

Financial Reporting Advisory Board Paper

Code of Practice on Local Authority Accounting

Issue:	To consider the Exposure Draft of <i>the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2014/15</i>
Impact on guidance:	<p>Changes to the text of the 2014/15 Code are proposed in relation to:</p> <ul style="list-style-type: none"> (a) Group Accounts Standards issued in 2011 (b) IAS 32 <i>Financial Instruments: Presentation</i> – Offsetting Financial Assets and Financial Liabilities (c) <i>Annual Improvements to IFRS 2009 – 2011 Cycle</i> (d) Local Government Reorganisations and Other Combinations – clarification of the Code’s requirements and alignment with other public sector bodies (e) Other minor and drafting amendments. <p>A separate joint paper FRAB 119 (02) on the approach to the adoption of IFRS 13 <i>Fair Value Measurement</i> by HM Treasury and CIPFA is included on the agenda.</p>
IAS/IFRS adaptation?	No new adaptations are required for (a) and (d). No adaptations are required for (b), (c) and (e).
Impact on WGA?	Amendments to the Code in respect of (a) to (e) are expected to be consistent with WGA requirements.
IPSAS compliant?	Amendments in respect of (a) to (d) have yet to be reflected in IPSAS. The Exposure Draft of the second phase of the IPSASB Conceptual Framework includes consideration of measurement approaches consistent with both IFRS 13 (ie measures of financial capacity) and the proposed approach to measurement outlined in FRAB 119 (02). IPSASB are consulting on amendments to IPSAS 6 to 8 which are the IPSASB amendments to reflect the new Group Accounts standards, the amendments in (a) are consistent with the approach in the EDs. The treatment of gains and losses on transfers of functions has not changed in the Code in respect of (d) and is consistent with one of the options in the IPSASB exposure draft <i>Public Sector Combinations</i> . Amendments in respect of (e) are compliant with IPSAS.
Impact on budgetary regime?	None – local authorities only.

Alignment with National Accounts	The current position regarding alignment with National Accounts is not expected to change.
Impact on Estimates?	None – local authorities only.
Recommendation:	The Board is requested: (1) to approve the amendments to the 2014/15 Code for the local authority context arising from the proposals set out in this paper (including the Annex to the Code setting out the differences from the FReM) and the changes made since the 2013/14 Code (2) to agree to consider any further amendments to the Code in an out of meeting paper following the decisions on the approach to the adoption of IFRS 13.
Timing:	2014/15

DETAIL

Background

1. The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) issued the consultation on the Code on 30 July 2013. The consultation period closed on 11 October 2013. Fifty-three responses were provided to the consultation. This has increased by 10 responses from last year's consultation and represents a growing trend. A list of the respondents to the consultation is included at Annex A.

2. The Exposure Drafts of the 2014/15 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) were considered by the FRAB in an out of paper meeting sent to the Board on 21 June 2013.

3. This report sets out briefly the substantive revisions made to the Exposure Draft considered by the FRAB following the consultation process, highlighting areas where the Code takes a different approach from the FReM following the decisions CIPFA/LASAAC took at its meeting on 12 November 2013. Minor amendments are listed at Annex B. The updated drafts of the 2014/15 Code are attached to this report as Annex C for the Board's approval. At the time of drafting this report the draft of the new Appendix D and some minor amendments are currently being considered by CIPFA/LASAAC for approval. Final amendments to the 2014/15 Code for the application of IFRS 13 will need to be considered by CIPFA/LASAAC in January. The CIPFA/LASAAC Secretariat will update the Board on any further changes that might be requested by CIPFA/LASAAC at the meeting.

4. The Annex to the Code which sets out the differences between the Code and the FReM is included at Annex D to this report. There have been no additions to this list that have arisen as a result of the amendments to the Code but the list has been updated as a result of the amendments to the Code. However, the CIPFA Secretariat considers it is useful to highlight the

differences from the FReM to the Code in relation to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for accounts preparers.

5. This report also sets out the process for considering amendments to the Code as a result of the work on accounting for schools and the separate CIPFA/LASAAC consultation on *Simplifying and Streamlining the Presentation of Local Authority Financial Statements*.

Changes since the 2013/14 Code – specific issues included in the Exposure Draft

IFRS 13 Fair Value Measurement

6. FRAB Members will be aware that the adoption of the amendments to IFRS 13 *Fair Value Measurement* was deferred to the 2014/15 Code. CIPFA and HM Treasury Secretariats worked with the small FRAB working group to produce a joint approach to the consultation on the application of IFRS 13. This included three routes to application of IFRS 13 for property, plant and equipment:

- Route 1 – measurement at highest and best use (per IFRS 13).
- Route 2 – measurement to reflect restrictions and constraints in selling the assets (per the appropriate provisions on IFRS 13).
- Route 3 – measurement limited to current value where the principle of highest and best use does not fully capture the service and geographical constraints faced by public sector entities (local authorities) (this required an adaptation of IFRS 13).

7. There was significant overall support for the approach to the adaptation, though there were some views that did not support the adaptation. Concerns were raised by audit bodies and professional firms that audit local authority financial statements who were concerned with the use of a “directors’ valuation” where local authorities may need to remeasure their assets. A number of application issues were also raised. However, following FRAB’s deliberations at their October meeting the CIPFA Secretariat has worked with HM Treasury to reconsider the conceptual approach to measurement and this paper is presented at FRAB 119 (02). The overall approach in FRAB 119 (02) has been considered by CIPFA/LASAAC at its November meeting, who agreed in principle but CIPFA/LASAAC was clear that this was subject to the views of FRAB. A further report on the final amendments to the 2014/15 Code is likely to be required in an out of meeting paper once the way forward on IFRS 13 has been agreed.

(a) Group Accounts Standards

8. CIPFA/LASAAC has included the following Group Accounts standards in its proposals for the Exposure Draft of the 2014/15 Code:

- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosure of Interests in Other Entities*;
- IAS 27 *Separate Financial Statements* (as amended in 2011); and
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011).

9. CIPFA/LASAAC has not proposed any new adaptations in the Draft of the 2014/15 Code for the Group Accounts standards. There have been a small number of minor additions to the draft of the Code following the consultations process. These all reflect application of the Standards for local government circumstances or the inclusion of additional text in accordance with the standards:

- the addition of the definition of decision maker (paragraph 9.1.2.3),
- further exemplification of the requirement to determine the relevant activities of the entity (see paragraph 9.1.2.32 and 9.1.2.33),
- clarification of the transition provisions as they apply to local authorities (paragraph 9.1.2.68), and
- removal of a disclosure which will not apply to local authorities (9.1.4.21 b)).

10. The consultation papers sought views of interested parties on whether the disclosures for unconsolidated structured entities under IFRS 12 might lead to an overburdening of local authority financial statements this but the consultation process did not provide any clear rationale for making any adaptations on this issue.

(b) IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities and (c) Annual Improvements to IFRS 2009 – 2011 Cycle

11. The draft of the Code adopts the amendments in *IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities and Annual Improvements to IFRS 2009 – 2011 Cycle* without any adaptations.

(d) Local Government Reorganisations and Other Combinations – clarification of the Code's requirements and alignment with other public sector bodies

12. As reported previously the Draft of the 2014/15 Code contains a new definition for a transfer of a function and confirmation of the accounting arrangements for transfer by absorption (as the Code already included similar provisions). The potential for merger accounting is also recognised where legal transfers have taken place but the substance of the new arrangements is as if the combined entity has always existed. A small number of respondents suggested that the Code should include criteria to identify the circumstances where a local authority would account for the combination as a transfer by absorption or by merger accounting. CIPFA/LASAAC did not add any criteria as it considers that the appropriate treatment will be apparent in the orders for such transfers. If relevant, application guidance may be issued at that point in time.

13. The Code has not changed the approach to its provisions for recognition of gains or losses on transfer, where it requires that transfers are achieved by means of adjusting the opening balance sheet and not recognising transfers in the Surplus or Deficit on Provision of Services. This differs from the approach in the FReM which requires that the net asset/liability carrying value should be recorded as a non-operating gain/loss from the transfer of function. A small number of respondents considered that the CIPFA/LASAAC approach should align with the FReM. CIPFA/LASAAC debated the issue in detail but agreed not to change the provisions of the Code in this area.

(e) Minor and Drafting Amendments

14. These amendments are minor or drafting improvements and do not require any adaptations of accounting standards. The minor amendments are listed in Annex B to this report.

Adoption of the CIPFA Code of Practice on Transport Infrastructure Assets

15. The consultation process sought the views of interested parties on the adoption of depreciated replacement cost measurement (DRC) for transport infrastructure assets in accordance with the requirements of the *CIPFA Code of Practice on Transport Infrastructure Assets* for 2015/16. The consultation responses were supportive of a phased move to the new measurement requirements but, as with previous consultations, expressed some concerns over practical implementation including the quality of underlying data. A number of the key stakeholders (including the Department for Transport) were not supportive of the additional phasing of the requirements ie by applying them to carriageways before the other asset groups and argued for the adoption of the measurement requirements for all transport infrastructure assets in the same year.

16. CIPFA/LASAAC considered that evidence from the consultation responses indicated that there was a significant risk that a percentage of local authorities would not be able to comply with the reporting requirements by 2015/16 whilst recognising that data quality may not improve until DRC is adopted by the Code. Taking this into account, CIPFA/LASAAC decided that it would move to formally adopt the measurement requirements in 2016/17 and that it would confirm this position in a new Appendix (Appendix D) to the 2014/15 Code. Adoption in 2016/17 would provide audited data for 2015/16 as full comparative data would be required. This Appendix will also stipulate the information requirements for the move in the years prior to full adoption. This Appendix is included in the amendments to the Code in Annex B to this report. At the time of drafting this report this Appendix D is still being considered for approval by CIPFA/LASAAC.

17. FRAB is aware that the *CIPFA Code of Practice on Transport Infrastructure Assets* was also subject to consultation and updated this year. This has been approved by CIPFA and will be issued imminently. CIPFA/LASAAC is considering the process requirements to the move to full implementation and will need to co-ordinate with the work of the Project Implementation Steering Group (the group responsible for the development of the *Code of Practice on Transport Infrastructure Assets*) and implementation of the virtuous circle¹ outputs, including in particular the increased use of data for policy purposes.

Accounting for Schools

18. The consultation papers included CIPFA/LASAAC's intention to consult in the Autumn on schools. The final report of the joint HM Treasury and CIPFA/LASAAC Working Group is yet to be fully agreed although significant progress was made at the last meeting of the Working Group. The technical accounting issues are outlined elsewhere on the agenda. It is anticipated that the final report setting out the significant technical issues will be agreed by the Working Group early in the New Year. As this largely relies on the application of the accounting requirements of the Code any consultation papers will need to be formally issued and agreed by CIPFA/LASAAC at its next full meeting on 20 February 2014.

19. The Working Group is also of the view that the consultation paper should be considered by as wide a range of stakeholders as possible including the relevant representatives of the religious groups, individual schools and schools' representative groups. In order to allow for proper consultation with all interested parties, the CIPFA Secretariat will recommend to CIPFA/LASAAC that the consultation process be extended from the minimum timetable required by the

¹ The virtuous circle approach or paper was reported to FRAB in FRAB 117 (08) - the 'virtuous circle', which proposes a coordinated approach to the adoption of the *CIPFA Code of Practice on Transport Infrastructure Assets* in the (Accounting) Code, as well as for Government policy/funding and management purposes.

CIPFA/LASAAC terms of reference (ie eight weeks) and that this consultation period be for a period of at least three months.

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

20. On the approval of the Code last year it was acknowledged that the reporting requirements for the allowances in the scheme should be kept under review. The Code currently requires that the allowances are treated as current intangible assets or as inventory in the unlikely event that local authorities trade with the allowances. Investigations on phase 2 of the scheme do indicate that there is a possibility that the allowances could be held for longer than 12 months and therefore may meet the definition of a non-current asset. The CIPFA Secretariat and HM Treasury are however, still investigating the issue and anticipate resolving the issue for the 2014/15 Code as a part of the out of meeting report to FRAB in the New Year.

Simplifying and Streamlining the Presentation of Local Authority Financial Statements

21. In a parallel consultation to that of the HM Treasury project, CIPFA/LASAAC issued a consultation *Simplifying and Streamlining the Presentation of Local Authority Financial Statements*. The CIPFA/LASAAC consultation recognised that despite the successful implementation of IFRS local authority financial statements have suffered similar problems in relation to their complexity and length as those encountered in the private sector and elsewhere in the public sector. The consultation opened in July 2013 and closed in October 2013. CIPFA/LASAAC had 52 respondents to this consultation (this included a number of the same respondents to the main consultation on the Code). There were three main themes to the consultation responses.

- The length and complexity of local authority financial statements – most of the respondents to the consultation agreed with the comments in the consultation papers that the financial statements were too long and considered that they were overly complex for their users. However, the responses identified a need for further deliberation about who the users and potential users of financial statements are (the Code sets out that there are a wide range of users of local authority financial statements) and the resultant difficulties that result on decisions of materiality. Positively, a number of respondents highlighted that they had been able to reduce the length of their financial statements.
- Demonstration of local authority performance – a significant number of respondents were concerned that the performance statements do not clearly present the key financial performance measure that local authorities measure and monitor themselves against ie the General Fund and Housing Revenue Account surplus or deficit. This is a measure of what is charged against (council) taxation or rents in accordance with statutory reporting requirements but is not a measure of performance that arises as a result of the application of accounting standards.
- The impact of the CIPFA *Service Reporting Code of Practice* (which specifies the financial reporting requirements for the costs of services and is also used to report service cost in government statistical returns) and the segmental reporting note, both these reporting requirements were considered to add to the reporting burden and the complexity of the financial statements.

22. CIPFA/LASAAC has undertaken an initial review of the responses and has requested that the CIPFA Secretariat provides a further report setting out options for their future actions, this would include communications reinforcing the tools already available to accounts preparers under the Code and IFRS. These actions will also need to consider the outcomes of the HM Treasury

Simplifying and Streamlining Annual Report and Accounts project where they can be applied to local authority circumstances and the need to take into account the wider developments of the standard setters.

Impact on disclosures in the financial statements

23. There are increased disclosure requirements under IFRS 13 and IFRS 12 and clarifications of the requirements for comparative information under IAS 1 *Presentation of Financial Statements* under the *Annual Improvements to IFRS 2009 – 2012 Cycle*. There are no new disclosure requirements under the amendments to IAS 32. The amendments in relation to local government reorganisations and other combinations include clarification of the disclosure requirements for transfers of functions but these are considered to be consistent with the FReM requirements. There are no new disclosure requirements under (e).

