

report

CL 04 10-10

Board	CIPFA/LASAAC Local Authority Code Board
Venue	CIPFA Offices, Robert Street, London
Date	27 October 2010
Author	Paul Mason
Subject	Analysis of Responses to Consultation on 2011/12 Code

Purpose

To report on the responses to the 2011/12 Code of Practice on Local Authority Accounting consultation exercise.

1 Introduction

- 1.1 In total there were 27 responses (listed at Appendix A) to the public consultation on the draft 2010/11 IFRS-based Code. Respondents supported most proposals, although some issues of detail were raised.
- 1.2 The responses received are summarised below, section by section, followed by the Secretariat's comments and suggestions. Issues of principle are considered in the main body of the report. Other issues, including minor corrections of the exposure draft text, are detailed in Appendix B.
- 1.3 Copies of the responses received will be made available to Board members electronically on request.

2 Summary of Responses

- 2.1 Responses to the consultation are summarised below. For each section of the Invitation to Comment, the report summarises the number of responses to the questions and any issues of principle raised, along with the Secretariat's recommendations. Minor issues are considered in Appendix B.

Accounting for Heritage Assets

Question	Agree	Disagree	No Comment
1 Do you agree that the Code accurately incorporates the requirements of FRS 30?	18 (67%)	3 (11%)	6 (22%)
2 Do you agree that the definitions within the Code clearly define the boundary between heritage assets and community assets?	18 (67%)	6 (22%)	3 (11%)

The following issues of principle were raised:

Issue	Secretariat Response
<p>Two respondents disagreed on the basis that there was no need to depart from the current community assets approach.</p>	<p>CIPFA/LASAAC has already agreed that the requirements of FRS 30 should be adopted, and this was the basis that FRAB agreed that the requirements need not be introduced in 2010/11.</p>
<p>One respondent disagreed on the basis that the Code departed from the requirements of FRS 30 by introducing a new category of 'operational heritage assets'. The same respondent suggested that the test of a heritage asset ('held and maintained principally for its contribution to knowledge and culture') should be the primary test.</p>	<p>The Exposure Draft was intended to incorporate the requirements of FRS 30 with no variation. However, wording taken from the FReM could be read in such a way as to suggest that the Code requires a class of operational heritage assets. Additional text has been added to clarify this matter. In addition, the order of the paragraphs in the definitions section has been amended to place the emphasis on the 'held and maintained' test, with other text providing guidance on that test. Additional guidance from the Appendix 1 to FRS 30 has been paragraph 4.10.2.7 regarding operational assets.</p>
<p>A number of respondents have raised concerns about valuation issues.</p> <p>The cost of obtaining valuations is one concern, with one respondent expressing a preference for excluding heritage assets from the balance sheet but providing enhanced note disclosures.</p> <p>One respondent expressed concern that paragraph 4.10.2.8 (normally measured at fair value) might conflict with paragraph 4.10.2.6 (information on cost or value cannot be obtained at a cost which is commensurate with the benefits to users)</p>	<p>CIPFA/LASAAC is asked to confirm its previous decision that heritage assets should normally be carried at valuation; FRS 30 requires heritage assets to be carried in accordance with FRS 15, where an entity would have an option to carry at cost (although valuation is encouraged).</p> <p>Paragraph 4.10.2.8 has been amended to ensure consistency with paragraph 4.10.2.6.</p> <p>Additional guidance on valuation (for example, acceptability of insurance valuations as the basis for the carrying amount) will be included in the Guidance Notes. CIPFA/LASAAC is asked whether any additional guidance is required in the Code.</p>
<p>Whilst the majority of respondents agreed that the distinction between heritage assets and community assets was clear, a significant minority expressed concerns. Suggestions for further examples were provided, and one respondent requested a definitive list of heritage assets.</p>	<p>Additional examples added to the draft text. However, a definitive list of heritage assets is neither feasible nor desirable.</p> <p>Clarification that heritage assets contained within a community asset are accounted for separately added.</p>

