Technical Information Note: 16 (01)

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) – Informal Commentary on the Amendments to the 2016/17 Code following Consultation

Introduction

1. This publication is an informal commentary from the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) updating accounts preparers and other interested parties on the amendments to the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) following the consultation process on that Code in July to October 2015. This process included the issue of two consultation papers:

   - a main Invitation to Comment (ITC) and extracted Exposure Drafts of the proposed amendments to the Code, and
   - a second consultation, *Telling the Story, Improving the Presentation of Local Authority Financial Statements*.

   (These documents are available on the archived consultation pages of the CIPFA website.[1])

2. This informal commentary should be considered alongside the two consultation papers on the Code.

3. **This informal commentary does not form any part of the 2016/17 Code**.

4. Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code, prepared by CIPFA/LASAAC. The Code is reviewed continuously and is normally updated annually.

5. The main areas for amendments to the Code for 2016/17 include:

   (a) measurement of the Highways Network Asset at depreciated replacement cost

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[1] See links: www.cipfa.org/policy-and-guidance/consultations-archive/201617-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment and www.cipfa.org/policy-and-guidance/consultations-archive/simplification-consultation.

(b) *Telling the Story, Improving the Presentation of Local Authority Financial Statements*

(c) a review of the Accounting and Reporting by Pension Funds section of the Code

(d) narrow scope amendments to IFRSs

(e) augmentation of the Code's provisions on 'Concepts' following the issue of the IPSASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

(f) legislative amendments, and

(g) other minor and drafting amendments.

Measurement of the Highways Network Asset at Depreciated Replacement Cost

Transition

6. A number of responses to the consultation and other stakeholder feedback on the move to measuring the Highways Network Asset at depreciated replacement cost (DRC) raised concerns about the difficulties of achieving full retrospective restatement and particular concerns were raised in relation to the provision of preceding year information. CIPFA/LASAAC was concerned to maintain the progress made by local authorities for implementation in the 2016/17 financial statements. CIPFA/LASAAC therefore decided that it would adapt IAS 1 *Presentation of Financial Statements* on implementation in the 2016/17 financial statements and that the Code would not require preceding year information for 1 April 2015, 2015/16 or on 31 March 2016.

7. As the provisions in the 2016/17 Code no longer include changes to the 2015/16 preceding year information, appropriate amendments needed to be made to the Code's requirements for the 2015/16 financial statements to disclose information relating to new standards issued but not yet adopted by the Code. Confirmation of the approach to transition is included in the Update to the 2015/16 Code.

Scope and Approach to the Single Highways Network Asset

8. The approach to the scope and definition of the Highways Network Asset was largely supported by respondents to the consultation. A small number of respondents were particularly concerned with the definition of the Highways Network Asset as a single asset indicating that this presumed a single type of carriageway maintained to the same standard. Another respondent referred to paragraph 9 of IAS 16 *Property, Plant and Equipment*. However, the relevant sentence in paragraph 9 of IAS 16 is: "*This Standard does not prescribe the unit of measure for recognition, ie what constitutes an item of property, plant and equipment*". The 2016/17 Code therefore retains the general approach in accordance with CIPFA/LASAAC's decisions in the main Invitation to Comment (ITC) on the Code, ie that the Highways Network Asset is a homogenous, interconnected network of components/items, elements of whose service potential is dependent on being linked to other elements of the network.

9. The new section 4.11 of the 2016/17 Code therefore retains the definition of a single asset. The 2016/17 Code also confirms that there is no requirement in the Code to provide information or disclosures on the components of the Highways Network Asset in the financial statements.

Measurement of the Highways Network Asset

10. The Highways Network Asset is an item of property, plant and equipment and should be treated as such except where there are specific accounting policies specified in the 2016/17 (Accounting) Code. The approach to the measurement of the Highways Network Asset also relies substantially on the measurement methodologies specified in the *Code of Practice on Transport Infrastructure Assets* (Transport Code). There were comments from a number of respondents to the consultation about the structure of the Transport Code and the Accounting Code and the ability to distinguish the requirements from guidance, with some respondents commenting on the complexity and indicating that they considered that more detail should be in the Accounting Code. CIPFA/LASAAC is content with the approach in the (Accounting) Code Exposure Draft as it has always been the intention that the detail of the prescription of the measurement methodologies for the Highways Network Asset should be included in the Transport Code. The Transport Code is a CIPFA Code of Practice and has been subject to full consultation twice. However, CIPFA/LASAAC has referred this issue to the Project Implementation Steering Group (PISG), responsible for the development of the Transport Code. PISG is in the process of reviewing the Transport Code to clarify those specifications that are principles and this was subject to consultation[2].

