

Schedule of Changes

For ~~2011/12~~2012/13, the ~~Best Value Accounting Service Reporting~~ Code of Practice has been updated and expanded to keep pace with the needs of modern local government, ~~particularly the Transparency agenda, Best Value and public services reform. To reflect this, it has been renamed the Service Reporting Code of Practice for Local Authorities (SeRCOP).~~

This schedule details the changes that have been made to the Service Expenditure Analysis (Section 3) and the Recommended Standard Subjective Analysis (Section 4).

SERVICE EXPENDITURE ANALYSIS FOR ENGLAND AND WALES

Children's and Education Services changes, including:

Separating out 'Commissioning and social work' from 'Service strategy' into a new mandatory line 'Social workers'.

Presentational changes, mainly the merging of Sections 'Part three: Guidance Note: Completing the Service Expenditure Analysis for Children's and Education Services – Education Services' with 'Part three: Guidance Note: Completing the Service Expenditure Analysis for Children's and Education Services – Children's Services'

Environmental and Regulatory Services changes, including:

The discretionary lines under 'Regulatory Services' have been revised.

Highways and Transport Services

Discretionary line 'Concessionary fares' under service line 'Public Transport has been separated into two new lines 'Statutory concessionary fares' and 'Discretionary concessionary fares'.

Children's and Education Services saw many changes, including:

Nursery Schools service division has been renamed Early Years.

Three new service divisions were created – Services to Young People, Other School related

~~Education Functions and Children's and Young People's Safety.
The Non-school Funding service division has been removed.
There have also been many changes to subdivisions of service and notes of guidance.~~

~~Cultural, Environment, Regulatory and Planning Services have been split into three:~~

~~Cultural and Related Services-~~

~~Environment and Regulatory Services-~~

~~Planning Services: two new service divisions have been created within Planning Services —
Economic Research and Business Support-~~

~~Housing Services:-~~

~~Presentational changes have been made to the Housing Revenue Account SEA to ensure continued alignment with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code)-~~

SERVICE EXPENDITURE ANALYSIS FOR SCOTLAND

~~Changes from the previous structure of the SEA relate primarily to:~~

~~Police Services-~~

~~Housing Services: presentational changes have been made to the Housing Revenue Account SEA to ensure continued alignment with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code)-~~

~~Other minor updates have been enacted, especially relating to Other Operating Income and Expenditure.~~

RECOMMENDED STANDARD SUBJECTIVE ANALYSIS

~~Changes from the previous year relate primarily to~~The 2011/12 Code introduces:
Carbon Reduction Commitment (CRC) Business Rates Supplement (England and Wales)
Community Infrastructure Levy (England and Wales)-

Section 4, Group 29 – ~~income~~ Premises Related Expenditure of the Recommended Standards Subjective Analysis has been revised to reflect accounting requirements.

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THE CRC ENERGY EFFICIENCY SCHEME

It is not possible at present to provide guidance in respect of the CRC Energy Efficiency Scheme (CRC) beyond 2012/13, due to the ongoing review and simplification of the scheme.

The Department of Energy and Climate Change (DECC) has indicated that it is unlikely that further major amendments to the scheme will occur prior to April 2013, to allow for parliamentary timetables and processes. However, this doesn't completely rule out the possibility of some changes affecting 2012/13.

Any further changes arising from the review may have repercussions for reporting requirements in respect of provisions for related emissions liabilities and expense, the recognition of allowances purchased as assets and the question of where the emissions expense should be accounted for.

It is not expected that the CRC scheme will become a 'cap and trade' scheme until April 2014, although allowances will be purchased before then. As per paragraph 2.4.1.3 of the Code, should other 'cap and trade' schemes come into operation, they shall be accounted for on the same basis as the Landfill Allowance Trading Schemes in England and Scotland.

2011/12 was the first year that CRC emissions give rise to a liability for authorities to purchase and surrender CRC allowances. This is expected to continue until further changes are agreed.