Issue	Secretariat Response
<p>One respondent requested guidance regarding a heritage asset contained within a community asset (for example, an historic bridge within a park).</p> <p>One respondent expressed the view that the rationale for the distinction between a heritage asset and a community asset (heritage assets held in trust for future generations, community assets held primarily for current use) was insufficient clear.</p>	<p>The Secretariat agrees that the rationale for the distinction between heritage and community assets is not sufficiently precise. On reflection, the secretariat believes that a better rationale is whether the service potential of the asset could be replaced by another asset. For example, the service potential of a park could be replaced by another piece of land; the service potential of a historical site (eg Stonehenge) or a site of environmental or geophysical interest (for example, an SSSI, Giant's Causeway, etc.) could not be replaced by another piece of land.</p> <p>The Code has been amended to reflect this rationale, and CIPFA/LASAAC is asked for its views on this rationale and the wording of the Code.</p>
<p>One respondent noted that the fair value definition of heritage assets included the phrase 'Where no market for the heritage asset exists, fair value is the replacement cost of the asset' and questioned whether replacement cost was appropriate for heritage assets.</p>	<p>The Secretariat considers that the phrase is redundant, and it has been removed from the definition. In many cases, heritage assets will be irreplaceable. Where there is a replacement asset available (for example, more than one example of a particular Ming vase might exist), the replacement cost would be the market value.</p>
<p>The Charity Commission has suggested that it would be beneficial to require the community assets to be differentiated between charitable assets held on Trust and other assets. This would enhance the stewardship information available and facilitate local authorities when managing charitable assets to comply with charity law as to their use, preservation and disposal.</p>	<p>CIPFA/LASAAC's views are sought.</p>
<p>Paragraph 3.3.4.3 of the Code noted that disclosure requirements relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted are expected to be included in a subsequent edition of the Code.</p>	<p>Appendix C has been added to the Code to provide details of the required disclosures; it is anticipated that disclosures will only be required in respect of heritage assets.</p> <p>Does CIPFA/LASAAC agree with the proposed disclosure requirements?</p>

Accounting for Carbon Reduction Commitment Allowances

[NOTE: A number of changes (including the removal of income from recycled allowances) were announced in the Comprehensive Spending Review. A revised section, and list of points for consideration, will be presented at the meeting.]

Question	Current	Intangible	No Comment
3 Should allowances be recognised as current assets or as intangible assets?	18 (67%)	0 (0%)	9 (33%)

Question	Agree	Disagree	No Comment
4 Do you agree that a liability and an expense should be recognised as energy is consumed?	18 (67%)	2 (7%)	7 (26%)
5 Do you agree that income from recycled allowances should be recognised as it becomes receivable?	20 (74%)	0 (0%)	7 (26%)

The following issues of principle were raised:

Issue	Secretariat Response
<p>Respondents to both the Code consultation and the parallel FReM consultation generally supported the approach of classifying allowances as current assets unless they were intended to be held for more than 12 months.</p> <p>At its meeting on 7 October, FRAB discussed the accounting arrangements for the CRC scheme to be incorporated into the FReM. FRAB agreed that allowances should be classified as intangible assets within the scope of IAS 38, and classified as either current or non-current depending on whether they were to be held or less than or more than 12 months. This decision was informed by decisions made by the IFRIC, albeit these decisions have not lead to an interpretation being issued. It was felt that until the IASB consider the issue further, and there is further information regarding the impact on entities, no departure from the standards should be incorporated.</p>	<p>The Secretariat proposes requiring classification as current intangible assets. This will ensure that there are no circumstances in which the purchase of allowances will fall within the capital control regime.</p> <p>CIPFA/LASAAC is asked for its views as to whether it is appropriate for the Code to exclude allowances from the definition of 'capital expenditure' in this manner, or whether the matter should be left for government regulation.</p> <p>Classification of the allowances as current intangible assets will result in revaluation gains and losses normally being taken to the Revaluation Reserve. It is acknowledged that this may result in a mismatch between the income and expenditure recognised in the Comprehensive Income and Expenditure Statement, although this is not expected to have any significant budgetary impact (the difference being the timing of the recognition of revaluation gains in respect of allowances not used in year).</p>