11. The consultation on the Transport Code also proposes changing the title to the *Code of Practice on the Highways Network Asset*. CIPFA/LASAAC would note that the 2016/17 (Accounting) Code refers to the current Transport Code but also makes it clear that this will also mean any future version of the Code, and thus will include the *Code of Practice on the Highways Network Asset*.

12. The consultation on the 2016/17 (Accounting) Code also proposed restricting the options for the approach to the treatment of accumulated depreciation and impairment to the one in IAS 16 where the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. A small number of respondents raised concerns that this was different from the approach for other property, plant and equipment. However, following recommendations from PISG, CIPFA/LASAAC was clear that this option, rather than the elimination method, provided better information for the measurement of the Highways Network Asset (particularly by showing the movements from gross replacement cost).

13. A respondent focused on the treatment of annual depreciation, expressing the view that the presumption that the performance of the Highways Network Asset is maintained by replacement is not reasonable, and was concerned that the treatment of changes to the estimated age of the asset was a revaluation movement. CIPFA/LASAAC was content with the principles set out in the consultation papers. There is a clear definition of annual depreciation in the Transport Code. Condition is used as a proxy for age in order to establish where the assets sit on the depreciation line. Age is used to estimate accumulated depreciation and the adjustment is recognised as a revaluation movement.

Derecognition of Components of the Highways Network Asset

14. Two respondents to the consultation did not consider that there was a need for a rebuttable presumption that the asset had reached the end of its useful life, as adequate information should be available to measure any service potential remaining in the component being replaced. On consideration of those responses CIPFA/LASAAC did not concur as due to the interconnected nature and the variety of different ways in which a component will be replaced it will be difficult to measure any service potential remaining in a component and normally the replacement event

[2] Although the Transport Code is subject to consultation the main principles and the measurement methodologies are not subject to change.

should be because the component is worn out. One respondent considered that the rebuttable presumption should be an adaptation. However, CIPFA/LASAAC considers that the rebuttable assumption is a reasonable interpretation of the standard for the Highways Network Asset. There were no substantial changes to the provisions in section 4.11 of the Code for derecognition of the Highways Network Asset.

Telling the Story, Improving the Presentation of Local Authority Financial Statements

Removal of the Link between the Service Reporting Code of Practice (Service Expenditure Analysis) and the Comprehensive Income and Expenditure Statement, Balancing the Fiscal Position and the Accounting Position and the Adoption of Option 4 in the Appraisal of Options

15. The first three questions of the *Telling the Story, Improving the Presentation of Local Authority Financial Statements* (Telling the Story) consultation covered the following three areas:

- the removal of the requirement to report services in the Comprehensive Income and Expenditure Statement in accordance with the specifications in the Service Expenditure Analysis in section 3 of the *Service Reporting Code of Practice* (SeRCOP)
- the establishment of the principle of the financial statements balancing the need to report on both the funding (fiscal) performance and accounting performance, and
- adopting Option 4 in the option appraisal ie to include an [Expenditure and] Funding Analysis which brings together performance reporting for both the funding and accounting frameworks.

16. There was broad support for CIPFA/LASAAC's proposals on these three issues. For example, 70% of respondents were in favour of removing the formal link between the Comprehensive Income and Expenditure Analysis and the Service Expenditure Analysis with 21% opposing this view (the remaining respondents not commenting directly on this question). The supporting respondents agreed with the views offered by CIPFA/LASAAC in the consultation paper and commented that this would improve accountability, be more transparent and follow the performance framework of the authority. Similar arguments were made for the financial statements to be able to balance the reporting requirements of the funding/fiscal position and the accounting framework.

17. A small number of respondents took the view that the Code should adopt full IFRS. CIPFA/LASAAC fully supports reporting in local authority financial statements on the basis of IFRS as this presents the true economic cost of providing services. However, it considers that the true economic cost under accounting standards would have substantial impacts on council tax setting and would create a volatility that would place even more burden on extremely pressurised budgets. The need to bring together both the funding framework (ie General Fund balances) and the accounting framework is supported by stakeholders and the majority of respondents to the consultation. It is a more difficult task to bring both these frameworks together but CIPFA/LASAAC considers that the Expenditure and Funding Analysis is an important step in doing this.