IAS/IFRS compliance

24. Adaptations are not required in respect of the amendments to the Code considered in this report. Adaptations may be retained under the consideration of the measurement requirements for property, plant and equipment.

Impact on WGA

25. Whilst changes to the Code are expected for IFRS 13 (subject to the separate joint paper on the adoption of the standard), the Group Accounts standards, IAS 32 and the Annual Improvements to IFRS 2009 – 2011 Cycle, it is expected that these changes will also be reflected in the FReM. As such, no impact on WGA is expected in respect of these standards.

26. The changes in relation to Local Government Reorganisations and Other Combinations – clarification of the Code's requirements and alignment with other public sector bodies – are largely consistent with the FReM and have been drafted to ensure this. This is with the exception of the gains or losses on transfer of a function where CIPFA/LASAAC does not propose to change its current approach. It is likely that alignment will be able to be accommodated by means of consolidation adjustments.

27. The proposed phased approach for the adoption of depreciated replacement cost for highway infrastructure assets in the Accounting Code should on full adoption lead to the removal of the qualification relating to this issue in WGA.

IPSAS compliance

28. The Memorandum of Understanding requires relevant authorities to consider whether an adaptation of EU adopted IFRS is required where different or additional guidance is contained in an IPSAS. The following paragraphs are intended to demonstrate that due consideration has been given to this requirement.

29. The Code amendments include a number of updated standards (the Group Accounts standards, IAS 32 and the Annual Improvements to IFRS 2009 – 2011 Cycle) where the updates have yet to be reflected in IPSAS, there is a current project on the update of IPSAS 6 - 8 relating to the Group Accounts standards, the amendments to the Code are consistent with the approach in the IPSAS. Consequently the Code will not be fully IPSAS compliant in these areas until the relevant IPSASs are updated in line with the IPSASB 'rules of the road'.

30. Amendments in respect of accounting for transport infrastructure assets are compliant with IPSAS with the exception that on full adoption of the measurement requirements at DRC the option in IAS 16 to measure at historical cost will be removed.

Proposed text for the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

31. The detailed proposals included in the Exposure Draft and consultation are attached in the Annexes to this report.

Impact on the budgetary regime

32. The proposals relate to the Code of Practice on Local Authority Accounting in the United Kingdom and therefore do not impact on the budgetary regime.

Summary and recommendation

33. This report sets out details of a proposed amendments to the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom.

34. The Board is requested:

- 1) To approve the amendments to the 2014/15 Code for the local authority context arising from the proposals set out in this paper (including the Annex to the Code setting out the differences from the FReM) and the changes made since the 2013/14 Code
- 2) To agree to consider any further amendments to the Code in an out of meeting paper following the decisions on the approach to the adoption of IFRS 13.

List of Respondents

Argyll and Bute Council	Barrow Borough Council	Calderdale Metropolitan Borough Council
Conwy Borough Council	Daventry District Council	Devon County Council
Ealing Council	East Dunbartonshire Council	East Riding of Yorkshire Council
Guildford Borough Council	Hampshire County Council	Hertfordshire County Council Draft Response
Inverclyde Council	Kent County Council	Lancashire County Council
Leeds City Council	Leicestershire County Council	London Borough of Barnet
London Borough of Bexley	London Borough of Camden	London Borough of Hackney
London Borough of Hounslow	Metropolitan Police Service	North Ayrshire Council
Oxford City Council	Oxfordshire County Council	Sheffield City Council
Somerset County Council	South Lanarkshire Council	Stockport Metropolitan Borough Council
Sunderland City Council	Surrey County Council	Torfaen County Borough Council
Wakefield MDC	Warrington Borough Council	Department for Transport
Audit Commission	Audit Scotland	BDO LLP
Deloitte	Ernst and Young	Grant Thornton UK LLP
KPMG	Mazars	National Audit Office
pwc	Wales Audit Office	Highway Asset Management Financial Information Group
Atkins	Strathclyde Partnership for Transport	Arlingclose Limited
Passenger Transport Executives in England	Confidential Respondent	

Minor Amendments to the 2014/15 Code

	Amendment Description	Paragraph References
1	Inclusion of statutory reporting requirements in the complete set of financial statements.	3.4.2.17 h)
2	Pension Fund Financial Statements in Scotland – clarification on the requirements of the statement on the system of internal financial control.	New paragraph 6.5.5.2
3	Amendments relating to the Capital Finance and Accounting Regulations	Paragraph 7.2.3.7 and Appendix B
4	True and Fair View – harmonisation of the descriptions of these references.	Paragraphs 1.1.1, 1.1.5, 1.3.2 1.4.1 and 2.1.2.9
5	Editorial changes – introductory paragraph on concepts and principles no change in substance	2.1.1.1, 2.1.2.2 and 2.1.1.3
6	Minor clarification on the approach to adaptations in the Code.	1.1.7
7	Minor clarification on statement of accounts.	1.6.4
8	Clarification on differences to the two references to remeasurements under IAS 19 <i>Employee Benefits</i> in the Comprehensive Income and Expenditure Statement.	3.4.2.44
9	Clarification that line j) now only applies to Scotland and Wales following the changes to business rates in England.	3.4.2.65
10	Reference to PFI should be service concession arrangements.	3.4.2.69
11	Sub heading inserted in the Collection Fund for movements on the Fund.	3.6.3.1
12	Amendment UKPS should now be UKVS.	4.1.2.9
13	Deleted text not fully meeting the definition of termination benefits.	6.3.1.1
14	Adaptation now also referring to the four year valuation for Police and Firefighters.	6.4.1.9 and 6.4.2.26
15	Reference to firefighter removed.	6.5.6.6
16	Comment on the application of IFRIC 1 removed.	8.2.1.7

CHAPTER NINE

Group accounts

9.1 GROUP ACCOUNTS

9.1.1 Introduction

9.1.1.1 Authorities shall account for Group Accounts in accordance with *IFRS 3 Business Combinations*, *IFRS 10 Consolidated Financial Statements*, *IFRS 11 Joint Arrangements*, *IFRS 12 Disclosure of Interests in Other Entities*, *IAS 27 Separate Financial Statements*~~*IAS 27 Consolidated and Separate Financial Statements*~~, and *IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)*, ~~*IAS 31 Interests in Joint Ventures*~~, ~~*SIC 12 Consolidation – Special Purpose Entities*~~ and ~~*SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers*~~, except where adaptations to fit the public sector are detailed in the Code.

9.1.1.2 *IPSAS 6 Consolidated and Separate Financial Statements*, *IPSAS 7 Investments in Associates* and *IPSAS 8 Interests in Joint Ventures* are based on *IAS 27* ~~and~~, *IAS 28* ~~and IAS 31~~ respectively, and provide additional guidance for public sector bodies. However, these standards do not include the requirements of the new or amended standards listed in paragraph 9.1.1.1 above and therefore in cases where new or amended requirements need to be referred to only the new or amended IFRS standards above should be considered. It is noted that an IPSAS project to amend these standards is currently being taken forward. The new IPSAS standards have not been issued at the time this Code was being drafted. There is no IPSAS relating to business combinations.

Adaptation and application for the public sector context

9.1.1.3 The following adaptation of ~~*IAS 27*~~*IFRS 10* ~~and~~ of *IAS 31*~~28~~ for the public sector context applies:

- Where an authority has investments in associates and/or interests in joint ventures (~~jointly controlled entities~~) but no interests in subsidiaries, Group Accounts that include these interests in associates and joint ventures (~~jointly controlled entities~~) shall still be prepared (see paragraphs 9.1.2.42 and 9.1.4.43).
- ~~An authority is considered to be an 'investor in a joint venture' when it has an interest (which need not be an investment) in that joint venture, but does not have control over that joint venture.~~

9.1.1.4 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 a combination_s 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.

9.1.1.5 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.

9.1.1.6 Authorities with interests in subsidiaries, associates and/or joint ventures (~~jointly controlled entities~~) shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered not material.

9.1.1.7 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 requirements as notes shown in required by paragraphs ~~9.1.4.21- 9.1.4.32~~.

9.1.1.8 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 business¹ 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.

9.1.1.9 The disclosure requirements of paragraphs 9.1.4.1 to 9.1.4.32 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

9.1.1.10 The disclosure requirements of paragraphs 9.1.4.1 to 9.1.4.32 of this Chapter do not include the following:

- a) post-employment benefit plans or other long-term employee benefit plans to

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.

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 9.1.4.224 to 9.1.4.32 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 9.1.4.32 of this chapter:
 - 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.

~~9.1.1.9 SIC 12 provides guidance to ensure that, regardless of the equity holding and control structure, where in substance the special purpose entity is controlled by the sponsor (ie reporting authority), it should be consolidated. Where an authority considers it has relevant transactions, it shall refer to SIC 12.~~

~~9.1.1.10 SIC 13 provides guidance for a venturer (ie reporting authority) on how to account for non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity. Where an authority considers it has relevant transactions, it shall refer to SIC 13.~~

9.1.2 Accounting Requirements

Definitions

9.1.2.1 An **associate** is an entity, ~~over which an investor (ie a reporting authority) has significant influence~~ including an unincorporated entity such as a partnership, over which the investor (ie reporting authority) has significant influence and that is neither a subsidiary nor an interest in a joint venture.

9.1.2.2 **Control of an investee** - an investor (ie the reporting authority) controls an investee when the reporting authority is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In this chapter of the Code the investor shall be referred to as the reporting authority and the investee is an entity that a reporting authority has an interest in and is considered for inclusion in the Group Accounts in accordance with the requirements of this chapter of the Code.

~~**Control** is the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power of an entity when there is:~~

~~power over more than half of the voting rights by virtue of an agreement with other investors~~

~~power to govern the financial and operating policies of the entity under a statute or an agreement~~

~~power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body, or~~

~~power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.~~

9.1.2.3 A **decision maker** is an entity with decision-making rights that is either a principal or an agent for other parties.

9.1.2.4 The **equity method** is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. ~~The profit or loss of the investor includes the investor's share of the profit or loss of the investee. The reporting authority's Surplus or Deficit on the Provision of Services includes its share of the investee's profit or loss and the reporting authority's Other Comprehensive Income and Expenditure includes its share of the investee's other comprehensive income and expenditure.~~

9.1.2.54 A **group** is a parent and all its subsidiaries.

9.1.2.65 **Group Accounts**² are the financial statements of a group in which the assets, liabilities, reserves, income, expenses and cash flows of the parent (reporting authority) and its subsidiaries plus the investments in associates and interests in joint ventures are presented as those of a single economic entity.

~~, plus the investments in associates and interests in joint ventures (jointly controlled entities), presented as a single economic entity.~~

9.1.2.76 **Income from a structured entity** includes, for the purposes of this chapter of the Code, but is not limited to, recurring and non-recurring fees, interest, dividends, gains or losses on the remeasurement or derecognition of interests in structured entities and gains or losses from the transfer of assets and liabilities to the

² IAS 27, IAS 28 and IAS 34/IFRS 10 and IAS 28 (as amended in May 2011) use the term 'Consolidated Financial Statements' but this has been changed for the purposes of the Code to 'Group Accounts'.

~~structured entity. An **investor in a joint venture** is a party to a joint venture and does not have joint control over that joint venture. The interest in the joint venture need not amount to an investment.~~

~~9.1.2.87 **An interest in another entity** refers, for the purpose of this chapter of the Code, to contractual and non-contractual involvement that exposes a reporting authority to variability of returns from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence over, another entity. A reporting authority does not necessarily have an interest in another entity solely because of a typical customer-supplier relationship.~~

~~**Joint control** is the contractually and binding-agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).~~

~~9.1.2.98 **A joint arrangement** is an arrangement of which two or more parties have joint control.~~

~~**Joint venture** is a contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. The contractual or binding arrangement may be evidenced in a number of ways, for example by a contract between the venturers or minutes of discussions between the venturers. In some cases, the arrangement is incorporated in the articles or other by-laws of the joint venture, or may arise from legislation. Whatever its form, the contractual or binding arrangement is usually in writing and deals with such matters as:~~

~~the activity, duration and reporting obligations of the joint venture~~

~~the appointment of the board of directors or equivalent governing body of the joint venture and the voting rights of the venturers~~

~~capital contributions by the venturers, and~~

~~the sharing by the venturers of the output, income, expenses or results of the joint venture.~~

~~9.1.2.109 **Joint control** is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.~~

~~**Jointly controlled assets**— some joint ventures involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of~~

~~the expenses incurred. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits and service potential through its share of the jointly controlled asset.~~

9.1.2.110 A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

~~**Jointly controlled entity** – a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns income. It may enter into contracts in its own name and raise finance for the purposes of the joint venture activity. Each venturer is entitled to a share of the profits of the jointly controlled entity, although some jointly controlled entities also involve a sharing of the output of the joint venture.~~

9.1.2.142 A joint operator is party to a joint operation that has joint control of that joint operation. ~~**Jointly controlled operations** – the operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities may be carried out by the venturer's employees alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the sale of the joint product/service and any expenses incurred in common are shared among the venturers.~~

9.1.2.132 A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

9.1.2.143 A joint venturer is a party to a joint venture that has joint control of that joint venture.

9.1.2.154 **Minority interest**³ is the equity in a subsidiary not attributable, directly or indirectly, to a parent.

9.1.2.1365 **A parent** is an entity (ie reporting authority) that has one or more subsidiaries.

³ ~~IAS 27/IFRS 10~~ uses the term 'Non-controlling Interest' but this has been changed for the purposes of the Code to 'Minority Interest'.

9.1.2.176 **A party to a joint arrangement** is an entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.

9.1.2.187 **Power** means existing rights that give the current ability to direct the relevant activities.

9.1.2.198 **Protective rights** are rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

9.1.2.209 **Relevant activities**, for the purposes of this chapter of the Code, relevant activities are activities of the investee that significantly affect the investee's returns.

9.1.2.210 **A separate vehicle** is a separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.

~~9.1.2.14~~ **Proportionate consolidation** is a method of accounting whereby a venturer's share of each of the assets, liabilities, income and expenses of a joint venture (jointly controlled entity) is combined line by line with similar items in the venturer's single entity financial statements or reported as separate line items to the venturer's single entity financial statements.