Issue	Secretariat Response
	<p>Classification and measurement of the allowances as current intangible assets means that the treatment of CRC allowances is not consistent with the treatment in the Code for the Landfill Allowance Scheme in England and Scotland.</p>
<p>One respondent to the FReM consultation suggested the liability should be recognised as a creditor rather than a provision.</p>	<p>CIPFA/LASAAC is asked for its views on the classification of the liability. As the market price and number of allowances required will be known at the date the accounts are authorised for issue, the uncertainty inherent in a provision may not exist.</p>
<p>A number of respondents asked for clarification of the timing of recognition of the liability and the expense.</p>	<p>The Code currently requires recognition “as energy is used”, which could imply recognition throughout the year, potentially at different market rates. It is proposed to add the following sentence to the end of paragraph 2.4.2.12 to clarify that recognition of the expense at the end of the year would be acceptable.</p> <p>“The requirements of this paragraph can be met by recognising the liability and expense for the financial year at the end of the reporting period, measured at the market price of the number of allowances required as at 31 March in the relevant year.”</p> <p>Does CIPFA/LASAAC agree with this approach? Will this cause any problems for government returns (eg CLG quarterly reporting)?</p>
<p>One respondent suggested that the Code should recognise the possibility of authorities selling allowances.</p>	<p>New paragraph 2.4.2.13 added:</p> <p>“Where an authority sells allowances, it shall derecognise the assets, and recognise any gain or loss on disposal in Surplus or Deficit on the Provision of Services.”</p>
<p>One respondent asked whether assets and liabilities should be netted off as with pensions.</p>	<p>Netting off should not take place, as this will not provide meaningful information regarding an authority’s performance or position as at the reporting date. The following sentence has been added to paragraph 2.4.4.1:</p>

Issue	Secretariat Response
	"Assets and liabilities, and income and expenditure shall not be netted off against each other."
A number of respondents suggested that the income from recycled allowances should be treated as grant income.	Agreed; words "as grant income" added to paragraph 2.4.2.14 (2.4.2.13 in the Exposure Draft)
One respondent commented that the section of the Code covering the Landfill Allowance Trading Scheme needed reviewing.	The Secretariat concurs with this view, and has updated the section to bring the treatment in line with the treatment for the CRC scheme (in practice, this relates to the valuation of assets). CIPFA/LASAAC is asked for its views on whether it supports changing the accounting requirements for LATS to bring it in line with the treatment being proposed for the CRC scheme.

Accounting for the Community Infrastructure Levy

Question	Agree	Disagree	No Comment
6 Do you agree with the CIPFA/LASAAC's conclusion that the Community Infrastructure Levy (CIL) is a non-exchange transaction?	18 (67%)	0 (0%)	9 (33%)
7 Do you agree with CIPFA/LASAAC's conclusion that the requirement to apply CIL to fund infrastructure amounts to a restriction rather than a condition?	17 (63%)	1 (4%)	9 (33%)

The following issues of principle were raised:

Issue	Secretariat Response
A number of respondents stated that, although CIL receipts must be used to fund infrastructure, the regulations did not preclude using CIL receipts to fund maintenance of infrastructure. This would be consistent with existing arrangements.	Agreed. The regulations are less narrow than originally thought. The section has been redrafted accordingly. CIPFA/LASAAC is asked whether it supports a recommendation that unallocated CIL is maintained in an earmarked reserve, and if so, whether this should be a recommendation (as drafted) or a requirement. An alternative approach would be to require that element of the CIL receipts that will

Issue	Secretariat Response
	<p>be used to fund capital expenditure to be transferred to capital grants unapplied.</p> <p>It is also recommended that the financing of capital expenditure via CIL receipts is reported separately.</p>
A number of respondents strongly objected to the proposal to transfer unallocated CIL receipts to the Capital Receipts Reserve on the basis that the receipts did not meet the statutory definition of a capital receipt.	Agreed. The conclusion above that the receipts are not restricted to capital also means that use of the Capital Receipts Reserve is not appropriate. As discussed above, the use of an earmarked reserve is recommended.

Accounting for the Business Rate Supplements

Question	Agree	Disagree	No Comment
8 Do you agree with the CIPFA/LASAAC's conclusion that Business Rate Supplements (BRS) are non-exchange transactions?	15 (56%)	0 (0%)	12 (44%)
9 Do you agree with CIPFA/LASAAC's conclusion that the requirement to apply BRS to fund specific projects, with income refunded if not spent at the end of the scheme, amounts to a condition?	14 (52%)	1 (4%)	12 (44%)

The following issues of principle were raised:

Issue	Secretariat Response
Two respondents, including the Greater London Authority (which is currently the only levying authority) expressed concern that whilst the Exposure Draft reflected the requirements of IPSAS 23, it did not reflect the requirements of the regulations that the Business Rate Supplement Revenue Account be credited with income as it was received.	<p>Agreed. The statutory accounting requirements have been extensively rewritten to ensure that the Business Rate Supplement Revenue Account is accounted for in accordance with the regulations, whilst at the same time complying with IPSAS 23 in the Comprehensive Income and Expenditure Statement.</p> <p>Given the extensive rewrite, CIPFA/LASAAC is asked to consider this section in detail.</p>
Respondents requested guidance on refunds to companies that have gone out of existence, and on the treatment of interest earned on the BRSRA cash balances.	These are matters for regulation. It should be noted that the credits to the account set out in regulations do not include interest on cash balances.