18. The remaining respondents disagreeing with the proposals were of the view that they wanted to retain the status quo. However, the feedback from the preceding simplification and streamlining consultations has been that the financial statements do not reflect the way in which local authorities organise themselves or manage their financial performance, ie on the basis of performance of the General Fund.

CIPFA/LASAAC therefore agreed with the Working Group[3] that considered the Telling the Story option appraisal that retaining the status quo was not a viable option.

19. Following CIPFA/LASAAC's consideration of the consultation responses the Board decided that it would proceed with the removal of the formal link between the SeRCOP service analysis on the face of the Comprehensive Income and Expenditure Statement and proceed with the introduction of the [Expenditure and] Funding Analysis. Further implementation issues relating to the new Expenditure and Funding Analysis (see paragraphs 20 to 23) and the changes to the Comprehensive Income and Expenditure Statement (see paragraphs 24 and 25) are detailed below.

Expenditure and Funding Analysis

20. The need to add the budgetary/funding context to the Expenditure and Funding Analysis led to the consultation seeking interested parties' views on the positioning of the Expenditure and Funding Analysis (EFA), with the proposal in the consultation being that the EFA should be included in the Narrative Report. There was not an overwhelming response in support of the inclusion of additional budgetary information. However, CIPFA/LASAAC's main concern was the auditability of the information, as the EFA was also meeting much of the reporting requirements of IFRS 8 *Operating Segments*. CIPFA/LASAAC therefore decided to include the EFA in the main financial statements. However, it was still of the view that there would be benefits to adding budgetary/funding context to the analysis and therefore the 2016/17 Code makes a recommendation that authorities consider cross referring to the EFA in the Narrative Report to add this additional context.

21. The consultation responses as a whole demonstrated that there are a variety of differences in format in relation to financial performance monitoring for budget/funding and not all authorities could produce the same line analysis for the non-service areas as the Comprehensive Income and Expenditure Statement. Therefore EFA has been simplified into two parts: (1) the segmental analysis and (2) expenditure that is not related to services.

22. A small number of respondents indicated that the Funding Analysis did not adequately describe the note (as it was not solely an analysis of funds). CIPFA/LASAAC concurred and changed the name of the analysis to the Expenditure and Funding Analysis.

23. The consultation sought views on whether information on the preceding year was also necessary for the EFA. The majority of respondents were in favour of this. This will be necessary as the EFA is also used to meet the requirements of IFRS 8.

Comprehensive Income and Expenditure Statement

24. As noted above the 2016/17 Code now requires the service segments section of the Comprehensive Income and Expenditure Statement to be provided in the way in which local authorities organise themselves and manage financial performance. It no longer has to be based on the full SeRCOP definition of total cost. This means overhead apportionment will depend on the way in which an authority operates or manages its services and its segmental reporting arrangements. If an authority operates and manages its corporate and support services separately then these service segments would be shown separately in the Comprehensive Income and Expenditure Statement. CIPFA has issued a Frequently Asked Question on this issue (see Appendix for the link).

25. The Telling the Story consultation considered whether or not the service segment section of the Comprehensive Income and Expenditure Statement should be based

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[3] The CIPFA Working Group that considered the options for improving the presentation of local authority financial statements.

on the definition of total cost or direct cost of service. However, because of variances in what local authorities consider to be the direct cost of a service, a new paragraph has been added to the 2016/17 Code to clarify what income and expenditure items are charged to services. As with the Exposure Draft the 2016/17 Code confirms that each segment should include the appropriate allocation of accrued capital charges and employee benefits as defined in IAS 19 *Employee Benefits*.