9.1.2.452 **21** **Significant influence** is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. If an investor holds, directly or indirectly (eg through subsidiaries), 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (eg through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence. The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee
- participation in policy-making processes, including participation in decisions about dividends or other distributions
- material transactions between the investor and the investee
- interchange of managerial personnel, or
- provision of essential technical information.

9.1.2.462 **32** **Single entity financial statements**⁴ are those presented by a parent (ie a

⁴ IAS 27, ~~IAS 28 and IAS 31~~ uses the term 'Separate Financial Statements' but this has been

~~reporting authority with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with chapter seven, are those presented by a parent, an investor in an associate or a venturer in a joint venture (jointly controlled entity), in which the investments are accounted for on the basis of the direct equity interest (ie at cost, or in accordance with chapter seven) rather than on the basis of the reported results and net assets of the investees.~~ In the context of the Code, an authority's single entity financial statements are deemed to be separate financial statements.

~~9.1.2.243 A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The structured entity may have also been designed to pass on exposure of risks or rewards of the reporting authority; however this is insufficient in itself to evidence control over the investee. Other indicators of a structured entity relationship with the investor include:~~

- ~~▪ the reporting authority having involvement in the design of the entity and the transaction terms and features of the involvement give rights to the authority that are sufficient to give it power over the investee;~~
- ~~▪ there are contractual arrangements in place that involve activities that are closely related to the investee, and these activities are, in substance, an integral part of the investee's overall activities;~~
- ~~▪ the investee may be designed so that the direction of its activities and its returns are predetermined unless and until those particular circumstances arise or events occur.~~

~~9.1.2.47254 A S~~**ubsidiary** is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

~~9.1.2.18 A venturer (ie reporting authority) is a party to a joint venture and has joint control over that joint venture.~~

Subsidiaries – consolidation and measurement

~~9.1.2.49256~~ A reporting authority shall produce Group Accounts in which it consolidates its investments in subsidiaries, unless the interest is considered not material.

~~9.1.2.20276~~ On acquisition a subsidiary which meets the criteria to be classified as held for sale in accordance with section 4.9 of the Code shall be accounted for in accordance with that section of the Code. Otherwise, in preparing Group Accounts, like items of assets, liabilities, reserves, income and expenses are

changed for the purposes of the Code to 'Single Entity Financial Statements'.

added together line by line to combine the financial statements of the reporting authority and its subsidiaries.

9.1.2.287 A reporting authority, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the investee.

9.1.2.298 A reporting authority controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

9.1.2.3029 Thus, a reporting authority controls an entity if and only if the reporting authority has all the following:

- a) power over the investee
- b) exposure, or rights, to variable returns from its involvement with the investee; and
- c) the ability to use its power over the investee to affect the amount of the investor's returns.

9.1.2.310 A reporting authority has power over an investee when it has existing rights that give it the current ability to direct the relevant activities, ie the activities that significantly affect the investee's returns. Power arises from rights. Sometimes assessing power is straightforward, such as when power over an investee is obtained directly and solely from the voting rights granted by equity instruments such as shares, and can be assessed by considering the voting rights from those shareholdings. In other cases, the assessment will be more complex and require more than one factor to be considered, for example, when power results from one or more contractual arrangements.

9.1.2.32 A reporting authority with the current ability to direct the relevant activities has power even if its rights to direct have yet to be exercised.

9.1.2.33 If two or more entities each have existing rights that give them the unilateral ability to direct different relevant activities, the entity that has the current ability to direct the activities that most significantly affect the returns of the investee has power over the investee.

9.1.2.34 A reporting authority is exposed, or has rights, to variable returns from its involvement with the investee when the reporting authority's returns from its involvement have the potential to vary as a result of the investee's performance. The reporting authority's returns can be only positive, only negative or wholly positive and negative. Examples of returns include:

- a) Dividends, other distributions of economic benefits, from an investee and changes in the value of a reporting authority's involvement with an investee.
- b) Remuneration for servicing an investee's assets or liabilities, fees and exposure to loss from providing credit or liquidity support, residual interests in the investee's assets and liabilities on liquidation of that investee, tax benefits,

and access to future liquidity that an investor has from its involvement with an investee.

- c) Returns that are not available to other interest holders. For example, an investor might use its assets in combination with the assets of the investee, such as combining operating functions to achieve economies of scale or cost savings.
- d) Exposure or rights to other returns that can also be described as benefits or other advantages which are non-financial, for example, the service potential generated by an entity on behalf of an authority- (an orderly transaction representing a payment for services to be provided by another entity under commercial terms is not a non-financial return).

9.1.2.352 A reporting authority controls an investee if the reporting authority not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the reporting authority's returns from its involvement with the investee.

9.1.2.363 A reporting authority shall determine whether or not it has control over a structured entity in accordance with paragraphs 9.1.2.29 to 9.1.2.31. Consideration of the following factors may also assist in that the determination of whether structured entities (or, in other entities where it is difficult to determine whether control exists): of control:

- a) the purpose and design of the investee;
- b) what the relevant activities are and how decisions about those activities are made;
- c) whether the rights of the reporting authority give it the current ability to direct the relevant activities;
- d) whether the reporting authority is exposed, or has rights, to variable returns from its involvement with the investee; and
- e) whether the reporting authority has the ability to use its power over the investee to affect the amount of the investor's returns.

9.1.2.374 When a reporting authority with decision-making rights (a decision maker) assesses whether it controls an investee, it shall determine whether it is a principal or an agent. A reporting authority shall also determine whether another entity with decision-making rights is acting as an agent for the reporting authority. A reporting authority that is an agent in accordance with paragraphs B58 to B72 of IFRS 10 does not control an investee when it exercises decision-making rights delegated to it.

9.1.2.385 The Group Accounts shall:

- a) Combine like items of assets, liabilities, reserves, income, expenses and cash flows of the parent with those of its subsidiaries.

b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of reserves of each subsidiary.

c) Eliminate in full intragroup assets and liabilities, reserves, income, expenses and cash flows relating to transactions between entities of the group. Intragroup losses may indicate an impairment that requires recognition in the Group Accounts.

~~9.1.2.21 Intragroup balances, transactions, income and expenses shall be eliminated in full.~~

~~9.1.2.23³⁹⁶ Minority interests shall be presented separately in the group balance sheet in reserves.~~

~~be disclosed separately within the Group Accounts.~~

~~9.1.2.23⁴⁰³⁷~~ Changes in a reporting authority's ownership interest in a subsidiary that do not result in a loss of control are accounted for as reserve transactions. In such circumstances the carrying amounts of the controlling and minority interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in reserves and attributed to the reporting authority.

~~9.1.2.24 From the date that a reporting authority loses control of a subsidiary, any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary shall be accounted for in accordance with chapter seven (Financial Instruments) or accounted for in accordance with the sub-sections below should the subsidiary become an associate or joint venture (jointly controlled entity). In the event that a reporting authority loses control of a subsidiary, the authority shall refer to IAS 27 for further accounting requirements.~~

~~9.1.2.41³⁸ If a parent (reporting authority) loses control of a subsidiary, the reporting authority shall:~~

~~a) Derecognise the assets and liabilities of the former subsidiary from the group balance sheet.~~

~~b) Recognise any investment retained in the former subsidiary at its fair value when control is lost and subsequently account for it and for any amounts owed by or to the former subsidiary in accordance with the relevant section of the Code. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with chapter seven or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture per the accounting requirements of this chapter.~~

~~c) Recognise the gain or loss associated with the loss of control attributable to the former controlling interest.~~

~~9.1.2.25 The carrying amount of the investment at the date that it ceases to be a subsidiary~~

~~shall be regarded as its fair value on initial measurement as a financial asset in accordance with chapter seven, or when appropriate, the cost on initial recognition of an investment in an associate or interest in a joint venture (jointly controlled entity).~~

Associates and Joint Ventures – consolidation and measurement

9.1.2.264239 A reporting authority shall produce Group Accounts in which it consolidates its investments in associates and joint ventures unless the interest is considered not material.

9.1.2.27439 An investment, or a portion of an investment, in an associate or a joint venture which meets the criteria to be classified as held for sale in accordance with section 4.9 of the Code shall be accounted for in accordance with that section of the Code. Otherwise, in preparing Group Accounts investments in an associate or a joint venture shall be accounted for using the equity method. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.

9.1.2.28441 When an investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for retrospectively using the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

9.1.2.29452 The reporting authority's share of profit or losses surpluses or deficits resulting from transactions between the reporting authority and its associate shall be eliminated (~~ie eg~~ sales of assets from an associate or a joint venture to the reporting authority, and vice versa).

9.1.2.463 A reporting authority shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture as follows:

a) If the investment becomes a subsidiary, the reporting authority shall account for its investment as a business combination in accordance this section of the Code.

b) If the retained interest in the former associate or joint venture is a financial asset, the reporting authority shall measure the retained interest at fair value. The fair value of the retained interest shall be regarded as its fair value on initial recognition as a financial asset in accordance with chapter seven of the Code. The reporting authority shall recognise in the Surplus of Deficit on the Provision of Services any difference between:

i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and

ii) the carrying amount of the investment at the date the equity method was

discontinued.

c) When a reporting authority discontinues the use of the equity method, the reporting authority shall account for all amounts previously recognised in Other Comprehensive Income and Expenditure in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

~~30 — From the date that a reporting authority ceases to have significant influence over an associate, any investment retained in the former associate shall be accounted for in accordance with chapter seven (Financial Instruments: Recognition and Measurement) or accounted for in accordance with the sub-section above if the associate becomes a subsidiary or the sub-section below if the associate becomes a joint venture (jointly controlled entity). In the event that a reporting authority ceases to have significant influence over an associate, the authority should refer to IAS 28 for the accounting requirements.~~

~~9.1.2.34474 If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the reporting authority continues to apply the equity method and does not remeasure the retained interest. There may be instances where an impairment loss has to be recognised in relation to the reporting authority's net investment or other long-term interests in the associate. In the event that a reporting authority concludes it should recognise an impairment loss, it shall refer to IAS 28 for the accounting requirements.~~

~~9.1.2.32 The carrying amount of the investment at the date that it ceases to be an associate shall be regarded as its fair value on initial measurement as a financial asset in accordance with chapter seven, or when appropriate, the cost on initial recognition of an investment in a subsidiary or interest in a joint venture (jointly controlled entity).~~

Joint venture—classification Arrangements

~~9.1.2.33458 A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics:~~

- ~~a) The parties are bound by a contractual arrangement.~~
- ~~b) The contractual arrangement gives two or more of those parties joint control of the arrangement.~~

~~A joint arrangement is either a joint operation or a joint venture.~~

~~9.1.2.496 Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.~~

9.1.2.5047 A reporting authority shall determine the type of joint arrangement in which it is involved. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

Financial statements of parties to a Joint Operation

9.1.2.5148 A reporting authority that is a joint operator shall recognise in relation to its interest in a joint operation:

- a) its assets, including its share of any assets held jointly
- b) its liabilities, including its share of any liabilities incurred jointly
- c) its revenue from the sale of its share of the output arising from the joint operation
- d) its share of the revenue from the sale of the output by the joint operation; and
- e) its expenses, including its share of any expenses incurred jointly

Financial statements of parties to a Joint Venture

9.1.2.5249 A reporting authority in a joint venture shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with the accounting treatment for associates set out in paragraphs 9.1.2.3942 to 9.1.2.4447 above.

9.1.2.530A party that participates in, but does not have joint control of, a joint venture shall account for its interest in the arrangement in accordance with chapter seven of the Code, unless it has significant influence over the joint venture, in which case it shall account for it in accordance with paragraph 9.1.2.5454.

~~There are three broad types of forms and structures that meet the definition of joint ventures:~~

~~jointly controlled entities~~

~~jointly controlled operations, and~~

~~jointly controlled assets.~~

~~Jointly controlled entities—consolidation and measurement~~

~~9.1.2.34~~ A reporting authority shall produce Group Accounts in which it consolidates its interests in a jointly controlled entity, unless the interest is considered not material.

~~9.1.2.35~~ An interest in a jointly controlled entity which meets the criteria to be classified as held for sale in accordance with section 4.9 of the Code shall be accounted for in accordance with that section of the Code. Otherwise, in preparing Group Accounts the interests in a jointly controlled entity shall be accounted for using proportionate consolidation or the equity method.

~~9.1.2.36~~ When an interest in a jointly controlled entity previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the proportionate consolidation or equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

~~9.1.2.37~~ When the equity method is used to consolidate the interests in a jointly controlled entity, the process follows that of consolidating investments in associates.

~~9.1.2.38~~ The reporting authority's share of profit or losses resulting from transactions between the reporting authority and its jointly controlled entity shall be eliminated (ie sales of assets from an associate to the reporting authority, and vice versa).

~~9.1.2.39~~ There may be instances where an impairment loss has to be recognised in relation to the reporting authority's net investment or other long-term interests in the jointly controlled entity. In the event that a reporting authority deems it should recognise an impairment loss, it should refer to IAS 31 for the accounting requirements.

~~9.1.2.40~~ From the date that a reporting authority ceases to have joint control over a jointly controlled entity, any interest retained in the former jointly controlled entity shall be accounted for in accordance with chapter seven (Financial Instruments) or accounted for in accordance with the sub-sections above if the jointly controlled entity becomes a subsidiary or an associate. In the event that a reporting authority ceases to have joint control over a jointly controlled entity, the authority shall refer to IAS 31 for the accounting requirements.

~~9.1.2.41~~ The carrying amount of the interest at the date that it ceases to be a jointly controlled entity shall be regarded as its fair value on initial measurement as a financial asset in accordance with chapter seven, or when appropriate, the cost on initial recognition of an investment in a subsidiary or associate.

Jointly controlled operation—consolidation and measurement

~~9.1.2.42~~ In respect of jointly controlled operations, a reporting authority shall recognise in its single entity financial statements the assets that it controls and the liabilities that it incurs, the expenses that it incurs and its share of the income that it earns from the sale or provision of goods or services. There is no requirement for an authority to produce Group Accounts where the authority only has an interest in a jointly controlled operation.

Jointly controlled assets—consolidation and measurement

~~9.1.2.43~~ In respect of jointly controlled assets, a reporting authority shall recognise in its single entity financial statements its share of the jointly controlled assets, any liabilities/expenses that it incurs on its own behalf in respect of its interest in the joint venture or share of liabilities/expenses incurred jointly with the other venturers, and any income that it earns from the output of the joint venture.

