

## Summary of Changes to the Code of Practice since the close of the Consultation

Key decisions or changes to the underlying principles are highlighted in bold. Minor corrections are not included in this report.

Chapter / Section	Key Changes
Chapter 1 Introduction	Guidance has been added covering the treatment of the Common Good funds in Scotland. A reference to the Whole of Government Accounts has been added.
2.1 Concepts	A summary of how "fair value" is to be interpreted throughout the Code has been included, and reference to infrastructure being carried at cost added.  The exposure draft referred to "exceptional" non compliance with the Code where items were not material. The word "exceptional" has been removed as there may be a number of cases where authorities do not make disclosures detailed in the Code because they are not material.
2.2 Business Improvement District (BID) Schemes	None
2.3 Government and Non-Government Grants	<b>CIPFA/LASAAC agreed that grants and contributions for capital purposes are to be recognised as income in the Comprehensive Income and Expenditure Statement when they are received (subject to any outstanding conditions) rather than being deferred, and income matched to depreciation.</b>
2.4 Landfill Allowance and other 'Cap and Trade' Schemes	Wording changed from "value of the allowances will be nil" to "value of the allowances is likely to be nil" where there is no evidence of an active market.  Respondents to the consultation requested guidance on the Carbon Reduction Commitment (CRC) scheme. Following the recent government policy decision that 2010/11 will be a reporting-only year, this is no longer required.
2.5 Machinery of Government Changes	None

Chapter / Section	Key Changes
2.6 Principal and Agent Transactions	None
2.7 Revenue Recognition	None
2.8 Tax Income (Council Tax etc.)	None
2.9 Value Added Tax	None
3.1 Explanatory Foreword	The list of recommended subject areas has been extended to include the effects of the current economic climate, and changes in accounting policies extended to cover the transition to IFRS.
3.2 Statement of Responsibilities	None
3.3 Accounting Polices, Changes in Accounting Estimates and Errors	<p>Guidance on "impracticable" and "fundamental" has been added to the section.</p> <p>The Code now incorporates a cut-off date for considering the effect of future changes to accounting standards.</p>
3.4 Presentation of Financial Statements	<p>Descriptions of the purpose of financial statements are optional on the face of the statement.</p> <p>The requirement to include balance sheet information as at the beginning of the comparative period on transition to IFRS, and following the retrospective implementation of an accounting policy change has been clarified.</p> <p>Some minor amendments to the format of the Movement in Reserves Statement have been made.</p> <p>The Balance Sheet format has been amended following the decision to amend the treatment of capital grants and contributions.</p> <p>The Code text has been amended to avoid the implication that all investments of less than three months should be considered "cash equivalents".</p>

Chapter / Section	Key Changes
	<p>The transition arrangements (chapter 10) have been amended to clarify that cash balances on the 31 March 2009 balance sheet will need to be split between cash and cash equivalents on the opening IFRS balance sheet.</p> <p>Some amendments to the required disclosures have been made.</p>
3.5 Housing Revenue Account	None
3.6 Collection Fund etc.	None
3.7 Internal Control Statements	None
3.8 Events after the Reporting Period	None
3.9 Related Party Disclosures	<p>Clarification that the disclosure requirements of key management personnel under IAS 24 are satisfied by the disclosure requirements for officer remuneration and members' allowances in section 3.4 of the Code has been added.</p>
4.1 Property, Plant and Equipment	<p>Text has been amended to clarify the valuations can be carried out on a rolling five year basis, or once every five years.</p> <p><b>Clarification of the difference between an impairment loss and a revaluation loss, and confirmation that revaluation losses charged to the Comprehensive Income and Expenditure Account can be reversed where there is a subsequent revaluation gain have been added to the text.</b></p> <p>The Code has been amended to clarify that component accounting requirements can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.</p>