Issue	Secretariat Response
One respondent requested guidance on the disclosures required in the Collection Fund Account note.	The note has been amended to include the BRS transactions.

Remuneration Reporting

Question	Agree	Disagree	No Comment
10 Do you agree that the amendments to the Code in respect of remuneration reporting reflect the revised Accounts and Audit Regulations?	17 (63%)	0 (0%)	10 (37%)
11 Do you agree with the proposal to require the disclosure of information in relation to exit packages in the notes to the accounts?	16 (59%)	3 (11%)	8 (30%)

The following issues of principle were raised:

Issue	Secretariat Response
Respondents agreed that the Code text reflected the requirements of the regulations, although a number of respondents requested that definitions in the regulations were clarified.	This is a matter for governments. Communities and Local Government are expected to issue consolidated Accounts and Audit Regulations, and it is anticipated that any discrepancies will be resolved in those regulations. WAG?
In respect of the statutory disclosures, one respondent suggested that it should be mandatory to disclose schools staff separately from other staff as the authority would have control over schools. One respondent suggested that the word 'senior' in respect of police officers should be removed, and all police officers disclosed.	The wording of the Code reflects the wording of the regulations. Whilst the additional disclosures may be helpful, these can be provided on a voluntary basis, and the Secretariat does not consider it appropriate to extend the disclosures beyond those set out in the regulations.
The Scottish Government is consulting on the introduction of a remuneration report for Scottish authorities.	The Code text has been amended to reflect the possibility that regulations or statutory guidance may require more detailed disclosures than those set out in the Code.
Whilst most respondents agreed with the proposals for disclosing exit packages, a number of concerns were raised. Exit packages may be negotiated to include confidentiality / compromise agreements. Disclosure of the amounts	The FRAB considered an equivalent disclosure requirement in the FReM at its meeting on 7 October. It agreed that the disclosure should be implemented in line with the consultation; no changes were made. Appendix C shows the detailed

Issue	Secretariat Response
<p>in bands could lead to an individual being identified, and breach the agreements. Respondents suggested that disclosure of the total number and amount of packages may be sufficient, with additional detail being supplied to central government if required.</p> <p>Some respondents considered that alternative presentations would be more helpful.</p>	<p>comments received from respondents.</p> <p>Whilst the confidentiality issue is clearly a concern for authorities, information in respect of senior officers will already be disclosed in England and Wales (and may be required in Scotland if the requirement to produce a remuneration report is implemented). It is possible that disclosure of the information in bands would be insufficient to identify other officers.</p> <p>The Secretariat recommends that the disclosure is included on the same basis as in the FReM. CIPFA/LASAAC is asked for its views on this issue.</p>

Authorised for Issue

Question	Agree	Disagree	No Comment
12 Do you agree that the amendments to the Code in respect of the authorised for issue process in Wales reflect the revised Accounts and Audit Regulations?	3 (11%)	0 (0%)	24 (89%)

No issues were raised on this area of the Code. No changes to the Exposure Draft are proposed.

CIPFA Statement on the Role of the Chief Financial Officer

Question	Agree	Disagree	No Comment
13 Do you agree that the Code should require that authorities include a statement regarding compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in their Annual Governance Statement?	20 (74%)	1 (4%)	6 (22%)

The following issue of principle was raised:

Issue	Secretariat Response
The one respondent that disagreed with the proposal was the Metropolitan Police Service, on the grounds that – for the police service only – it would be	CIPFA/LASAAC is asked to consider whether it would be appropriate to defer implementation of this requirement for the police service in

Issue	Secretariat Response
appropriate to defer implementation of this requirement until the proposals contained in the Home Office consultation "Policing in the 21st Century" were in place. These include the abolition of Police Authorities and the election of Police and Crime Commissioners, and may alter the role of the CFO.	England and Wales. No other changes to the Exposure Draft are proposed.