~~9.1.2.44 Because the assets, liabilities, income (if any) and expenses of jointly controlled operations and jointly controlled assets are recognised in the single entity financial statements of the authority, no adjustments or other consolidation procedures are required in respect of these items when the authority presents Group Accounts. There is no requirement for an authority to produce Group Accounts where the authority only has an interest in jointly controlled assets.~~

~~9.1.2.45 Operators or managers of a joint venture shall account for any fees in accordance with section 2.7 of the Code (Revenue Recognition).~~

Investors in joint ventures with significant influence

9.1.2.46⁵⁴ Where an authority is a party to a joint venture, does not have joint control over that joint venture, but does have significant influence over that joint venture, the authority shall account for that joint venture as if it were an associate in accordance with IAS 28 ~~(as required by IAS 31)~~ (as amended in 2011).

Accounting periods and dates

9.1.2.47⁵² The financial statements of the reporting authority and its ~~subsidiary~~subsidiaries, associates and jointly ~~controlled entity~~ventures used in the preparation of the Group Accounts shall be prepared as of the same reporting date.

~~9.1.2.56~~⁶³ When the end of the reporting period of the reporting authority is different from that of a subsidiary, ~~associate and jointly controlled entity~~, the subsidiary, ~~associate and jointly controlled entity~~ prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so ~~additional financial statements as of the same date as the financial statements of the reporting authority unless it is impracticable to do so.~~

~~9.1.2.57~~⁴ The most recent available financial statements of the associate or joint venture are used by the reporting authority in applying the equity method. When the end of the reporting period of the reporting authority is different from that of the associate or joint venture, the associate or joint venture prepares, for the use of the reporting authority, financial statements as of the same date as the financial statements of the reporting authority, unless it is impracticable to do so.

9.1.2.48⁸⁵ Where the financial year-ends of the reporting authority and its subsidiary, associate and jointly ~~controlled entity~~venture in the group do not converge, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the reporting authority's financial statements. The adjustments shall be restricted to the reporting period of the subsidiary, associate and jointly ~~controlled entity~~venture, and that of the reporting authority of no more than three months. The length of the reporting periods and any difference between the ends of the reporting periods shall be the same from period to period.

Uniform accounting policies

9.1.2.49596 Group Accounts shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of the subsidiaries, associates and jointly ~~controlled entities~~ ventures shall be aligned with the policies of the reporting authority, for the purposes of Group Accounts, ~~where~~ Where materially different, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements Group Accounts to ensure conformity with the group's accounting policies. ~~Such adjustments as are necessary to align the Group Accounting policies may be made as consolidation adjustments.~~

Single entity financial statements – measurement of investments in subsidiaries and associates and interests in jointly ~~controlled entities~~ ventures

9.1.2.506057 Within the reporting authority's single entity financial statements, investments in subsidiaries and associates and interests in jointly ~~controlled entities~~ ventures that are not classified as held for sale (see section 4.9 of the Code) shall be accounted for either:

- at cost, or
- in accordance with chapter seven (Financial Instruments).

9.1.2.516158 The reporting authority shall apply the same accounting for each category of investments.

9.1.2.5962 In its single entity financial statements, a party (the reporting authority) that participates in, but does not have joint control of, a joint arrangement shall account for its interest in:

- a) a joint operation in accordance with paragraph 9.1.2.4851 (and paragraphs 21 and 22 of IFRS 11) if the authority has rights to assets and obligations for liabilities and if it does not have those rights the section of the Code applicable to that interest;
- b) a joint venture in accordance with chapter seven, unless the authority has significant influence over the joint venture, in which case it shall apply paragraph 9.1.2.5760.

Accounting for acquisitions in subsidiaries and associates

9.1.2.52603 A reporting authority shall account for the acquisition of subsidiaries and associates by applying the acquisition method. The use of merger accounting is not permitted, with the exception of combinations of public sector bodies (see section 2.5 of the Code). The determination of the acquisition date, recognition and measurement of the identifiable assets acquired, the liabilities assumed and

any minority interests, and the recognition and measurement of goodwill or a gain from a bargain purchase, are addressed in IFRS 3. In the event that authorities acquire investments in a subsidiary or associate, the authority should refer to IFRS 3.

Transition Guidance on the Introduction of IFRS 10 and IFRS 11

9.1.2.614 A reporting authority shall apply the transition guidance included in *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, 11 and 12)* referred to in this chapter of the Code as Transition Guidance, except where adaptations already apply in this Code. The Transition Guidance for IFRS 12 is included in section 9.1.4 of the Code.

9.1.2.625 A reporting authority is not required to make adjustments to the previous accounting for its interests in other entities if the consolidation conclusion reached at the date of initial application had IAS 27 and SIC 12 (as adopted in the 2013/14 Code) applied is the same as when applying IFRS 10 in accordance with this edition of the Code.

9.1.2.636 If at the date of initial application a reporting authority concludes that it shall consolidate an entity that was not consolidated under IAS 27 and SIC 12, the reporting authority shall:

- a) if the investee (entity to be consolidated) is a business (as defined in IFRS 3 Business Combinations), measure the assets, liabilities and minority interests in that previously unconsolidated investee on the date of initial application as if that investee had been consolidated (and thus had applied acquisition accounting in accordance with IFRS 3) from the date when the reporting authority obtained control of that investee on the basis of the Code's requirements for IFRS 10. The reporting authority shall adjust retrospectively the annual period immediately preceding the date of initial application. When the date that control was obtained is earlier than the beginning of the immediately preceding period, the reporting authority shall recognise, as an adjustment to reserves at the beginning of the immediately preceding period, any difference between:
 - i) the amount of assets, liabilities and minority interests recognised; and
 - ii) the previous carrying amount of the reporting authority's involvement with the investee (entity to be consolidated).
- b) if the investee (entity to be consolidated) is not a business (as defined in IFRS 3), measure the assets, liabilities and minority interests in that previously unconsolidated investee as if that investee had been consolidated (applying the acquisition method as described in IFRS 3 but without recognising any goodwill for the investee) from the date when the reporting authority obtained control of that investee on the basis of the requirements of this chapter of the

2014/15 Code. The reporting authority shall adjust retrospectively the annual period immediately preceding the date of initial application. When the date that control was obtained is earlier than the beginning of the immediately preceding period, the reporting authority shall recognise, as an adjustment to reserves at the beginning of the immediately preceding period, any difference between:

- i) the amount of assets, liabilities and minority interests recognised; and
- ii) the previous carrying amount of the reporting authority's involvement with the investee (entity to be consolidated).

9.1.2.647 If measuring an investee's assets, liabilities and non-controlling interests in accordance with paragraph 9.1.2.63 a) or b) is impracticable (as defined in section 3.3 of the Code), a reporting authority shall:

- a) if the investee is a business, apply the requirements of IFRS 3 as of the deemed acquisition date. The deemed acquisition date shall be the beginning of the earliest period for which application of IFRS 3 paragraph 9.1.2.63 a) is practicable, which may be the current period.
- b) if the investee is not a business, apply the acquisition method as described in IFRS 3 but without recognising any goodwill for the investee as of the deemed acquisition date. The deemed acquisition date shall be the beginning of the earliest period for which the application of paragraph 9.1.2.63 b) is practicable, which may be the current period.

The reporting authority shall adjust retrospectively the annual period immediately preceding the date of initial application, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the deemed acquisition date is earlier than the beginning of the immediately preceding period, the reporting authority shall recognise, as an adjustment to reserves at the beginning of the immediately preceding period, any difference between:

- i) the amount of assets, liabilities and minority interests recognised; and
- ii) the previous carrying amounts of the reporting authority's involvement with the investee.

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to reserves shall be recognised at the beginning of the current period.

9.1.2.658 When a reporting authority applies paragraphs 9.1.2.63 to 9.1.2.64 it shall ~~also refer to paragraphs C4B and C4C of the Transition Guidance for IFRS 10 for the appropriate references to the versions of IFRS 3, as applicable.~~ apply the 2008 versions of IAS 27 and IFRS 3.

9.1.2.669 If, at the date of initial application, a reporting authority concludes that it will no longer consolidate an investee that was consolidated in accordance with IAS 27

and SIC-12 (as previously adopted by this Code) the reporting authority shall measure its interest in the investee (entity that was consolidated) at the amount at which it would have been measured if the requirements of IFRS 10 as adopted by the Code had been effective when the reporting authority became involved with (but did not obtain control in accordance with IFRS 10), or lost control of, the investee (entity that was consolidated). The reporting authority shall adjust retrospectively the annual period immediately preceding the date of initial application. When the date that the reporting authority became involved with (but did not obtain control in accordance with IFRS 10), or lost control of, the investee is earlier than the beginning of the immediately preceding period, the reporting authority shall recognise, as an adjustment to reserves at the beginning of the immediately preceding period, any difference between:

- a) the previous carrying amount of the assets, liabilities and minority interests;
and
- b) the recognised amount of the reporting authority's interest in the investee.

9.1.2.670 If measuring the interest in the investee in accordance with paragraph 9.1.2.66 is impracticable (as defined in section 3.3 of the Code), a reporting authority shall apply the requirements of IFRS 10 at the beginning of the earliest period for which application of paragraph 9.1.2.66 is practicable, which may be the current period. The reporting authority shall adjust retrospectively the annual period immediately preceding the date of initial application, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that the reporting authority became involved with (but did not obtain control in accordance with IFRS 10 as adopted by the Code), or lost control of, the investee is earlier than the beginning of the immediately preceding period, the reporting authority shall recognise, as an adjustment to reserves at the beginning of the immediately preceding period, any difference between:

- a) the previous carrying amount of the assets, liabilities and minority interests;
and
- b) the recognised amount of the reporting authority's interest in the investee.

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to reserves shall be recognised at the beginning of the current period.

9.1.2.6871 When changing from proportionate consolidation to the equity method the reporting authority shall recognise its investment in a joint venture in accordance with C2 to C5 of the Transition Guidance to IFRS 11.

9.1.2.6972 When changing from the equity method to accounting for assets and liabilities in respect of its interest in a joint operation a reporting authority shall derecognise the investment that was previously accounted for using the equity method and recognise its share of net assets and liabilities in respect of its interest in the joint

operation including any goodwill that might have formed part of the carrying amount of the investment. It shall determine its interests in the assets and liabilities in accordance with paragraphs C8 and C9 of the Transition Guidance as it relates to IFRS 11 and shall provide the reconciliation between the investment derecognised and assets and liabilities recognised in accordance with paragraph C10 with the remaining difference recognised in the General Fund.

9.1.3 Statutory Accounting Requirements

9.1.3.1 There are no statutory accounting requirements in relation to Group Accounts.

9.1.4 Disclosure Requirements

9.1.4.1 The objective of the disclosure requirements of this chapter is to require a reporting authority to disclose information that enables users of its financial statements to evaluate:

- a) the nature of, and risks associated with, its interests in other entities; and
- b) the effects of those interests on its financial position, financial performance and cash flows.

9.1.4.2 The accounting policies of the subsidiaries, associates and jointly controlled entities-ventures shall be aligned with the policies of the reporting authority, for the purposes of Group Accounts. The disclosure of the accounting policies of the authority is required (see section 3.4 of the Code). The disclosure requirements of this section of the Code need not be applied for any period presented that begins before the annual period immediately preceding 1 April 2014.

9.1.4.23 Having regard to paragraph 3.4.2.26 of the Presentation of Financial Statements section of the Code, authorities shall disclose the following notes in relation to Group Accounts:

9.1.4.4 To meet the objective in paragraph 9.1.4.1, a reporting authority shall disclose:

- a) the significant judgements and assumptions it has made in determining the nature of its interest in another entity or arrangement, and in determining the type of joint arrangement in which it has an interest (paragraphs 9.1.4.7 to 9.1.4.9); and
- b) information about its interests in:
 - i) subsidiaries (paragraphs 9.1.4.10 to 9.1.4.19);
 - ii) joint arrangements and associates (paragraphs 9.1.4.20 to 9.1.4.23); and
 - iii) structured entities that are not controlled by the reporting authority (unconsolidated structured entities) (paragraphs 9.1.4.24 to 9.1.4.31).

9.1.4.5 If the disclosures required by this chapter, together with disclosures required by other chapters of this Code, do not meet the objective in paragraph 9.1.4.1, a

reporting authority shall disclose whatever additional information is necessary to meet that objective.

9.1.4.6 A reporting authority shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the disclosure requirements in this chapter. It shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics. In preparing the disclosures in this chapter of the Code local authorities shall have regard to paragraphs B2 to B6 of IFRS 12).

Significant judgements and assumptions

9.1.4.7 A reporting authority shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

- a) that it has control of another entity, ie an investee as described in paragraphs 9.1.2.27 to 9.1.2.29
- b) that it has joint control of an arrangement or significant influence over another entity; and
- c) the type of joint arrangement (ie joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

9.1.4.8 The significant judgements and assumptions disclosed in accordance with paragraph 9.1.4.7 include those made by the authority when changes in facts and circumstances are such that the conclusion about whether it has control, joint control or significant influence changes during the reporting period.

9.1.4.9 To comply with paragraph 9.1.4.7, a reporting authority shall disclose, for example, significant judgements and assumptions made in determining that:

- a) it does not control another entity even though it holds more than half of the voting rights of the other entity
- b) it controls another entity even though it holds less than half of the voting rights of the other entity
- c) it is an agent or a principal (in accordance with the requirements of paragraphs B58 to B72 of IFRS 10)
- d) it does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity
- e) it has significant influence even though it holds less than 20 per cent of the voting rights of another entity.

Interests in subsidiaries

9.1.4.10 A reporting authority shall disclose information that enables users of its Group Accounts:

- a) to understand:
 - i) the composition of the group; and
 - ii) the interest that minority interests have in the group's activities and cash flows (paragraph 9.1.4.12); and
- b) to evaluate:
 - i) the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group (paragraph 9.1.4.13);
 - ii) the nature of, and changes in, the risks associated with its interests in consolidated structured entities (paragraphs 9.1.4.14 to 9.1.4.17);
 - iii) the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control (paragraph 9.1.4.18); and
 - iv) the consequences of losing control of a subsidiary during the reporting period (paragraph 9.1.4.19).

9.1.4.11 When the financial statements of a subsidiary used in the preparation of group accounts are as of a date or for a period that is different from that of the group accounts, a reporting authority shall disclose:

- a) the date of the end of the reporting period of the financial statements of that subsidiary; and
- b) the reason for using a different date or period.