Movement in Reserves Statement

26. CIPFA/LASAAC considered that it was necessary to follow Option 2 (of the options considered by CIPFA/LASAAC and the Working Group) set out in the Invitation to Comment (ITC) and streamline the Movement in Reserves Statement as much as possible. The proposals therefore removed the lines for earmarked reserves and their transfers, as the earmarking of reserves has no formal status in financial reporting or statute for local government. This did not receive a majority support from respondents to the consultation. One of the reasons is the level of scrutiny that local authority reserves are currently being subject to and that the earmarking of reserves is important as it reflects those resources that have specific commitments related to them. CIPFA/LASAAC understands the rationale. However, unless those specific commitments need to be provided for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, there is no financial reporting justification to identify this earmarking on the face of a primary financial statement. The 2016/17 Code therefore does not include those lines in the Movement in Reserves Statement.

27. The majority of respondents agreed with the removal of the Surplus or Deficit on the Provision of Services line from the Movement in Reserves Statement and concurred with the commentary in the ITC that the separation of the reserves analysis between Surplus or Deficit on the Provision of Services and Other Comprehensive Income and Expenditure is available because of the split of usable and unusable reserves in the Movement in Reserves Statement. A number of respondents also commented on the benefits of simplification of the statement for users. Two respondents considered that it was necessary to include the separate rows to meet the requirements of IAS 1 paragraph 104 d (i) and (ii). However, CIPFA/LASAAC was content with the approach in the Exposure Draft because the Code’s treatment of usable and unusable reserves automatically splits this analysis between the Surplus or Deficit on the Provision of Services and Comprehensive Income and Expenditure.

28. A small number of respondents considered that removing the line would make the statement less understandable and told a fuller story of the relationship between the CIES and the usable and unusable reserves. CIPFA/LASAAC is not clear of the advantages of maintaining this line and considers that the information is available in both the CIES and the Movement in Reserves Statement. CIPFA/LASAAC has therefore retained the streamlined and simplified approach to the Movement in Reserves Statement which now only includes a Total Comprehensive Income and Expenditure line.

29. A respondent suggested that as the Movement in Reserves Statement was the equivalent of the Statement of Changes in Equity and local authorities did not have any share capital the information in the Movement in Reserves Statement could be relegated to a note. CIPFA/LASAAC concurs that the Movement in Reserves Statement is the equivalent of the Statement of Changes in Equity but does not concur that the Movement in Reserves Statement should be demoted. Equity is defined in the IASB Conceptual Framework as “the residual interest in the assets of the entity after deducting its liabilities” and is not defined as share capital. The Movement in Reserves Statement is necessary to clarify the disposition of the residual interest in the authority according to the statutory controls as to how it can be applied. The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and

- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

Segmental Analysis

30. Both the Expenditure Funding Analysis and the Comprehensive Income and Expenditure Statement include an analysis of the costs of providing services and thus provide a segmental analysis. They therefore meet a large part of the reporting requirements under IFRS 8. A substantial majority of respondents agreed with this view set out in the Telling the Story ITC. There are therefore already two segmental analyses in the financial statements. A third report of the same information would do nothing to assist the readers of the financial statements. CIPFA/LASAAC was concerned not to introduce a third segmental analysis. Therefore CIPFA/LASAAC considered the Expenditure Funding Analysis and the Comprehensive Income and Expenditure Statement would meet the majority of the reporting needs of IFRS 8.

31. The Expenditure and Funding Analysis also includes a reconciliation to the Surplus or Deficit on the Provision of Services (the local authority equivalent of profit or loss). CIPFA/LASAAC also considered that the majority of income and expenditure listed in paragraph 23 of IFRS 8 was not regularly reported by authorities on a segmental basis. A small number of respondents indicated that they did report some of the items in paragraph 23 on a segmental basis and therefore would need to comply with this paragraph; this has been clarified in the 2016/17 Code. The amendments to the Code under the Telling the Story consultation also rationalise the segmental reporting requirements for local authorities.

A Review of the Accounting and Reporting by Pension Funds Section of the Code

Pension Fund Account Statement/Net Asset Statement

32. A number of respondents expressed concern about management expenses being included in the subtotal 'net additions/withdrawals from dealings with members' as these expenses were not all related to dealings with members. CIPFA/LASAAC concurs with this view and has separated management expenses into a sub-total in the Statement. A small number of additional editorial changes were made to the Statement. No substantial changes were made to the Net Asset Statement following the consultation.