Other minor changes reflecting revisions to accounting standards, codes and legislation

Question	Agree	Disagree	No Comment
14 Do you agree that the amendments to the Code accurately reflect the amendments to accounting standards?	15 (56%)	0 (0%)	12 (44%)
15 Do you agree that the amendments to the Code accurately reflect the regulations and statutory guidance introduced to mitigate the impact of the transition to IFRS?	17 (63%)	1 (4%)	9 (33%)
16 Do you agree with the proposals to rationalise the accounts required by the Code?	18 (67%)	2 (7%)	7 (26%)
17 Are there any further accounting standards or legislative changes that need to be reflected in the Code?	4 (15%)	0 (0%)	23 (85%)

The following issues of principle were raised:

Issue	Secretariat Response
Whilst respondents agreed that the amendments to the Code accurately reflected regulations and statutory guidance introduced to mitigate the impact of the transition to IFRS, two respondents requested additional mitigation in relation to long leases (as a lessor) and MRP in relation to components (where under some methods, increased MRP might be chargeable on some components).	This is a matter for governments to consider. Mitigation is already in place for existing leases in England and Wales, where the governments took the view that new leases were within an authority's control.
Whilst most respondents felt that the proposals to consolidate the adjustment accounts would be helpful, one respondent pointed out that only two figures are currently required on the face of the balance sheet – usable	The Secretariat concurs. Authorities will need to maintain all the accounts they currently maintain for management purposes. There is a risk that consolidation of the accounts could lead to a loss of control if authorities

Issue	Secretariat Response
reserves and unusable reserves. They questioned what benefit the consolidation would bring.	<p>replicate the consolidation in their ledgers. The proposal required separate disclosure of the consolidated accounts and a breakdown of their makeup; this could lead to minimum disclosure in the balance sheet, followed by disclosure of the consolidated accounts in the Notes, and a further breakdown of the makeup of these accounts – potentially more disclosure than is currently required.</p> <p>The Secretariat proposes that the existing adjustment accounts are maintained, with greater guidance on the minimum requirements of the Code made available. CIPFA/LASAAC is asked for its views on this proposal.</p>
The Scottish Government has issued regulations establishing a pension account for the police and fire services, and requiring LGPS administering authorities to produce a pension fund annual report.	Section 6.5 has been updated to reflect the regulations. CIPFA/LASAAC is asked for its views as to whether the amended text adequately captures the requirements of the regulations.

Further Guidance

Question	Yes	No	No Comment
18 Are there any areas within the Code where additional guidance or improvements to the Code would be helpful?	14 (52%)	2 (7%)	11 (41%)

The following issues of principle were raised:

Issue	Secretariat Response
One respondent requested the reinstatement of the SORP note on trust funds where the authority acts as the sole trustee. This will ensure authorities comply with the requirements of section 106 of the Local Government (Scotland) Act 1973.	Added to paragraph 3.4.4.1
One respondent suggested that more detailed guidance was required in the Code in respect of the valuation of surplus assets.	<p>The following paragraph has been added to the fair value table in paragraph 2.1.2.26:</p> <p>“The fair value of surplus assets should be based on the existing use value of the asset in its last operational use,</p>

Issue	Secretariat Response
	<p>unless there are plans to develop the asset for a different use, when the value should be based on the existing use value of the asset in its intended use.”</p> <p>This approach is explained in the Transition Guidance Notes:</p> <p>“It should be noted that market value is not generally acceptable as a valuation basis for surplus assets under the Code. Surplus assets are a sub-class of property, plant and equipment, and the Code requires such assets to be carried at existing use value. This is also in line with the general principles within section 4.9 of the Code and IFRS 5 that losses on assets being held for disposal are recognised immediately, but gains are only recognised when they are realised on disposal. Allowing assets to be revalued to market value (which may be greater than the existing use value) would result in unrealised gains being recognised where an asset was declared surplus, but did not meet the criteria to be classified for sale. However, where the asset did meet the criteria to be classified as held for sale, no such gains would be recognised. The Code avoids this inconsistency by requiring all property, plant and equipment – including surplus assets – to be carried at existing use value.”</p> <p>CIPFA/LASAAC is asked whether it supports this approach, and if not, what guidance should be included for valuing surplus assets.</p>
<p>One respondent noted that the list of items to be presented in the balance sheet was inconsistent in that some items that could occur as both current and non-current items were listed twice, but others were not.</p>	<p>The list of items has been amended so that each item only occurs once. Items (such as debtors) that could be both current and non-current are asterisked, and a note explaining these items should be presented according to their classification as current or non-current added. Note that changes are shown in Section 2b as changes regarding heritage assets are also required in this list.</p>
<p>One respondent commented “Accounting standards require finance</p>	<p>The Secretariat agrees that there is an inconsistency between the Code and the</p>