CRC allowances should be charged to services on a reasonable basis that fairly reflects the production of CRC carbon emissions. Since the calculation of carbon emissions is primarily based on energy bills, it is recommended that the cost of CRC allowances is charged (apportioned) to services in accordance with the method of apportionment used to allocate other energy cost charges, as part of premises costs. Whichever method is used it must meet the apportionment principles set out in Section 2 of SeRCOP.

CRC EMISSIONS IN SCHOOLS - LOCAL AUTHORITY RESPONSIBILITIES-*For Information Only*

The CRC Energy Efficiency Scheme includes the carbon footprint of all schools maintained by a local authority (i.e. voluntary aided, voluntary controlled, foundation, trusts, and maintained) plus any academies, free schools and city technology colleges within the authorities geographical boundaries.

In the case of PFI schools the local authority will need to determine the data boundary based on government guidance.

If an academy belongs to a group which extends across the local authorities geographical boundaries then for the purpose of CRC that group is broken and the academy must report to the authority in which it resides (i.e. area for which the local authority exercises educational function).

Schools are not required to directly report their own carbon footprint energy emissions, as these will be collected and reported as part of the local authorities' total emissions. Authorities will purchase and surrender allowances on behalf of schools. However, schools will have a "reasonable assistance duty" to provide energy data to the local authority. The local authority should let schools know their preferred method for collecting data.

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The School Finance (England) Regulations 2011 have been amended by the DfE to allow the cost of allowances relating to school emissions to be “an allowable item against the central part of the schools budget”

Following the recent consultation, it was agreed by the Local Authority Accounting Panel (LAAP) that Carbon Reduction Commitment (CRC) transactions should be accounted for as central costs and defined as Non-Distributed Costs (NDC).

It was further agreed that in proposing a Non-Distributed Cost treatment, LAAP recognised that net Carbon Reduction Commitment Scheme costs or income may relate to, for example, schools. However, since the cost/income is likely to be immaterial in the early years of the scheme, the position would be reviewed when the scheme became established.

However, the Coalition Government's spending review on 20 October 2010 has resulted in the following major changes to the CRC scheme:

The CRC will no longer include the recycling of allowances money. An extract from the DECC press release states:

Revenue raised from the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme will be used to support the public finances (including spending on the environment), rather than recycled to participants.

See www.decc.gov.uk/en/content/cms/news/csr_hmt_releas/csr_hmt_releas.aspx

This means that:

participants will now not receive any allowances monies back

there will be no bonus or penalty calculations

the question of allocating recycled monies to departments and/or schools no longer arises

growth and early action metrics remain but will only impact on the league table and not on allowances.

Allowances for 2011/12 will not now need to be purchased from the government until after the end of the year (ie in 2012/13).

The CRC Energy Efficiency Scheme will be simplified to reduce the burden on businesses, with the first allowance sales for 2011-12 emissions now taking place in 2012 rather than 2011.

What this means:

Previously, government allowances for 2011/12 emissions were to be purchased in April 2011 (requiring organisations to base their purchases on their best estimate of forecast use over the coming year).

Now, government allowances are to be purchased after the end of the year and once actual energy use is known.

The exact month of the government sale is not yet known but one possibility is June, rather

than April, thus providing time to collect the full year's data.

DECC have indicated that they are undertaking further consultation over the coming months with a view to further simplifying the scheme. The government sale allowance price is subject to further budget discussions, although £12 per tonne remains the current figure.

Until such time that details of the revised CRC Energy Efficiency Scheme have been confirmed, accounting for the scheme has not been considered in this version of SeRCOP.

The Local Authority Accounting Panel will, however, keep the position under review. Guidance via a LAAP bulletin will be produced when the final outcome is known.

Background to the Development of the Service Reporting Code of Practice for Local Authorities (SeRCOP)

i In February 1998, CIPFA's Local Government Committee asked its Local Authority Accounting

Panel to review:

the standard CIPFA objective classification

the CIPFA statement on accounting for overheads

the need for advice on methods of apportionment.