The interest that minority interests have in the group's activities and cash flows

9.1.4.12 A reporting authority shall disclose for each of its subsidiaries that have minority interests that are material to the reporting authority:

- a) the name of the subsidiary.
- b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary.
- c) the proportion of ownership interests held by minority interests.
- d) the proportion of voting rights held by minority interests, if different from the proportion of ownership interests held.
- e) the surplus or deficit allocated to minority interests of the subsidiary during the reporting period.
- f) accumulated minority interests of the subsidiary at the end of the reporting period.
- g) summarised financial information about the subsidiary (see paragraph B10 of IFRS 12).

The nature and extent of significant restrictions

9.1.4.13 A reporting authority shall disclose:

- a) significant restrictions (eg statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as:
 - i) those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group.
 - ii) guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.
- b) the nature and extent to which protective rights of non-controlling interests can significantly restrict the reporting authority's ability to access or use the assets and settle the liabilities of the group.
- c) the carrying amounts in the group accounts of the assets and liabilities to which those restrictions apply.

Nature of the risks associated with a reporting authority's interests in consolidated structured entities

9.1.4.14 A reporting authority shall disclose the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting authority to a loss.

9.1.4.15 If during the reporting period a parent (a reporting authority) or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a consolidated structured entity, the reporting authority shall disclose:

- a) the type and amount of support provided, including situations in which the parent or its subsidiaries assisted the structured entity in obtaining financial support; and
- b) the reasons for providing the support.

9.1.4.16 If during the reporting period a parent (the reporting authority) or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a previously unconsolidated structured entity and that provision of support resulted in the entity controlling the structured entity, the reporting authority shall disclose an explanation of the relevant factors in reaching that decision. Note that CIPFA/LASAAC considers that such situations would be rare in local authorities.

9.1.4.17 A reporting authority shall disclose any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the

structured entity in obtaining financial support.

Consequences of changes in a parent's ownership interest in a subsidiary that do not result in a loss of control

9.1.4.18 A reporting authority shall present a schedule that shows the effects on the equity attributable to a reporting authority of changes in the ownership interest in a subsidiary that do not result in a loss of control.

Consequences of losing control of a subsidiary during the reporting period

9.1.4.19 A reporting authority shall disclose the gain or loss, if any, calculated in accordance with paragraph 9.1.2.38, and:

- a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and
- b) the line item(s) in the Surplus or Deficit on the Provision of Services in which the gain or loss is recognised (if not presented separately).

Interests in joint arrangements and associates

9.1.4.20 A reporting authority shall disclose information that enables users of its financial statements to evaluate:

- a) the nature, extent and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates (paragraphs 9.1.4.21 and 9.1.4.22) ; and
- b) the nature of, and changes in, the risks associated with its interests in joint ventures and associates (paragraph 9.1.4.23).

Nature, extent and financial effect of an entity's interests in joint arrangements and associates

9.1.4.21 A reporting authority shall disclose:

- a) for each joint arrangement and associate that is material to the reporting authority:
 - i) the name of the joint arrangement or associate.
 - ii) the nature of the reporting authority's relationship with the joint arrangement or associate (by, for example, describing the nature of the activities of the joint arrangement or associate and whether they are strategic to the reporting authority's activities).
 - iii) the principal place of business (and country of incorporation, if applicable

and different from the principal place of business) of the joint arrangement or associate.

iv) the proportion of ownership interest or participating share held by the reporting authority and, if different, the proportion of voting rights held (if applicable).

b) for each joint venture and associate that is material to the reporting authority:

i) whether the investment in the joint venture or associate is measured using the equity method or at fair value

ii) summarised financial information about the joint venture or associate as specified in paragraphs B12 and B13 of IFRS 12.

iii) the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment.

c) financial information as specified in paragraph B16 of IFRS 12 about the reporting authority's investments in joint ventures and associates that are not individually material:

i) in aggregate for all individually immaterial joint ventures and, separately,

ii) in aggregate for all individually immaterial associates.

9.1.4.22 A reporting authority shall also disclose:

a) the nature and extent of any significant restrictions on the ability of joint ventures or associates to transfer funds to the reporting authority in the form of cash dividends, or to repay loans or advances made by the reporting authority.

b) when the financial statements of a joint venture or associate used in applying the equity method are as of a date or for a period that is different from that of the reporting authority:

i) the date of the end of the reporting period of the financial statements of that joint venture or associate; and

ii) the reason for using a different date or period.

c) the unrecognised share of losses of a joint venture or associate, both for the reporting period and cumulatively, if the reporting authority has stopped recognising its share of losses of the joint venture or associate when applying the equity method.

Risks associated with a reporting authority's interests in joint ventures and associates

9.1.4.23 A reporting authority shall disclose:

a) commitments that it has relating to its joint ventures separately from the amount of other commitments (see paragraphs B18 to B20 of IFRS 12).

- b) in accordance with section 8.2 of the Code (Provisions, Contingent Liabilities and Contingent Assets), unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures or associates (including its share of contingent liabilities incurred jointly with other investors with joint control of, or significant influence over, the joint ventures or associates), separately from the amount of other contingent liabilities.

Interests in unconsolidated structured entities

9.1.4.24 A reporting authority shall disclose information that enables users of its financial statements:

- a) to understand the nature and extent of its interests in unconsolidated structured entities (paragraphs 9.1.4.26 to 9.1.4.28); and
- b) to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities (paragraphs 9.1.4.29 to 9.1.4.31).

9.1.4.25 The information required by paragraph 9.1.4.24 b) above includes information about a reporting authority's exposure to risk from involvement that it had with unconsolidated structured entities in previous periods (eg sponsoring the structured entity), even if the reporting authority no longer has any contractual involvement with the structured entity at the reporting date.

Nature of interests

9.1.4.26 A reporting authority shall disclose qualitative and quantitative information about its interests in unconsolidated structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed.

9.1.4.27 If a reporting authority has sponsored an unconsolidated structured entity for which it does not provide information required by paragraph 9.1.4.29, the reporting authority shall disclose:

- a) how it has determined which structured entities it has sponsored;
- b) income from those structured entities during the reporting period, including a description of the types of income presented; and
- c) the carrying amount (at the time of transfer) of all assets transferred to those structured entities during the reporting period.

9.1.4.28 A reporting authority shall present the information in paragraph 9.1.4.2.27 b) and c) in tabular format, unless another format is more appropriate, and classify its sponsoring activities into relevant categories (see paragraphs B2 to B6 of IFRS 12).

Nature of risks

9.1.4.29 A reporting authority shall disclose in tabular format, unless another format is more appropriate, a summary of:

- a) the carrying amounts of the assets and liabilities recognised in its financial statements relating to its interests in unconsolidated structured entities;
- b) the line items in the balance sheet in which those assets and liabilities are recognised.
- c) the amount that best represents the reporting authority's maximum exposure to loss from its interests in unconsolidated structured entities, including how the maximum exposure to loss is determined. If a reporting authority cannot quantify its maximum exposure to loss from its interests in unconsolidated structured entities it shall disclose that fact and the reasons.
- d) a comparison of the carrying amounts of the assets and liabilities of the reporting authority that relate to its interests in unconsolidated structured entities and the reporting authority's maximum exposure to loss from those entities.

9.1.4.30 If during the reporting period a reporting authority has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated structured entity in which it previously had or currently has an interest, the reporting authority shall disclose:

- a) the type and amount of support provided, including situations in which the reporting authority assisted the structured entity in obtaining financial support; and
- b) the reasons for providing the support.

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.

9.1.4.32 The disclosure requirements of paragraphs 9.1.4.24 to 9.1.4.31 of this section of the Code need not be applied for any period presented that begins before 1 April 2014.

Subsidiaries

- ~~1) The following disclosures shall be made in Group Accounts:~~
- ~~a) the nature of the relationship between the reporting authority and a subsidiary when the reporting authority does not own, directly or indirectly through subsidiaries, more than half of the voting power~~
 - ~~b) the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control~~
 - ~~c) the end of the reporting period of the financial statements of a subsidiary when such financial statements are used to prepare consolidated financial statements and are as of a date or for a period that is different from that of the reporting authority's financial statements, and the reason for using a different date or period~~
 - ~~d) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances~~
 - ~~e) a schedule that shows the effects of any changes in a reporting authority's ownership interest in a subsidiary that do not result in a loss of control on the equity attributable to reporting authority, and~~
 - ~~f) if control of a subsidiary is lost, the reporting authority shall disclose the gain or loss, if any:
 - ~~i) the portion of that gain or loss attributable to recognising any investment retained in the former subsidiary at its fair value at the date when control is lost, and~~
 - ~~ii) the line item(s) in the Group Comprehensive Income and Expenditure Statement in which the gain or loss is recognised (if not presented separately in the Group Comprehensive Income and Expenditure Statement).~~~~

Associates

- ~~2) The following disclosures shall be made:
 - ~~a) the fair value of investments in associates for which there are published price quotations~~
 - ~~b) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss~~
 - ~~c) the reasons why the presumption that a reporting authority does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20% of the voting or potential voting power of the investee but concludes that it has significant influence~~
 - ~~d) the reasons why the presumption that a reporting authority has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20% or more of the voting or potential voting power of the investee but concludes that it does not have significant influence~~
 - ~~e) the reporting date of the financial statements of an associate, when such financial statements are used in applying the equity method and are as of a reporting date or for a period that is different from that of the reporting authority, and the reason for using a different reporting date or different period~~
 - ~~f) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances~~
 - ~~g) the unrecognised share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate~~
 - ~~h) the fact that an associate is not accounted for using the equity method because it is classified as held for sale in accordance with section 4.9 of the Code, and~~
 - ~~i) summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss.~~~~
- ~~3) Investments in associates accounted for using the equity method shall be classified as non-current assets. The reporting authority's share of the profit or loss of such associates, and the carrying amount of those investments, shall be separately disclosed.~~
- ~~4) The reporting authority's share of any discontinued operations of such associates shall also be separately disclosed. The reporting authority's share of changes recognised directly in the associate's other comprehensive income and expenditure shall be recognised directly in other comprehensive income and expenditure by the reporting authority.~~
- ~~5) In accordance with section 8.2 of the Code, the reporting authority shall~~

disclose:

- ~~a) its share of the contingent liabilities of an associate incurred jointly with other investors, and~~
- ~~b) those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.~~

Joint ventures

- ~~6) A reporting authority shall disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities:
 - ~~a) any contingent liabilities that the reporting authority has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other venturers~~
 - ~~b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable, and~~
 - ~~c) those contingent liabilities that arise because the reporting authority is contingently liable for the liabilities of the other venturers of a joint venture.~~~~
- ~~7) A reporting authority shall disclose the aggregate amount of the following commitments in respect of its interests in joint ventures separately from other commitments:
 - ~~a) any capital commitments of the reporting authority in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers, and~~
 - ~~b) its share of the capital commitments of the joint ventures themselves.~~~~
- ~~8) A reporting authority shall disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A reporting authority that recognises its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method shall disclose the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.~~
- ~~9) A reporting authority shall disclose the method it uses to recognise its interests in jointly controlled entities.~~

Business combinations

- ~~9.1.4.33 40) —~~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 ~~40)9.1.4.33~~ above, the acquirer shall refer

to paragraphs B64 to B66 of IFRS 3.

~~9.1.4.34~~ 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 ~~44~~9.1.4.34 above, the acquirer shall refer to paragraph B67 of IFRS 3.

9.1.5 Statutory Disclosure Requirements

9.1.5.1 There are no statutory disclosures required in relation to Group Accounts.

9.1.6 Changes since the 201~~23~~/1~~34~~ Code

9.1.6.1 ~~The 2014/15 Code includes amendments to the Code as a result of its adoption of IFRSs 10 to 12 and as a result of the adoption of the amendments to IASs 27 and 28 as amended in May 2011. There have been no changes in the Group Accounts requirements since the 2012/13 Code.~~

CHAPTER SEVEN

Financial instruments

Changes since the 2012/13 Code

7.1.1.6 The 2013/14 Code includes the amendments to ~~IFRS IAS 327~~ *Financial Instruments: Disclosures-Presentation* (Offsetting Financial Assets and Liabilities), December 2011, ~~requiring information that will enable users of an authority's financial statements to evaluate the effect or potential effect of netting arrangements requiring reference to the amended application guidance for offsetting financial assets and liabilities.~~

7.1.1.7 ~~See ED1 – IFRS 13 Fair Value Measurement.~~

7.4 FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION REQUIREMENTS

PART 2 – PRESENTATION REQUIREMENTS

7.4.5 Offsetting a Financial Asset and Financial Liability

7.4.5.1 A financial asset and a financial liability shall be offset and the net amount presented in the Balance Sheet when, and only when, an authority:

- a) currently has a legally enforceable right to set off the recognised amounts ~~(when applying this criterion authorities shall also refer to IAS 32 as amended in 2011 (AG38A – AG38D), and~~
- b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously ~~(when applying this criterion authorities shall also refer to IAS 32 as amended in 2011 (AG38E – AG38F).~~

7.4.5.2 In accounting for the transfer of a financial asset that does not qualify for derecognition an authority shall not offset the transferred asset and the associated liability.

CHAPTER THREE

Financial statements

3.4 PRESENTATION OF FINANCIAL STATEMENTS

Financial statements

3.4.2.16 One of the objectives of financial statements is to provide information about the financial position, financial performance and cash flows of an authority that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of financial reporting in the public sector should be to provide information useful for decision making, and to demonstrate the accountability of the authority for the resources entrusted to it.

3.4.2.17 A complete set of financial statements comprises:

- a) Movement in Reserves Statement for the period
- b) Comprehensive Income and Expenditure Statement for the period
- c) Balance Sheet as at the end of the period
- d) Cash Flow Statement for the period
- ~~e) Statements which are required to be included in the Statements of Account in accordance with statutory requirements for the period, where relevant to the authority~~
- ~~ef)~~ Notes, comprising a summary of significant accounting policies and other explanatory information,
- ~~gf) comparative information in respect of the preceding period as specified in paragraphs 3.4.2.29 and 38A; of IAS 1 and~~ and
- ~~fg)~~ Balance Sheet as at the beginning of the earliest **comparative preceding** period (ie a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements **in accordance with paragraphs 40A to 40D of IAS 1-**
- ~~h) Statements, or other financial reports or disclosures which are required by statute to be included in the Statements of Account for the period, where relevant to the authority.~~

3.4.2.18 Authorities shall present with equal prominence all of the financial statements in a complete set of financial statements. The order of the first four statements above is recommended but not required. Authorities shall present the statements in the order that best enables users to understand the statements.