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4.2 Leases	<p>The text has been amended to clarify the classification of leases of land as either finance or operating leases: "When the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term (i.e. in determining whether the land element is an operating or finance lease, an important consideration is that land normally has an indefinite life; a lease of land may be a finance lease where the title does not pass to the lessee by the end of the lease term if consideration of all the factors leads to this conclusion)."</p>
4.3 PFI and PPP Arrangements	<p>Additional guidance has been included in the meaning of "separable".</p> <p>Guidance included in the SORP but not the exposure draft has been reinstated.</p> <p>Disclosures required by SIC 29 have been added to the section.</p>
4.4 Investment Property	<p>The definition of investment property has been clarified (including clarification that social housing is providing a service and therefore does not meet the definition of investment property).</p> <p><b>Clarification has been added to the Code to confirm that, provided it does not result in a material difference, it is acceptable to include investment properties in a five-yearly revaluation programme.</b></p> <p>Reference to impairment of investment property has been replaced by movements in the fair value of investment property.</p> <p>Transitional arrangements (now in chapter 10) have been extended to cover the scenario that a property classified under the SORP as an investment property is reclassified under IFRS as property, plant and equipment.</p>
4.5 Intangible Assets	None

Chapter / Section	Key Changes
4.6 Revenue Expenditure Funded from Capital under Statute	None
4.7 Impairment of Assets	The circumstances in which impairment losses charged to the Comprehensive Income and Expenditure Statement may be reversed have been clarified.
4.8 Borrowing Costs	<b>CIPFA/LASAAC agreed that the Code should continue to permit authorities to choose an accounting policy for borrowing costs. Borrowing costs in respect of qualifying assets will therefore be capitalised if the authority has a policy of doing so, or expensed if not. This continues the current SORP treatment.</b> It is expected that this approach will be revisited in the future, but only once it is confirmed that any change would put major redevelopment projects at risk.
4.9 Non-current Assets Held for Sale	The revaluation requirements for assets held for sale have been clarified; valuations are required on initial reclassification and at the end of each reporting date.  Transitional arrangements have also been extended.
5.1 Inventories	Some disclosure requirements have been removed.
5.2 Work in Progress (Construction Contracts)	The Code has been clarified that material balances on trading accounts for work provided internally to the authority shall be reapportioned on consolidation within the authority's single entity accounts.
5.3 Debtors	None
6.1 Employee Benefits – Introduction and Definitions	None

Chapter / Section	Key Changes
6.2 Benefits Payable During Employment	<p><b>The text in the Code has been clarified to confirm that national insurance and pension contributions should be included in the estimate of the accrual for accumulating short-term compensating absences such as holiday pay.</b></p> <p>Text has been added to the Code that requires authorities to comply with any mitigation regulations that are introduced.</p>
6.3 Termination Benefits	None
6.4 Post-employment benefits	None
6.5 Accounting and Reporting by Pension Funds	None
Chapter 7 Financial Instruments	<p>The text of this chapter (and the transition arrangements) have been clarified to confirm that the transitional provisions in IAS 39 do not apply, as local authorities effectively made use of these provisions on transition to FRS 26 in 2007/08.</p> <p>Statutory accounting requirements in relation to the purchase of corporate bonds and equities have been included in the Code</p> <p>Statutory accounting requirements in relation to the mitigation of losses in Icelandic banks have been included in the Code.</p> <p>The text in the Code has been amended to confirm that disclosures on collateral pledged by an authority are not required as such pledges are not permitted by legislation.</p> <p>The presentation of accrued interest and similar items has been clarified, and it has been confirmed that the requirements apply to both assets and liabilities.</p> <p>The statement that “most authorities do not hold financial instruments that the Code would require to be classified at fair value through profit or loss” has been omitted from the Code.</p>

Chapter / Section	Key Changes
8.1 Creditors	None
8.2 Provisions, Contingent Liabilities and Contingent Assets	Clarification has been added to the Code to confirm that provisions are measured at the present value of the expenditure required to settle the obligation, where the time value of money is significant.
Chapter 9 Group Accounts	The presentation of associates in the balance sheet has been amended to allow for the situation in Scotland where Police and Fire Boards are associates of Councils.
Chapter 10 Transition to IFRS	See references to transition arrangements in other sections.
Appendix A IFRSs with limited application to Local Authorities	None