- ii In March 1998, the DETR published the Green Paper *Modernising Local Government – Improving Local Services through Best Value*, followed in July 1998 by the White Paper *Modernising Local Government – In Touch with the People*. The Welsh Office published parallel papers in Wales. The papers expressed the need to develop and recommend finance and accounting arrangements that represent best practice when accounting for Best Value.
- iii In June 1998, the DETR wrote to the Local Government Association (LGA) stating that:
“Ministers hope that it would be possible to put in place finance and accounting arrangements in local authorities; perhaps by way of statutory guidance issued by the Secretary of State, that:
 - (a) *Represent best practice*
 - (b) *Would facilitate accurate comparison between both services and authorities*
 - (c) *Would strengthen the current arrangements for recharging all support service costs which may reasonably be charged to front-line services so that efficiency pressures on support services are comparable, and complementary to the pressures on front-line services.”*
- iv The LGA established a steering group, including representatives from CIPFA, the DETR and the Audit Commission, to review existing local authority practice. The steering group invited CIPFA, through its Local Authority Accounting Panel, to conduct the review and to recommend to the group a best practice approach. There was extensive consultation during the development of the *Best Value Accounting Code of Practice (BVACOP)* with a wide range of local authority practitioners, in addition to the formal members of the Steering Group. The development of subsequent editions of BVACOP continued on the basis of extensive research and consultation with relevant stakeholder groups and practitioners.
- v The Best Value framework, as it applies to England and Wales, is included in the Local Government Act 1999. In Scotland, the requirement to ensure Best Value is contained within the Local Government in Scotland Act 2003. In Northern Ireland, the requirement is contained within the Local Government Act (Northern Ireland) 1972 and the Department of the Environment’s Accounts Direction.
- vi The development of the local authority accounting framework for Best Value has been undertaken in consultation with all relevant parties either through the steering groups and/or review and the advisory groups, so that regional differences have been and continue to be accommodated.
- vii In Scotland, LASAAC approved BVACOP from 1 April 2000. However, it was agreed that further

work was required on the Scottish Service Expenditure Analysis which had a staggered application from 1 April 2001 for the majority of services (with the exception of Education and Social Work) and from 1 April 2002 applies to all services.

- viii In Northern Ireland, the duty of Best Value applies to local authorities from 1 April 2002. The Technical Accounting Support Service (TASS) Steering Group for Northern Ireland, which includes representatives from CIPFA Northern Ireland, the Department of the Environment, the Local Government Audit Office and the Association of Local Government Finance Officers, approved BVACOP for application to local authorities in Northern Ireland.
- ix Government ministers in England and Wales formally endorsed the 2000 edition of BVACOP.
- x On publication of 2001 BVACOP in March of that year, Local Government Minister Beverly Hughes endorsed BVACOP for the second year and said:
"I congratulate CIPFA and all contributing partners for their work on updating the Best Value Accounting Code of Practice. As the recognised standard for all local authorities, it is instrumental in encouraging the transparency, comparability and financial discipline that underpins the success of Best Value. With commitment to the Code, shared by central government, local councils and CIPFA alike, I am convinced that it will continue as a source of best practice and keep up the drive for Best Value."
- xi For 2002 BVACOP, Local Government Minister Dr Alan Whitehead said:
"CIPFA is to be congratulated on its continued commitment to review the Code which continues to play an essential role in promoting financial accountability and transparency critical to delivering best value."
- xii In 2003, regulations were issued under the Local Government Act 2003 that formally defined BVACOP as representing statutory proper accounting practices to be followed by authorities in England and Wales.
- xiii ~~For 2011/12, BVACOP has been updated following the adoption of International Financial Reporting Standards (IFRS) for local authority accounts from 1 April 2011, and to meet the needs for more transparent service reporting.~~ To take account of its extended coverage and to meet the needs for more transparent service reporting, BVACOP ~~has been~~was renamed *Service Reporting Code of Practice for Local Authorities (SeRCOP)* in 2011/12.