3.4.2.19 Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of an authority. A true and fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Code. Compliance with the Code is presumed to result in financial statements that achieve a true and fair presentation.

3.4.2.20 A fair presentation also requires an authority:

- a) to select and apply accounting policies in accordance with section 3.3 of the Code and IAS 8. Paragraph 3.3.2.10 sets out the guidance that an authority's management considers in the absence of an IFRS that specifically applies to an item
- b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- c) to provide additional disclosures when compliance with the specific requirements in the Code is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the authority's financial position and financial performance.

3.4.2.21 An authority cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.

3.4.2.22 In the extremely rare circumstances in which management concludes that compliance with a requirement of the Code would be so misleading that it would prevent the financial statements achieving a true and fair view, an authority shall depart from that requirement. In doing so, an authority shall disclose that:

- a) management has concluded that the financial statements present a true and fair view of the authority's financial position, financial performance and cash flows
- b) it has complied with the Code, except that it has departed from a particular requirement to achieve a true and fair presentation
- c) the nature of the departure, including the treatment that the Code would require, the reason why that treatment would be so misleading in the circumstances that it would prevent the financial statements presenting a true and fair view, and the treatment adopted, and
- d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.

3.4.2.23 A local authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

- 3.4.2.24 A local authority shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting, ie the authority recognises items as assets, liabilities, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Code.
- 3.4.2.25 A local authority shall present separately each material class of similar items. A local authority shall present separately items of a dissimilar nature or function unless they are immaterial.
- 3.4.2.26 A local authority need not provide a specific disclosure required by the Code if the information is not material.
- 3.4.2.27 A local authority shall not offset assets and liabilities or income and expenses, unless required or permitted by the Code.
- 3.4.2.28 A local authority shall present a complete set of financial statements (including comparative information) annually.
- 3.4.2.29 Except when the Code permits or requires otherwise, a local authority shall ~~disclose present~~ comparative information in respect of the ~~previous preceding~~ period for all amounts reported in the current period's financial statements. A local authority shall apply paragraphs 38A to 38D of IAS 1, as relevant to its circumstances and as appropriate to ensure a true and fair presentation of its financial statements.
- 3.4.2.30 ~~When a~~ local authority changes the presentation or classification of items in its financial statements, the authority shall reclassify comparative amounts unless reclassification is impracticable. When comparative amounts are reclassified, the authority shall disclose (including as at the beginning of the preceding period):
- a) the nature of the reclassification
 - b) the amount of each item or class of items that is reclassified, and
 - c) the reason for the reclassification.
- 3.4.2.31 When it is impracticable to reclassify comparative amounts, an authority shall disclose:
- a) the reason for not reclassifying the amounts, and
 - b) the nature of the adjustments that would have been made if the amounts had been reclassified.
- 3.4.2.32 A local authority shall retain the presentation and classification of items in the financial statements from one period to the next unless:
- a) it is apparent, following a significant change in the nature of the authority's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in the Code, or
 - b) the Code requires a change in presentation.

3.4.2.33 A local authority shall present Group Accounts in addition to its single entity financial statements where required by chapter nine of the Code.

3.4.2.34 When presenting Group Accounts, an authority that recognises its interest in a jointly controlled entity using proportionate consolidation shall either:

- combine its share of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items, line by line, in its financial statements, or
- include separate line items for its share of the assets, liabilities, income and expenses of the jointly controlled entity in its financial statements.

3.4.6 Changes since the ~~2012~~2013/134 Code

3.4.6.1 The 2013~~4~~/14~~5~~ Code includes amendments the Code's provisions on the presentation of financial statements to reflect the amendments to IAS 1 as required by the Annual Improvements 2009 – 2012 Cycle issued in May 2012. to the Comprehensive Income and Expenditure Statement as a result of the June 2011 amendments to IAS 1 (where relevant to the authority) and the June 2014 amendments to IAS 19.

~~3.4.6.2 The 2013/14 Code has augmented its provisions on fair presentation and has included clarification on the treatment of overdrafts within the Balance Sheet and Cash Flow Statement.~~

2.5 LOCAL GOVERNMENT REORGANISATION AND OTHER COMBINATIONS

2.5.1 Introduction

2.5.1.1 Chapter nine of the Code (Group Accounts) includes an adaptation of IFRS 3 *Business Combinations* that combinations of public sector bodies (eg local government reorganisation and other transfers of function from one public sector body to another) are deemed to be a combination of businesses under common control and as such excluded from the scope of IFRS 3. This section of the Code sets out the accounting requirements for such combinations.

2.5.2 Accounting Requirements

Definitions

2.5.2.1 A transfer of a function to or from a local authority – a transfer of a function in this section of the Code is defined as a transfer of an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.

Recognition and Measurement

2.5.2.42 Public sector bodies such as local authorities are deemed to be under common control. The combination of two or more local authorities (or other public sector bodies) into one new authority, or the transfer of functions (in full or in relation to a geographic area) from the responsibility of one authority (or other public sector body) to another, shall be accounted for using the principles that apply to group ~~reorganisations~~ reconstructions and shall be accounted for as either a transfer by absorption or a transfer by merger.

2.5.2.3 Transfers from one local authority to another or from one authority to another part of the public sector are normally (and have historically been) accounted for as a transfer by absorption ie ~~using the principles of merger accounting but as specified in paragraph 2.5.2.6 below~~ taking the date of the transfer of a function or a public sector combination as the starting point of the newly combined authority or function.

2.5.2.4 Transfers by merger are rare transactions as they are considerably less common in local government but may occur when legal transfers take place but ~~in substance~~ management of the local government entity consider that in substance for a true and fair presentation the financial statements would be best presented as if it has always existed in its newly combined form. The results and cash flows of all of the combining bodies (or functions) should be brought into the financial

statements of the combined body from the beginning of the financial year in which the combination occurred. To ensure symmetrical accounting treatment to the other public sector entity transfer by merger shall not occur when a local government body is transferring to another part of the public sector ie outside of local government and vice versa.

2.5.2.5 For both types of transactions the accounting treatment for transfers of function under common control should be determined by aligning the reporting with the accountability for financial performance. The underlying objective is to ensure the financial reporting supports the accountability for the transferring function, and to do so in a symmetrical way with the other public sector body to ensure there is no transparency gap.

2.5.2.6 For both forms of transfers. Aassets and liabilities shall normally be transferred at their carrying amount as at the transfer date, except where:

- a) the authorities (or other public sector bodies) have agreed revised amounts (in accordance with their statutory duties), and
- b) such amounts were agreed after authorities (or other public sector bodies) transferring the services had issued their accounts for the year immediately prior to the transfer date

in which case, assets and liabilities shall be transferred at their agreed amounts, and the difference between these agreed amounts and their previous carrying amounts shall be disclosed in a note to the financial statements.

2.5.2.7 Local government reorganisations normally take place at the start of a financial year. The reorganisation shall be achieved in the accounts by adjusting the opening Balance Sheet for the current year; transfers shall not be reflected in the ~~Comprehensive Income and Expenditure Statement~~Surplus or Deficit on the Provision of Services, but shall be separately disclosed in the Movement in Reserves Statement and Other Comprehensive Income and Expenditure. The notes to the accounts shall separately identify transfers of assets and liabilities (and any consequential changes to reserves).

2.5.2.8 Local government transfers of functions that take place during the financial year are also relatively rare occurrences. Where they do take place they will need to be reported in accordance with the principles of transfers by absorption ie from the date that the transfer took place, or, in rare cases where management consider that a true and fair presentation requires this to be presented as a transfer by merger, the resultant transfer would be reported as if the newly combined body or functions has always existed.

2.5.2.39 Functions may be transferred from an authority to another body outside the public sector (eg a social enterprise). Such transfers shall be accounted for by derecognising any assets and liabilities transferred to the non-public-sector body. Any income received shall be accounted for as proceeds of sale of the asset(s).

2.5.3 Statutory Accounting Requirements

2.5.3.1 There are no statutory accounting requirements in respect of combinations of public sector bodies unless specific requirements are included in the legislation or other legal documents issued by ministers giving rise to the transfer.

2.5.4 Disclosure Requirements

2.5.4.1 A local authority that receives a transfer of functions should disclose in its financial statements that the transfer has taken place (including a brief description of the transferred function) giving the date of the transfer, the name of the transferring body and the effect on the financial statements. An authority that transfers functions to another authority or public sector entity shall also provide the same information in its financial statements. Where accounted for as a transfer by absorption, the authority should apply judgment as to whether the additional disclosure of historical financial performance of the function should be provided, to enable users to understand the operational performance.

2.5.4.2 For new authorities, where transfers take place at the beginning of the financial year, under transfer by absorption no corresponding amounts for the previous year will be required in the financial statements. The notes to the accounts of the new authority shall include an opening Balance Sheet (ie transferred assets and liabilities and opening reserve balances). This shall be clearly identified as the opening balance on the creation of the new authority, not the previous year's Balance Sheet.

2.5.4.23 For authorities created under transfers by merger restatement of comparatives, including that of the results for all the combining bodies for the previous period shall be provided in accordance with IAS 1 as adopted by this Code. Comparatives shall be adjusted as necessary to achieve uniformity of accounting policies and consistency of presentation. In addition, the authority shall disclose:

- a) an explanation that the transfer has been accounted for under the merger accounting provisions of the Code
- b) an analysis of the principal components of the surplus or deficit on the provision of services and of other comprehensive income and expenditure pre and post-merger
- c) the carrying amount of the net assets at the merger date
- d) a statement of any adjustment to reserves resulting from the merger.

2.5.4.4 Where transfers by absorption have taken place during the financial year no comparative information will be required for the previous year and the information reported in the complete set of financial statements will be reported from the date the transfer took place (see also paragraphs 2.5.4.1 and 2.5.4.2 where these paragraphs apply to transfer by absorption).

2.5.4.5 Where transfers by merger have taken place during the financial year comparative

information is required in accordance with IAS 1 as adopted by this Code. The disclosures required by paragraph 2.5.4.2 and 2.5.4.3, where they apply to transfers by merger, will also be required.

2.5.4.6 For continuing authorities, newly acquired functions (or functions in relation to a geographic area) shall be disclosed separately in the current year. Functions (or functions in relation to a geographic area) transferred to another authority or other public sector body shall be disclosed separately in the comparative year. Where the transfer requires reporting in the notes to the accounts, a separate line disclosing the transfer shall be included after the balance brought forward from the previous year. A new sub-total shall be inserted to disclose the restated opening Balance Sheet figures. These lines will be required in the notes showing the movements in assets, liabilities and reserves, including the Movement in Reserves Statement and the Movement on the Housing Revenue Account Statement.

2.5.4.37 An authority shall disclose the circumstances of any transfer of assets and liabilities to a non-public-sector body arising from the transfer of one or more functions to that body. The disclosure shall include details of the assets and liabilities transferred, and their carrying amounts.

2.5.5 Statutory Disclosure Requirements

2.5.5.1 There are no statutory disclosures in respect of combinations of public sector bodies.

2.5.6 Changes since the ~~2012~~2013/134 Code

2.5.6.1 ~~The re provisions have been no changes in for~~ accounting for local government reorganisation and other combinations since the 2012/13 Code have been clarified and augmented including a new definition of a function, clarification of the requirements for a transfer by absorption or a transfer by merger and relevant disclosure requirements.

6.5 ACCOUNTING AND REPORTING BY PENSION FUNDS

6.5.5 Disclosures for Defined Benefit Pension Funds (excluding police and fire and rescue services pension funds)

- 6.5.5.1 The financial statements of a defined benefit retirement benefit fund (excluding police and fire and rescue services pension funds) shall contain the following information, if applicable and if not disclosed on the face of the financial statements:
- a) A description of the fund and the effect of any changes in the fund during the period.
 - b) A summary of significant accounting policies.
 - c) Assets at the end of the period suitably classified (see paragraph 6.5.3.4 for the minimum requirements).
 - d) The basis of valuation of assets for each significant class of asset.
 - e) Where investments are held for which an estimate of fair value is not possible, disclosure shall be made of the reason why fair value is not used.
 - f) A reconciliation between the opening and closing value of investments analysed into meaningful categories such as by major asset class, named investment managers or investment strategy. For investments that have purchase costs or sale proceeds, the total amount of sales and purchases should be disclosed. For derivatives, the nature of the amounts included in purchases and sales should be explained.
 - g) The market value (current bid price for quoted securities and unitised securities) of the assets (at the Balance Sheet date) which were under the management of fund managers should be disclosed, as should the proportion managed by each manager. Where a market value is not available, assets should be valued at fair value in accordance with the valuation basis specified by the Code.
 - h) An analysis of investment assets between 'UK' and 'overseas' and between 'quoted' and 'unquoted'.
 - i) The amount of sales and purchases of investment assets should be disclosed including the market value of futures and options at the Balance Sheet date (if any).
 - j) A breakdown of derivative contracts by their main types including futures, options, forward foreign exchange contracts and swaps. A summary of the key terms and notional amount of the derivative contracts held at the year end. An explanation of the objectives and policies for holding derivatives and the strategies for achieving those objectives that have been followed during the period.
 - k) The effective date of revaluation of property assets; whether an independent

valuer was used; the methods and significant assumptions applied in estimating the fair value; the extent to which the item's fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's-length terms or were estimated using other valuation techniques.

- l) Details of any single investment exceeding either 5% of the net assets available for benefits or 5% of any class or type of security.
- m) Liabilities other than the actuarial present value of promised retirement benefits.
- n) A description of the funding policy, ie the basis upon which the contribution rate has been set for both the administering and the scheduled body.
- o) An indication of the actuarial position of the fund, including the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits, and the policy for funding the promised benefits.
- p) A description of the significant actuarial assumptions made and the method used to calculate the actuarial present value of promised retirement benefits.
- q) The total contributions receivable and benefits payable analysed between the administering authority, scheduled bodies and admitted bodies.
- r) Information in respect of material transactions with related parties, not disclosed elsewhere, including investments and loans made at any time during the period.
- s) The total amount of stock released to a third party under a stock lending arrangement within a regulated market at the period end, together with a description of the related collateral.
- t) The amount and nature of any material contingent assets, liabilities and contractual commitments of the scheme at the period end. Details of any material non-adjusting events occurring subsequent to the period end.
- u) The amount of additional voluntary contributions paid by members during the year and the value at the Balance Sheet date of separately invested additional voluntary contributions. It should be disclosed that these amounts are not included in the pension fund accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998/1831).