Adaptation of IFRS 13 Fair Value Measurement for Pension Fund Plan Assets Disclosures

33. Respondents were very supportive of the proposals to adapt the 2016/17 Code to include the IFRS 13 *Fair Value Measurement* disclosures for pension fund plan assets. One respondent appeared to be saying that it did not think that the Code should go further than IFRS on this. CIPFA/LASAAC considers that the arguments in the consultation paper (see paragraphs 49 to 51 of the ITC) remain valid. In addition CIPFA/LASAAC would note that the IASB's arguments for the scope exclusion are in BC23 of IFRS 13 and state that:

"*In its project to amend IAS 19 [Employee Benefits] the IASB decided to require an entity to disaggregate the fair value of the plan assets into classes that distinguish the risk and liquidity characteristics of those assets, subdividing each class of debt and equity instruments into those that have a quoted market price in an active market and those that do not. As a result, the IASB decided that an entity does not need to provide the disclosures required by IFRS 13 for the fair value of plan assets or retirement benefit plan investments*."

The information on the fair value of plan assets therefore may be available disaggregated across a number of local authority financial statements but this is not easily accessible to the users of local authority pension fund accounts.

Reporting of the Actuarial Present Value of Promised Retirement Benefits

34. The overwhelming majority of respondents supported maintaining the status quo in the Code, ie retaining the three options for reporting the Actuarial Present Value of Promised Retirement Benefits, and therefore no further amendment has been made to the 2016/17 Code.

Disclosure of Transaction Costs for Investment Management

35. A number of respondents commented on the lack of clarity of definition for transaction costs and therefore clarification has been included in section 6.5 that the definition of transaction costs is the same as in section 7.1 of the Code ie as defined in IAS 39 *Financial Instruments: Recognition and Measurement*. CIPFA/LASAAC decided to proceed with the disclosure, as it considered that this was an area subject to substantial scrutiny across sectors. CIPFA/LASAAC was also of the view that it wanted to review whether it might mandate this disclosure in the 2017/18 Code and for clarity has included this intention in the 2016/17 Code.

Other Amendments to Section 6.5 (Accounting and Reporting by Pension Funds)

36. Two respondents considered that the new Annex to section 6.5 should not be included in the Code. One setting out their rationale commented "the references to 'includes the reporting requirements for…' might suggest that the other reporting requirements are not necessary". CIPFA/LASAAC considered that overall there appears to be support from local authority pension fund financial statement preparers. CIPFA/LASAAC has therefore retained the Annex. It has, however, added the caveat that direct reference to the relevant section of the Code is still necessary. CIPFA/LASAAC has also made a number of other minor amendments to the Annex.

Narrow Scope Amendments to IFRSs

37. The 2016/17 Code adopts the following narrow scope amendments to IFRS:

- amendments to IAS 1 *Presentation of Financial Statements* (IASB Disclosure Initiative)
- amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- *Annual Improvement to IFRSs 2010 – 2012 Cycle*
- *Annual Improvement to IFRSs 2012 – 2014 Cycle*
- amendments to IFRS 11 *Joint Arrangements* – Accounting for Acquisitions of Interests in Joint Operations
- amendments to IAS 27 *Separate Financial Statements* – Equity Method in Separate Financial Statements but see paragraph 40 below.

38. The majority of these amendments have been adopted without any adaptation or interpretation (except for local government terminology), with two exceptions.

39. CIPFA/LASAAC decided during its debates on the Annual Improvement to IFRSs 2010 – 2012 cycle to withdraw the IAS 16 *Property, Plant and Equipment* option for the treatment of accumulated depreciation and impairment where the gross carrying

amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset (except for the Highways Network Asset). There were no technical accounting responses that require change from the Exposure Draft and therefore for property, plant and equipment (other than the Highways Network Asset) the 2016/17 Code includes the adaptation of IAS 16 as featured in the Exposure Draft to remove the non-elimination option for the treatment of accumulated depreciation and impairment.

40. CIPFA/LASAAC also agreed not to take forward the option in the amendments to IAS 27 ie equity accounting for a local authority's interest in subsidiaries, associates or joint ventures. CIPFA/LASAAC agreed this as the IAS 27 change had not been required for technical accounting reasons and for local authorities the single entity financial statements take precedence over the group accounts. The reliability of these statements is paramount. CIPFA/LASAAC has agreed to review this position following the IASB's conceptual review of equity accounting.