Introduction

- 1.1 The *Best Value Accounting Code of Practice* (BVACOP) was established to modernise the system of local authority accounting and reporting and ensure that it met the changed and changing needs of modern local government; particularly the duty to secure and demonstrate Best Value in the provision of services to the community. ~~For 2011/12~~In 2012/13, ~~BVACOP-~~ SeRCOP has been revised and updated to keep pace with the new IFRS-based *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) and to reflect the requirements of ~~the Transparency agenda and~~ the differential legislative frameworks in each UK administration. ~~and has been renamed Service Reporting Code of Practice for Local Authorities (SeRCOP).~~
- 1.2 SeRCOP provides guidance on financial reporting to stakeholders but does not provide guidance on the Statement of Accounts. The Code provides the definitive guidance on the production and content of the Statement of Accounts. The relationship of SeRCOP with the Statement of Accounts is discussed below.
- 1.3 The overall framework adopted by SeRCOP will support the objective to establish the widest range of financial reporting requirements, in order that data consistency and comparability are achieved. SeRCOP particularly aims to meet the demands of both the Best Value and the Transparency initiatives and its various stakeholders.
- 1.4 It is recognised that the overall framework will need to be responsive to change and that the guidance provided will need to be dynamic in nature. CIPFA is therefore committed to reviewing SeRCOP on at least an annual basis.
- 1.5 SeRCOP continues to be developed from the key principles established in the statement of principles published in September 1999 (see the appendix). The principles are based on the issues identified in the consultation paper *A Modernised Framework for Local Authority Accounting – Accounting for Best Value* (published in January 1999) and the responses received to it.
- 1.6 This edition of SeRCOP is the second-third to be prepared under International Financial Reporting Standards (IFRS). The revisions to SeRCOP in this edition have emanated from ~~three~~ two consultation papers issued on the CIPFA website in 2010. These related to the update to the IFRS-based Code for ~~2011/12~~2012/13 and a review of the definition of total cost and the Service Expenditure Analyses (SEAs) of all services in SeRCOP.

STATUS

- 1.7 **SeRCOP** (BVACOP) established 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level. This was given statutory force in England and Wales by regulations made under the Local Government Act 2003: SI 2003 No 3146 and SI 2003 No 3239 (W319) respectively.
- 1.8 Sections 2 and 3 of SeRCOP present the mandatory requirements for all local authorities. Section 2 requires all local authorities to adopt the definition of total cost when presenting cost-based performance indicators (PIs) in any published format, unless a different specific definition for a national PI is provided. For example, a number of PI definitions have excluded specific grants from the net cost calculation. Section 2 also contains best practice guidance as a commentary to the mandatory requirements. This guidance is in purple type in Section 2. Section 3, the Service Expenditure Analysis, requires all local authorities to calculate total cost at division of service level or at a lower level if required by a published PI.
- 1.9 In England and Wales, statutory guidance previously made specific reference to BVACOP in relation to the preparation of performance plans and improvement plans. As the requirements for summary financial information in plans have been relaxed, the specific references have been removed from the guidance material. However, as there remains an overarching requirement for performance information to be consistent and comparable, the guidance implicitly supports the application of SeRCOP.
- 1.10 In Scotland, BVACOP received its status from the approval by the Local Authority (Scotland) Accounts Advisory Committee – LASAAC – the accounting standard setting body for Scottish local authorities. The Local Government in Scotland Act 2003 introduced the statutory duty of Best Value to Scottish local authorities from 1 April 2003. Specifically, this Act has repealed the sections of the 1980 and 1988 Acts relating to CCT and removed the requirement to keep an account in relation to all work which falls within the defined activities outlined in the respective Acts.
- 1.11 In Northern Ireland, primary legislation has given statutory effect to a Best Value framework.

STRUCTURE OF THE SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES

- 1.12 The structure of SeRCOP is as follows.

Section 1 – Introduction

- 1.13 Section 1 does not have formal status. It gives an overview of SeRCOP's framework, status and its application dates. It sets SeRCOP's development in the context of Best Value developments and legislation.