Statement on the System of Internal Financial Control – Scottish Authorities

6.5.5.2 Section 3.7 of the Code sets out the requirements for Scottish local government financial statements to provide a Statement on the System of Internal Financial Control. Scottish local government pension fund financial statements are required by statute to include a governance compliance statement. This Code does not require that these pension fund financial statements provide both a governance statement and a statement on the system of internal financial control. This statement is limited in its scope to those matters set down in regulation and is therefore unlikely to meet all of the reporting requirements of the Statement on the System of Internal Financial Control. Therefore for the avoidance of doubt and in

order to comply with the requirements of Section 3.7 the pension fund financial statements shall provide, in addition to the governance compliance statement required by statute, either a separate statement on the system of internal financial control or add additional disclosures, reports or statements as necessary in order to meet the requirements of that statement. However, if the governance compliance statement does not meet the reporting requirements of the Statement on the System of Internal Financial Control the pension fund financial statements shall include any additional disclosures, reports or statements necessary in order to do so.

Statutory disclosures for administering authorities in Scotland in the local authority financial statements

- 6.5.5.23** Administering authorities in Scotland are required by statutory guidance (Scottish Government Finance Circular 1/2011 *Accounting for Local Authority Pensions*) to disclose the following in the notes to the local authority financial statements:
- a) A statement to the effect that the local authority is an administering authority for the Local Government Pension Scheme.
 - b) A statement listing the pension funds it is responsible for together with a general description of each fund and its membership.
 - c) A statement setting out the statutory requirements for the publication of a separate pension fund annual report, and the contents of that report.
 - d) A note setting out how the pension fund annual report can be accessed or obtained.

Note as this appendix has been significantly redrafted the changes are not presented as tracked changes from the 2013/14 Code. Changes following the consultation process are tracked.

APPENDIX C

Changes in accounting policies: disclosures in the 2013/14 and 2014/15 financial statements

C.1 INTRODUCTION

- C.1.1** Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, 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.
- C.1.2** A complete set of financial statements is defined in paragraph 3.4.2.17 of the Code. This includes a Balance Sheet as at the beginning of the earliest comparative period (ie a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.
- C.1.3** This Appendix sets out the additional disclosures that will be required in the 2013/14 and 2014/15 financial statements in respect of accounting changes that are introduced by the 2014/15 Code.

C.2 DISCLOSURES REQUIRED IN THE 2013/14 AND 2014/15 FINANCIAL STATEMENTS

2013/14

C.2.1 An authority shall 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. An authority shall provide known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the authority's financial statements including the group statements in the period of initial application. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (ie on or before 1 January 2015 for 2014/15). For this disclosure the Standards introduced by the 2014/15 Code include:

~~• IFRS 13 Fair Value Measurement~~

- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosure of Interests in Other Entities*;
- IAS 27 *Separate Financial Statements* (as amended in 2011);
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)
- IAS 32 *Financial Instruments: Presentation*
- *Annual Improvements to IFRSs 2009 – 2011 Cycle*

C.2.2 In complying with paragraph C2.1, an authority considers disclosing:

- a) the title of the new IFRS, indicating that it has been adopted by this Code;
- b) the nature of the impending change or changes in accounting policy;
- c) the date by which application of the IFRS, as adopted by this Code is required (ie 1 April 2014);
- d) the date as at which the authority will adopt the IFRS initially (ie 1 April 2014); and
- e) either:
 - i) a discussion of the impact that initial application of the IFRS as adopted by this Code is expected to have on the authority's financial statements; or
 - ii) if that impact is not known or reasonably estimable, a statement to that effect.

2014/15

C.2.3 The adoption of ~~the IFRS 13 Fair Value Measurement and~~ IAS 32 *Financial Instruments: Presentation* in the Code is not a change of accounting policy that will require the publication of a third Balance Sheet.

C.2.4 The adoption of the following new or amended standards:

- IFRS 10 *Consolidated Financial Statements*,
- IFRS 11 *Joint Arrangements*,
- IFRS 12 *Disclosure of Interests in Other Entities*;
- IAS 27 *Separate Financial Statements* (as amended in 2011),
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011), and
- *Annual Improvements to IFRSs 2009 – 2011 Cycle*¹

in the Code represents a change of accounting policy that may require the publication of a restated Balance Sheet as at the beginning of the earliest comparative period (ie a third Balance Sheet) in the 2014/15 financial statements or in the group financial statements where the changes brought about by the amendments to these standards are material. In addition, to the presentation of the third balance sheet, the authority is required to:

- a) include narrative description that the change in accounting policy is as a result of the Code's adoption of the amendments to the standards in question,
- b) set out the nature of the change of the accounting policy,
- c) for the current period and the previous period the amount of the adjustment to each line item in the financial statements affected, to the extent practicable, and
- d) the amount of the adjustments relating to the prior period before the periods presented, to the extent practicable.

The information required above for IFRSs 10, 11 and 12 is provided in accordance with the transitional requirements for these standards (see the Transition Guidance, paragraphs 9.1.2.61 to 9.1.2.69).

~~C.2.5 An authority² shall include an explanation that, from 1 April 2015, transport infrastructure assets^{3,4} will be measured using a depreciated replacement cost (DRC) basis rather than at historical cost (including full retrospective restatement for 2014/15, this will include the restated DRC measurements for infrastructure assets and Revaluation Reserve from 1 April 2014). The explanation shall include known or reasonably estimable information regarding the possible impact that~~

¹ Note CIPFA/LASAAC considers it possible but unlikely that the amendments introduced by *Annual Improvements to IFRSs 2009 – 2011 Cycle* is such a change in accounting policy.

² ~~The current edition of the CIPFA Code of Practice on Transport Infrastructure Assets is only applicable to highways authorities. For other authorities CIPFA/LASAAC understands such transactions are not likely to be material, and therefore concurs that these measurement requirements do not apply to non-highways authorities. The measurement requirements of the Code of Practice on Transport Infrastructure Assets applies where transactions are material.~~

³ ~~As defined in the CIPFA Code of Practice on Transport Infrastructure Assets – note that this does not include tram and light rail or sea/coastal defences.~~

⁴ ~~Subject to the consultation responses on the phasing of the implementation of the measurement requirements this may be defined to refer to carriageways.~~

~~application of the new measurement basis will have on the authority's financial statements, including either:~~

- ~~a) a comparison of the value for transport infrastructure assets included in the balance sheet at 31 March 2015 with the value that would have been shown using a depreciated replacement cost basis setting out the movements from the 1 April 2014 for infrastructure assets and including the impact on the revaluation reserve from 1 April 2014; and~~
- ~~b) a comparison of the amounts included in the Comprehensive Income and Expenditure Statement for 2014/15 in respect of transactions relating to transport infrastructure assets (such as depreciation and impairment) with the amounts (including any revaluation gains and losses) that would have been included using a depreciated replacement cost basis; or~~
- ~~c) if that impact is not known or reasonably estimable, a statement to that effect.~~

Other Changes

C.2.65 Other changes adopted in the 2014/15 Code are not expected to require additional disclosure in the 2013/14 or 2014/15 financial statements. Some changes to the Code relate to changes in circumstances. Other changes clarify the requirements of the Code or provide additional guidance, but do not change the requirements of the Code.

C.2.76 In some cases, the Code refers to accounting standards, but does not incorporate their requirements directly. If an authority is relying on the requirements of the underlying standards, and these have changed, the authority shall make such disclosures as are required to meet the requirements of paragraph 3.3.4.3 of the Code in the 2013/14 financial statements, and shall consider whether the changes will require the publication of a Balance Sheet as at the beginning of the earliest comparative period (ie a third Balance Sheet) in the 2014/15 financial statements.

APPENDIX D

Changes in accounting policies: confirmation of changes to forthcoming editions of the Code

D.1 INTRODUCTION

D.1.1 This Appendix sets out the reporting requirements that CIPFA/LASAAC has agreed for future editions of the Code to enable local authorities to plan for the reporting requirements of the changes listed below.

Adoption of the Measurement Requirements of the Code of Practice on Transport Infrastructure Assets in the 2016/17 Code

D.1.2 CIPFA/LASAAC has agreed that the 2016/17 edition of this Code will adopt the measurement requirements of the CIPFA *Code of Practice on Transport Infrastructure Assets*, as amended in 2013 (or any subsequent amendments to that Code that may be issued), ie measurement on a Depreciated Replacement Cost basis.

D.1.3 This will represent a change in accounting policy from 1 April 2016 and will require full retrospective restatement in accordance with the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 1 *Presentation of Financial Statements* as adopted by this Code. This change to the Code will require the establishment of a separate class of assets for transport infrastructure assets in accordance with the types of assets classified in the *Code of Practice on Transport Infrastructure Assets* (this will require a disaggregation of those transport infrastructure assets from the current infrastructure assets class of assets). The remaining provisions in Section 4.1 of the Code and other sections of the Code will continue to apply to

CD 9 Confirmation of Changes to Future Editions of the Code

transport infrastructure assets in the same way as any other item of property, plant and equipment.

D.1.4 It is recommended that local authorities use the years prior to 2016/17 to establish information collection arrangements to apply full retrospective restatement resulting from the measurement of transport infrastructure assets as authorities are likely to need to provide:

- Opening balances of the assets for 1 April 2015 (ie the opening balances for the relevant transactions for the comparative year), and
- Comparative information on transactions in the preceding year ie 2015/16.

D.1.5 The years preceding the 2016/17 adoption of these measurement requirements will therefore need to be preparatory years to build up the information for full adoption by 1 April 2016. To this effect Appendix C in the *2015/16 edition of this Code* will be able to specify the accounting requirements for the change in accounting policy using the same approach as it does for the requirements of paragraph 3.3.4.3 of the Code, which 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. Therefore the 2015/16 Code is anticipated to include the following disclosure requirements in Appendix C:

- a) An authority shall, where material, disclose the following items in the 2015/16 financial statements (to the extent that the information is known or reasonably estimable):
 - i) narrative, related to the authority's specific circumstances, explaining that transport infrastructure assets are to be recognised as a separate class of property, plant and equipment and measured at depreciated replacement cost for the first time in the 2016/17 financial statements, in accordance with the *CIPFA Code of Practice on Transport Infrastructure Assets* and the recognition, measurement and disclosure requirements of Section 4.1 of this Code
 - ii) the carrying amount of assets expected to be reclassified as transport infrastructure assets ie the original 1 April 2015 measurement at depreciated historical cost
 - iii) the expected amount of any revaluation gains and losses to be recognised on reclassification and remeasurement, and
 - iv) the expected change in depreciation, impairment, revaluation gains and losses, gains and losses for disposals or decommissioned of assets to be recognised (or derecognised) in 2015/16 comparatives in the 2016/17 financial statements.

Minor Amendments Chapter One

- 1.1.1 The *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance and ~~transactions~~ cashflows of a local authority, including group financial statements where a local authority has material interests in subsidiaries, associates or joint ventures.
- 1.1.5 In the unusual event that other statutory provisions require departures from the Code, then those statutory provisions shall be followed. Regard will still need to be given, however, to the need for the Statement of Accounts to give a 'true and fair' view of the financial position, financial performance and ~~transactions~~cashflows of the authority, which may mean the inclusion of additional information in accordance with the provisions of the Code.
- 1.1.7 The Code involves adaptations of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board (IASB) subject to such adaptations as are necessary for the local government context. These will be clearly identified in each chapter or section of the Code. In all other cases, the Code implements the requirements of the International Financial Reporting Standards. Where users experience difficulties interpreting this Code, they shall refer back to the relevant International Financial Reporting Standard or other pronouncement for further guidance. Where adaptations of International Financial Reporting Standards contained in the Code are in line with the guidance contained in International Public Sector Accounting Standards or other reporting standards relevant to the public sector, authorities shall refer to those standards for further guidance.
- 1.3.2 The Code sets out the accounting concepts and accounting principles which underpin the Statement of Accounts. The following points are intended to put some of those requirements in context:
- The overriding requirement of the Code remains that the Statement of Accounts gives a 'true and fair' view of the financial position, financial performance and ~~transactions~~cashflows of the authority. Where there are changes in accounting policies or where the requirements of the Code are not met, then full disclosure and, where relevant, quantification in the Statement of Accounts are required.
 - The Code represents the minimum requirement for disclosure and presentation (subject to materiality) and is not intended to prejudice the provision of further information by authorities.
- 1.4.1 The Code is based on approved accounting standards and also reflects specific statutory accounting requirements. Compliance with the Code is therefore

necessary (save in exceptional circumstances) in order that an authority's accounts give a 'true and fair' view of the financial position, ~~and~~ financial performance and cashflows of the authority.

- 1.6.4 The complete set of financial statements as defined in paragraph 3.4.2.17, and including the, summary of significant accounting policies and notes to the accounts should form the relevant Statement of Accounts for the purpose of the auditor's certificate and opinion. The statements should be published with an audit certificate and opinion in England, Wales and Northern Ireland and with an audit certificate in Scotland. If the published Statement of Accounts has not been audited, this should be stated clearly on the front of the document.

Minor Amendments Chapter Two

- 2.1.1.1 Authorities shall prepare financial statements (including Group Accounts) in accordance with the International Accounting Standards Board (IASB) *Framework for the Preparation and Presentation of Financial Statements* as adapted by this section of the Code.
- 2.1.1.2 In September 2010 the IASB issued the first phase of its new *Conceptual Framework for Financial Reporting 2010* (the Conceptual Framework). Two chapters, chapter 1 'The Objective of General Purpose Financial Reporting' and chapter 3 'Qualitative Characteristics of Useful Financial Information', have been issued. These chapters replace the relevant paragraphs in the *Framework for the Preparation and Presentation of Financial Statements*. It should be noted that the objective of general purpose financial reporting set out in chapter 1 of the IASB Conceptual Framework (paragraph OB2) has been expanded to reflect public sector circumstances. The remaining paragraphs of this chapter would also need to be considered against needs of the users of public sector financial statements (but see also the specific issues relating to paragraph OB10 per paragraph 2.1.2.2).
- 2.1.1.2 Paragraphs 2.1.2.1 and 2.1.2.2 have also been drafted (using the hierarchy of standards that applied in the 2012/13 Code and which is also consistent with the process set out in paragraph 1.1.6 of the Code) from the Accounting Standards Board's *Statement of Principles for Financial Reporting Interpretation for Public Benefit Entities*, from the text of the Code in previous editions and with support from the International Public Sector Accounting Standards Board's (IPSASB) Exposure Draft Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Phase 1).
- 2.1.2.9 **Materiality** – information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting authority. In other words, materiality is an authority-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual authority's financial statements. Consequently, the Code cannot specify a uniform quantitative threshold for

materiality or predetermine what could be material in a particular situation. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the “true and fair” view of the financial position, financial performance and cash flows of the authority financial statements and to the understanding of users.