Issue	Secretariat Response
<p>leases to be included in financial instruments disclosures, but the Code excludes leases from the whole of its financial instruments chapter. It is not clear whether or not this is deliberate, but some clarification is required. Guidance on the inclusion (or otherwise) of PFI liabilities in financial instruments disclosures is also needed."</p>	<p>accounting standards. The Code (paragraph 7.1.2.2) has been amended to bring the Code in line with accounting standards. Note that changes are shown in Section 9b as other changes are included there.</p>
<p>One respondent noted that "The HM Treasury Review NHS Charities Review Panel has yet to report on IAS 27 and the proposed consolidation of charitable assets and funds held on Trust NHS bodies. The Code should have regard to the outcome of this review which may set a wider precedent."</p>	<p>The Secretariat proposes keeping this topic under review. If the HM Treasury Review sets a precedent that requires changes to the Code, and these are identified prior to publication of the Code, it is proposed that any changes are agreed by CIPFA/LASAAC electronically.</p>
<p>A Technical Enquiry received highlighted a potential inconsistency between IAS 40 and IFRS 5. IAS 40 only permits assets to be transferred out of the investment property classification in limited circumstances. However, IFRS 5 (non-current assets held for sale) only exempts investment property from the measurement requirements of that standard, not the classification requirements. The Code currently follows IAS 40 and does not permit investment properties to be transferred to non-current assets held for sale.</p>	<p>To avoid this conflict, it is proposed that investment properties that meet the criteria to be classified as held for sale under IFRS 5 are reported separately in an 'investment properties held for sale' category. This would also be consistent with the general requirements regarding the presentation of current and non-current assets.</p> <p>CIPFA/LASAAC is asked to consider if it supports this approach.</p>

Further issue may be identified when the Local Authority Accounting Panel completes its development of the 2010/11 Guidance Notes. It is proposed that any changes to the Code that are required are agreed by CIPFA/LASAAC electronically.

Financial Reporting

Question	Yes	No	No Comment
<p>19 Are there any disclosures within the Code that could be removed while remaining compliant with relevant IFRS requirements?</p>	<p>5 (19%)</p>	<p>6 (22%)</p>	<p>16 (59%)</p>

The following issues of principle were raised:

Issue	Secretariat Response
<p>One respondent suggested that the Cash Flow statement and related notes could be withdrawn as these are less relevant to the public sector.</p>	<p>The Secretariat does not support this suggestion. No changes to the Code are proposed.</p>
<p>A number of respondents suggested that pension disclosures could be reduced by referring to the actuaries report.</p>	<p>Given the current focus on pensions, the Secretariat does not support this approach. However, it is felt that it would be appropriate to review this suggestion when other changes to pension reporting are introduced, for example, if pension funds were to be reported outside the administering authority's main statement of accounts.</p>
<p>A number of respondents suggested that the financial instruments disclosures could be simplified.</p> <p>One suggestion was to refer users to the treasury management statement rather than summarise the policies in the accounts.</p>	<p>The disclosures reflect the requirements of the accounting standards, and have not changed since the SORP. The degree of disclosure required will vary from authority to authority depending on the type of transactions entered into, and for some authorities it may be possible to omit some disclosures on the grounds of materiality. However, other authorities will need to make all the disclosures in the Code. As respondents did not identify any specific disclosures that are not required, the Secretariat proposes that no changes are made in the 2011/12 Code but that the situation be kept under review.</p>
<p>One authority suggested that a working group be set up to review the accounts following the closure of the 2010/11 accounts.</p>	<p>The Secretariat supports this suggestion. However, it should be noted that the 2012/13 Code is expected to be out for consultation before the 2010/11 accounts are finally signed off.</p>

- 2.2 In addition to the above issues, further changes will need to be made to the Code to bring it up to date, as follows.
- 2.3 At the end of each section, there are currently a number of paragraphs outlining the changes since SORP 2009. Where the requirements have changed between the 2010/11 Code and the 2011/12 Code, these paragraphs have been updated as part of the redrafting process. Where the requirements have not changed, these paragraphs will need to be deleted and replaced with the sentence "There have been no changes since the 2010/11 Code."
- 2.4 LAAP has recently agreed that BVACOP should be renamed the "Service Reporting Code of Practice (SeRCOP)". References throughout the Code will need to be updated.