41. A respondent suggested that it would be useful if each year the Code contained an Appendix of the amendments that were introduced and applied to the Code. This does take place in the Foreword to the Code. However, CIPFA/LASAAC considered that a fuller list of the applicable standards in an Appendix to the Code would be useful and has introduced a new Appendix D to the 2016/17 Code.

Augmentation of the Code's Provisions on Concepts Following the Issue of the IPSASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

42. The proposals augmented the Code's provisions on Concepts in section 2.1 primarily to reflect the needs of local authority users of the financial statements. The proposals were generally received positively with only one response that disagreed. A respondent made a number of minor comments and the Code has been updated where relevant.

43. Two respondents did not agree with the form of words of the IPSASB *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (IPSASB Conceptual Framework) relating to the users of the financial statements and complex information. However, as there are no particular application issues for local government, CIPFA/LASAAC is unable to depart from the form of words in the IPSASB Conceptual Framework.

Legislative Amendments Including the Changes to the Narrative Report

Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 for English Authorities

44. Respondents were generally supportive of the approach to the amendments in relation to the Accounts and Audit Regulations 2015. These principally focused on the Introduction chapter of the Code and a small number of minor comments and a correction have been included in chapter one and in section 3.8 of the Code.

45. Respondents were also generally supportive of the approach to the amendments for the Narrative Statement as a result of the Accounts and Audit Regulations 2015 and the new provisions for the Narrative Statements in Regulation 8 (2) for a commentary on performance. Two respondents considered that the Code should not just encourage authorities to follow the FReM but should require authorities to follow it. In contrast two respondents considered that the principles in the Narrative Report went further than the requirements in the Accounts and Audit Regulations 2015. CIPFA/LASAAC considered that it was establishing principles for narrative reporting and those principles are based on generally accepted guidance throughout the UK

and that therefore it was content with its approach to amendments in the 2016/17 Code.

46. Two respondents suggested that the Code should state that the Narrative Report ought to be fair, balanced and understandable. CIPFA/LASAAC concurs as this is implicit in the current provisions of the Code (understandable is actually explicit) and this has been added to the provisions of paragraph 3.1.1.3.

47. A respondent sought clarification of the nature of these provisions and whether the Code is mandating use of the FRC's guidance on the Strategic Report. The Code cannot mandate the requirement, as the mandate emanates from the Accounts and Audit Regulations 2015 for English authorities. However, CIPFA/LASAAC is of the view that it can set out the principles for meeting the requirement of Regulation 8 (2) as it does for other aspects of the regulations. To assist with this clarification the relevant provisions have been included under the statutory disclosures section, the relevant principles have been established in paragraph 3.1.5.3 and the reason for the inclusion of these principles has been moved to the introductory paragraph at 3.1.1.3.

48. Two respondents commented on the use of the term Narrative Report. CIPFA/LASAAC chose this title as this differs from other forms of statutory provision, the previous requirements for the Explanatory Foreword and the government's Financial Reporting Manual to avoid confusion and includes the necessary cross references.

Update to the 2015/16 Code and Other Legislative Developments

49. CIPFA/LASAAC decided that as it was issuing an Update to the 2015/16 Code and as the legislative changes applied for the 2015/16 year it would also include the changes to the Narrative Report and the remaining legislative provisions to the Code in the Update.

Other Changes Due to Legislative Developments

50. Other than minor corrections and drafting improvements there have been no other substantive changes since the Exposure Draft as a result of legislative developments.

Other Minor and Drafting Amendments

51. Section 3.8 of the Draft 2016/17 Code (Statement Reporting Reviews of Internal Controls) is amended for the changes to the *Delivering Good Governance in Local Government: Framework* (2016) published by CIPFA and SOLACE which has been amended following review and consultation.

52. The new self-financing regime for housing authorities in Wales has commenced. Footnote 11 on paragraph 3.5.3.1, d of the Code has been updated with appropriate references to the Housing (Wales) Act 2014.

53. Transitional reporting requirements have been confirmed throughout the Code.

APPENDIX

Useful References

Main consultation on the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code):
www.cipfa.org/policy-and-guidance/consultations-archive/201617-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment

Telling the Story, Improving the Presentation of the Financial Statements:
www.cipfa.org/policy-and-guidance/consultations-archive/simplification-consultation

Briefings on the Highways Network Asset:
Highways Network Asset

Frequently Asked Question
Following the changes to the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom is there a requirement to apportion support service costs or overheads to services?