Minor Amendments Chapter Three

3.4.2.44 As a minimum, the Comprehensive Income and Expenditure Statement shall include line items that present the following amounts for the period:

- a) Gross expenditure, gross income and net expenditure of continuing operations, analysed by service. Authorities shall present the service analysis on the basis of the *Service Reporting Code of Practice*.
- b) Other operating expenditure (comprising precepts (paid to non-principal authorities in England and all authorities in Wales) and levies; payments to the Housing Capital Receipts Pool; and gains or losses on the disposal of non-current assets).
- c) Financing and investment income and expenditure (comprising interest payable and similar charges; net interest on the net defined benefit liability (asset); remeasurements of the net defined benefit liability (asset) for long-term employee benefits recognised in accordance with section 6.2¹; interest income; income, expenditure, and changes in the fair values of investment properties; the surplus or deficit of trading operations which are not allocated back to services; and other investment income).
- d) Surplus or deficit on discontinued operations.
- e) Taxation and non-specific grant income and expenditure (comprising council tax income, NDR distribution, non-domestic rates income and expenditure, unringfenced government grants, and all capital grants and contributions).
- f) Surplus or deficit on the provision of services.
- g) Associates and joint ventures accounted for on an equity basis (Group Accounts only).
- h) Tax expenses (Group Accounts only; taxation of group entities and reporting authority’s share of taxation of associates and joint ventures shall be shown on separate lines).
- i) Group surplus or deficit (Group Accounts only).
- j) Surplus or deficit on revaluation of non-current assets.
- k) Impairment losses on non-current assets charged to the revaluation reserve.
- l) Surplus or deficit on revaluation of available-for-sale financial assets.

¹ Note the recognition of these remeasurements of the net defined benefit liability (asset) is for long-term employee benefits and not post-employment benefits which are recognised in line m).

- m) Remeasurements of the net defined benefit liability (asset).
- n) Share of other comprehensive income and expenditure of associates and joint ventures (Group Accounts only).
- o) Other comprehensive income and expenditure.
- p) Total comprehensive income and expenditure.

3.4.2.65 The amounts to be included (where relevant) in lines a), b) and c) above are as follows:

Operating activities

- a) taxation
- b) grants
- c) housing rents (housing authorities only)
- d) sales of goods and rendering of services
- e) interest received
- f) other receipts from operating activities
- g) cash inflows generated from operating activities (sub-total)
- h) cash paid to and on behalf of employees
- i) housing benefit paid out (housing authorities only)
- j) national non-domestic rate payments to national pool (Scotland and Wales billing authorities only)
- k) precepts paid (billing authorities only)
- l) payments to the Capital Receipts Pool (in England and Wales only)
- m) cash paid to suppliers of goods and services
- n) interest paid
- o) other payments for operating activities
- p) cash outflows generated from operating activities (sub-total)
- q) net cash flows from operating activities.

3.4.2.69 The amounts to be included (where relevant) in lines b), c), e) and f) above are as follows:

Adjust net surplus or deficit on the provision of services for non-cash movements

- a) depreciation
- b) impairment and downward valuations
- c) amortisation
- d) increase/decrease in impairment for bad debts
- e) increase/decrease in creditors
- f) increase/decrease in debtors

- g) increase/decrease in inventories (stock)
- h) movement in pension liability
- i) carrying amount of non-current assets and non-current assets held for sale, sold or derecognised
- j) other non-cash items charged to the net surplus or deficit on the provision of services.

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities

- a) proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
- b) proceeds from the sale of property plant and equipment, investment property and intangible assets
- c) any other items for which the cash effects are investing or financing cash flows.

Investing activities

- a) purchase of property, plant and equipment, investment property and intangible assets
- b) purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
- c) other payments for investing activities
- d) proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets
- e) proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
- f) other receipts from investing activities
- g) net cash flows from investing activities.

Financing activities

- a) cash receipts of short- and long-term borrowing
- b) other receipts from financing activities
- c) cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet service concession arrangements (PFI) contracts
- d) repayments of short- and long-term borrowing
- e) other payments for financing activities
- f) net cash flows from financing activities

3.6.3 Statutory Accounting Requirements

Collection Fund (England)

- 3.6.3.1 The statement shall include a description of the purpose of the statement. The following description is recommended but not mandatory.

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

The accounting statement shall show:

Amounts required by statute to be credited to the Collection Fund

- a) council tax (showing the amount receivable, net of benefits, discounts for prompt payments and transitional relief)
- b) transfers from General Fund – council tax:
 - transitional relief
 - discounts for prompt payment
- c) non-domestic rates (showing the amount receivable, net of discretionary and mandatory reliefs)
- d) transitional protection payments non-domestic rates, if applicable
- e) income collectable in respect of Business Rate Supplements
- f) contributions:
 - towards previous year's Collection Fund deficit – council tax
 - towards previous year's Collection Fund deficit – non-domestic rates
 - adjustment of previous years' community charges

Amounts required by statute to be debited to the Collection Fund

- g) precepts and demands from major preceptors (specify) and the authority – council tax
- h) shares of non-domestic rating income to major preceptors (specify) and the (billing) authority – non-domestic rates
- i) payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to central government by billing authorities
- j) transitional protection payment receivable, if applicable
- k) Business Rate Supplements:
 - payments to levying authority's Business Rate Supplement Revenue Account
 - administrative costs
- l) impairment of debts/appeals for council tax:

- write-offs of uncollectable amounts
 - allowance for impairment
 - m) impairment of debts/appeals for non-domestic rates:
 - write-offs of uncollectable amounts
 - allowance for impairment
 - n) charge to General Fund for allowable collection costs for non-domestic rates
 - o) other transfers to General Fund in accordance with non-domestic rates regulations, reported separately where transfers are material, eg for each major scheme
 - p) contribution:
 - towards previous year's estimated Collection Fund surplus – council tax
 - towards previous year's estimated Collection Fund surplus – non-domestic rates
 - adjustment of previous years' community charges
- Movements on the Collection Fund
- q) movement on fund balance (reported separately for council tax, non-domestic rates, business rates supplements and community charges)
 - r) opening fund balance (reported separately for council tax, non-domestic rates, business rates supplements and community charges)
 - s) closing fund balance (reported separately for council tax, non-domestic rates, business rates supplements and community charges).

Minor Amendments Chapter Six

- 6.3.1.1 Authorities shall account for termination benefits in accordance with IAS 19 Employee Benefits, except where adaptations to fit the public sector are detailed in the Code. IPSAS 25 *Employee Benefits* is based on IAS 19, and provides additional guidance for public sector bodies. The June 2011 changes to IAS 19 have yet to be reflected in IPSAS 25 and where change has not been included in the IPSAS the Code requires authorities not to seek additional guidance from IPSAS 25. Termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. ~~Termination benefits are payable as a result of either:~~
- ~~a) an employer's decision to terminate an employee's employment before the normal retirement date, or~~
 - ~~b) an employee's decision to accept voluntary redundancy in exchange for those benefits.~~

Determining the net defined benefit liability (asset) with sufficient regularity

- 6.4.1.9 The IAS 19 requirement that the net defined benefit liability (asset) shall be determined with 'sufficient regularity' has been adapted by the Code to mean '*between the formal actuarial valuations every three years (and four years for police and firefighters' pension funds), there shall be approximate assessments in intervening years. Acceptable approximations shall include adjusting full valuation results using latest membership data*' (see paragraph 6.4.3.26).
- 6.4.3.26 An authority shall determine the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period. This shall be interpreted to mean that between the formal actuarial valuations every three years (and four years for police and firefighters' pension funds), there shall be approximate assessments in intervening years. Acceptable approximations shall include adjusting full valuation results using the latest available membership data.

Minor Amendments Chapter Seven

Regulations/statutory guidance on acquisition and disposal of share and loan capital

- 7.2.3.7 In England ~~and Wales~~ the acquisition and disposal of 'share ~~and loan~~ capital' (the term used in legislation) is within the scope of the capital controls framework (see part 2 of Appendix B for the legislative basis). In Wales the acquisition and disposal of 'share and loan capital' (again the term used in legislation) is within the scope of the capital controls framework. For example, the acquisition of shares will be required to be incorporated into the statutory capital financing arrangements, with revenue or capital receipts being set aside, or the payment being added to the Capital Financing Requirement to generate Minimum Revenue Provision (MRP). Authorities will need to determine whether any acquisitions or disposals of financial assets are share or loan capital within the meaning of the legislation and account for the statutory requirements.

Minor Amendments Chapter Eight

- 8.2.1.7 IFRIC 1 provides guidance on how to account for the effect of changes in the measurement of existing decommissioning, restoration and similar liabilities recognised as a liability, in accordance with this section of the Code. ~~It is not expected that these transactions will be common for authorities.~~ Where an authority considers it has relevant transactions, it shall refer to IFRIC 1.

Extracts from Appendix B Section 2

Chapter/sec tion	England and Wales	Scotland	Northern Ireland
7.2 Accounting for Financial Liabilities	<p>Premiums and Discounts:</p> <p>SI 2007/573 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007.</p> <p>SI 2007/1051 (W.108) the Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2007.</p> <p>Acquisition of Share or Loan Capital:</p> <p>SI 2003/3146 the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.</p> <p>SI 2004/1010 (W.107) the Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2004.</p> <p><u>SI 2012/265 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2012.</u></p>	<p>Premiums and Discounts:</p> <p>Guidance issued on 30 March 2007 under section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular 4/2007).</p> <p>Acquisition of Share or Loan Capital:</p> <p>Not applicable.</p>	<p>Premiums and Discounts:</p> <p>Not applicable.</p> <p>Acquisition of Share or Loan Capital:</p> <p>Not applicable.</p>

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Chapter/sec tion	England and Wales	Scotland	Northern Ireland
8.2 Provisions (in respect of unequal pay back pay)	<p>SI 2007/573 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007.</p> <p>SI 2010/454 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010.</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

[SI 2013/476 the Local Authorities \(Capital Finance and Accounting\) \(Amendment\) \(England\) Regulations 2010.](#)

SI 2007/1051 (W.108) the Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2007.

SI 2010/685 (W.67) the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2010.

ANNEX

Differences between the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) and the Government's Financial Reporting Manual (the FReM)

Section 2.5 of the Code recognises gains or losses on transfer of a function in the reserves of local authorities. The FReM recognises gains or losses on the net/asset liability resulting from a transfer of a function as a non-operating gain/loss.

Section 3.1 of the Code requires authorities to produce an Explanatory Foreword (note the Code does not include a requirement to prepare a sustainability report, but neither does the Code prevent an authority including such information within its Explanatory Foreword). The FReM requires a directors' strategic report to be produced including the a management commentary (which in turn includes the requirement to produce a sustainability report).

The content of the Statement of Responsibilities in section 3.2 of the Code is less detailed than that in the FReM.

The formats of the financial statements in section 3.4 of the Code are different to those in the FReM, reflecting the differing governance positions and different audiences for the financial statements.

Section 3.8 of the Code includes an adaptation to reflect regulations in respect of the authorised for issue date. No adaptation is required in the FReM.

Section 4.1 of the Code retains the use of the cost model for certain classes of asset (such as infrastructure assets and community assets). All classes of asset are carried at fair value under the FReM.

Section 4.5 of the Code requires intangible assets to be carried at historical cost (less accumulated amortisation and impairment) where no active market exists. The FReM requires such assets to be revalued using indices or some suitable model.

The FReM adapts the recognition of impairment losses in IAS 36 *Impairment of Assets* such that impairment losses that arise from a clear consumption of economic benefit are always taken to the Statement of Comprehensive Net Expenditure, irrespective of whether there is an accumulated revaluation surplus for the asset. The Code does not include this adaptation.

Section 4.8 of the Code permits authorities to select an accounting policy of expensing or capitalising borrowing costs on qualifying assets (IAS 23 *Borrowing Costs* requires borrowing costs in respect of qualifying assets to be capitalised). The FReM includes a different adaptation.

Unlike the FReM, section 4.9 of the Code withdraws the option to present assets held for sale in the notes as opposed to on the face of the Balance Sheet.

Section 6.2 of the Code permits authorities to account for certain long-term disability payments in the same way as post-employment benefits. This is not permitted by the FReM.

The FReM specifies the presentation of the pension liabilities in pension fund accounts whereas section 6.5 of the Code retains the options set out in IAS 26.

Chapter seven of the Code includes minor adaptation and additional guidance covering 'regular way' trades of financial assets; a prohibition on the designation of the category of a financial instrument; soft loans advanced and received by an authority – 'prevailing interest rate'; Lender Option Borrower Option Loans (LOBOs); accounting for immaterial transaction costs on initial recognition; and exchanges of debt instruments. These are not included in the FReM.

For provisions, where the cash flows to be discounted are expressed in current prices, the FReM requires that entities should use the real discount rates set by HM Treasury. The Code does not include any adaptations of IAS 37.

Chapter nine of the Code requires an authority to produce Group Accounts where it has investments in associates and/or interests in joint ventures (~~jointly controlled entities~~) but no interests in subsidiaries. ~~The Code also defines an 'investor in a joint venture' as applying to a local authority when it has an interest (which need not be an investment) in that joint venture, but does not have control over that joint venture.~~ The FReM includes criteria for the consolidation of entities into the departmental accounting boundary based on control criteria used by the Office for National Statistics for sector classification purposes (rather than the provisions of IFRS) which are not relevant to local authorities.

In addition, a number of sections of the Code incorporate additional guidance on non-exchange transactions that is not explicitly included in the FReM. These adaptations of IAS 39 are in sections 2.7, 5.3 and 8.1 of the Code.

~~In addition the Code does not include any gains or losses on the net assets or liabilities transferred under local government reorganisation or other public sector combinations as a non-operating gain/loss but as a reserve transfer. Chapter four of the FReM recognises gains or losses on the net/asset liability resulting from a transfer of a function as a non-operating gain/loss.~~