- 2.5 Depending on the decision made by CIPFA/LASAAC regarding the amalgamation of adjustment accounts, the names of the various accounts throughout the Code may need to be updated.
- 2.6 It is proposed that once all these changes, and changes arising out of CIPFA/LASAAC decisions, have been made, a complete draft of the Code (with changes in mark-up) will be circulated for final approval.

Recommendation

CIPFA/LASAAC is asked to approve the changes made to the text of the 2010/11 IFRS-based Code, and to determine the approach to be taken in the areas discussed above, and summarised below.

Heritage Assets

CIPFA/LASAAC is asked to confirm its previous decision that heritage assets should normally be carried at valuation; FRS 30 requires heritage assets to be carried in accordance with FRS 15, where an entity would have an option to carry at cost (although valuation is encouraged).

CIPFA/LASAAC is asked whether any additional guidance on the valuation of heritage assets is required in the Code, or whether this is better provided elsewhere.

CIPFA/LASAAC is asked for its views on the revised rationale for the distinction between heritage assets and community assets, and the wording of the Code.

CIPFA/LASAAC is asked for its views on differentiating between charitable assets held on Trust and other assets.

Does CIPFA/LASAAC agree with the proposed disclosure requirements for the 2010/11 financial statements set out in Appendix C?

Carbon Reduction Commitment Scheme

CIPFA/LASAAC is asked for its views as to whether it is appropriate for the Code to exclude allowances from the definition of 'capital expenditure' in this manner, or whether the matter should be left for government regulation.

CIPFA/LASAAC is asked for its views on the classification of the liability. As the market price and number of allowances required will be known at the date the accounts are authorised for issue, the uncertainty inherent in a provision may not exist.

Does CIPFA/LASAAC agree with this approach to measuring the liability (ie that it is permissible to only measure the liability at the end of the financial year)? Will this cause any problems for government returns (eg CLG quarterly reporting)?

CIPFA/LASAAC is asked for its views on whether it supports changing the accounting requirements for LATS to bring it in line with the treatment being proposed for the CRC scheme.

Community Infrastructure Levy

CIPFA/LASAAC is asked whether it supports a recommendation that unallocated CIL is maintained in an earmarked reserve, and if so, whether this should be a recommendation (as drafted) or a requirement.

Business Rate Supplements

Given the extensive rewrite, CIPFA/LASAAC is asked to consider this section in detail.

Remuneration Reporting

The Secretariat recommends that the disclosure is included on the same basis as in the FReM (ie no changes to the Exposure Draft). CIPFA/LASAAC is asked for its views on this issue.

Role of the Chief Financial Officer

CIPFA/LASAAC is asked to consider whether it would be appropriate to defer implementation of this requirement for the police service in England and Wales given the proposed structural changes to police authorities.

Other minor changes reflecting revisions to accounting standards, codes and legislation

The Secretariat proposes that the existing adjustment accounts are maintained, with greater guidance on the minimum requirements of the Code made available. CIPFA/LASAAC is asked for its views on this proposal.

Section 6.5 has been updated to reflect the revised regulations regarding pensions in Scotland. CIPFA/LASAAC is asked for its views as to whether the amended text adequately captures the requirements of the regulations.

Further Guidance

CIPFA/LASAAC is asked whether it supports the proposed valuation approach for surplus assets, and if not, what guidance should be included for valuing surplus assets.

The Secretariat proposes keeping the issue of charities consolidation under review. If the HM Treasury Review sets a precedent that requires changes to the Code, and these are identified prior to publication of the Code, it is proposed that any changes are agreed by CIPFA/LASAAC electronically.

CIPFA/LASAAC is asked to consider if it supports the proposed approach in respect of investment properties that meet the criteria to be classified as held for sale under IFRS 5.