Section 2 – The Definition of Total Cost

- 1.14 Section 2 is the first of the sections specifying the mandatory requirements of SeRCOP. It defines total cost. Total cost should apply to all Best Value reporting requirements indicated in SeRCOP and in previous editions of BVACOP.
- 1.15 Best practice guidance is included within Section 2, providing a commentary on the mandatory requirements of SeRCOP.

Section 3 – Service Expenditure Analysis

- 1.16 Since the 2002 BVACOP, there have been three separate SEAs: one for English and Welsh authorities, one for Scottish authorities, and one for Northern Irish authorities. Section 3 provides the service classification, listed in paragraphs 3.10 (England and Wales), 3.8 (Scotland) and 3.9 (Northern Ireland). It also defines the mandatory divisions of service at which total cost must be aggregated.

Section 4 – Recommended Standard Subjective Analysis

- 1.17 Section 4 provides a recommended standard subjective analysis. This analysis is consistent with the subjective analysis required by government returns such as the Whole of Government Accounts.
- 1.18 The appendix is presented for information.

CIPFA STATEMENT

- 1.19 The Institute Council has determined that the principles and detailed proposals set out in the *Service Reporting Code of Practice for Local Authorities* be adopted by all local authorities in the United Kingdom. It is expected that members of CIPFA will comply with all the requirements of SeRCOP as it defines best professional practice in terms of financial reporting.

APPLICABLE DATE

- 1.20 The requirements set out in this ~~2011/12~~2012/13 edition of SeRCOP apply to all Best Value reporting requirements in the UK. ~~2011/12~~2012/13 SeRCOP applies to all accounting periods beginning on or after 1 April 201~~2~~1.
- 1.21 This means that the requirements of the ~~2011/12~~2012/13 *Service Reporting Code of Practice for Local Authorities* apply to:
 - ~~2011/12~~2012/13 Budget Information
 - ~~2011/12~~2012/13 Statements of Accounts
 - ~~2011/12~~2012/13 Performance Indicators.

RELATIONSHIP WITH THE STATEMENT OF ACCOUNTS

- 1.22 As noted in paragraph 1.2, SeRCOP does not prescribe guidance on the Statement of Accounts. This is provided by the Code. However, the Code notes the importance of using the SEA defined by the individual services in Section 3 of SeRCOP to provide the service analysis on the costs of local authorities' services.
- 1.23 The Central Services SEA also provides an objective format for the 'cost of services' of the authority that complies with the format of the Comprehensive Income and Expenditure Statement specified by the Code.
- 1.24 Whilst SeRCOP does not prescribe guidance for the production of the Statement of Accounts, it does seek to clarify where the recommendations of the two codes interact.

ACCOUNTING PRACTICES

- 1.25 SeRCOP aims to provide a consistent basis for all statutory financial disclosures in relation to Best Value. These include:
 - the Statement of Accounts
 - all formally reported local PIs and nationally based performance indicators: BVPIs, Audit Commission PIs and Welsh Assembly Government PIs.
- 1.26 One of the principles that underpin the development of SeRCOP referred to in paragraph 1.5 above (see also the appendix) is that *"the definition of total cost will be consistent with the financial accounting framework established by the Code"*. In order to ensure this consistency, it is important that authorities generally follow the requirements of the Code when compiling information for these statutory disclosures.
- 1.27 However, a substantial potential point of departure was introduced in 2006 BVACOP following the abolition of capital financing charges in the 2006 Statement of Recommended Practice. Although the charges were removed from the definition of total cost applicable to service outturns in the then I+E Account, there will still be circumstances where they are either required or desirable as part of the costing framework. These circumstances are discussed in Section 2 (paragraphs 2.4 and 2.5).
- 1.28 The overall aim of SeRCOP is to assist practitioners in the preparation of financial reports for Best Value and Transparency purposes and the preparation of the financial statements. It does not form part of the Code, nor has it been reviewed by the Financial Reporting Advisory Board. It attempts to explain and illustrate what is required by the Code, but does not carry the authority of the Code.