
- An authority is permitted by *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April ~~2012~~ 2017* to make an additional voluntary credit transfer to the Major Repairs Reserve for an amount "*in excess of any charge for depreciation to its Major Repairs Reserve*".

4.1.6 Changes since the 201~~6~~7/1~~7~~8 Code

4.1.6.1 The~~re have been no changes to the~~ Property, Plant and Equipment section of the Code ~~since the 2016/17 Code~~has been updated to reflect changes as a result of *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017*.