Step 3 – restate comparative figures for 2009/10 (leases taken out during 2009/10)

10.1.2.56 Where leases that were taken out during 2009/10 are required to be restated, a similar approach to step 1 will be required. The opening IFRS Balance Sheet (1 April 2009) will not require amendment, but the 2009/10 Comprehensive Income and Expenditure Statement and the Balance Sheet as at 31 March 2010 shall be restated. Separate entries will be required for the service revenue accounts and corporate accounts (eg interest payable) when adjusting the 2009/10 Comprehensive Income and Expenditure Statement.

B – finance lease income

10.1.2.57 Following IAS 17, the Code requires finance income from a finance lease to be calculated so as to produce a constant periodic rate of return on the net investment. Under the 2009 SORP, the finance income was previously calculated so as to give a constant periodic rate of return on the net cash investment. This difference in treatment may lead to income being recognised in different periods, although this is likely to occur infrequently.

10.1.2.58 Where a lease previously classified as a finance lease continues to be classified as a finance lease under the Code, the finance income for each period from the commencement of the lease shall be calculated so as to produce a constant periodic rate of return on the net investment. Where these amounts are materially different (for an individual lease or in total) from the finance income previously recognised, the General Fund or HRA will need to be debited or credited with the difference, the contra entry being to the long-term debtor. These adjustments will also alter the amount recognised as a capital receipt, and an adjustment will be required between Capital Receipts Unapplied and the Capital Adjustment Account. Adjustments will need to be made both within the 1 April 2009 opening Balance Sheet and in the restated 2009/10 performance statements and Balance Sheet.

C – determining whether an arrangement contains a lease

10.1.2.59 For arrangements in place prior to 1 April 2009, an authority shall determine whether the arrangement contains a lease on the basis of the facts and circumstances existing as at that date. For arrangements coming into effect after that date, an authority shall determine whether the arrangement contains a lease on the basis of the facts and circumstances existing as at the inception of the arrangement.

10.1.2.60 Where an arrangement is found to contain a lease, the authority shall recognise any income, expenditure, assets and liabilities (in accordance with section 4.2 of the Code) retrospectively from the commencement of the lease.

4.3 PFI AND PPP ARRANGEMENTS

10.1.2.61 There are expected to be no transition issues arising from PFI Schemes.

4.4 INVESTMENT PROPERTY

10.1.2.62 Authorities will need to review their assets as 1 April 2009 to identify those assets that meet the definition of an investment property. Assets classified as investment property under the SORP may not meet the definition of an investment property under section 4.4 of the Code and IAS 40. Such assets shall be reclassified as property, plant and equipment and accounted for under section 4.1 of the Code. Property classified as surplus under the SORP that does not meet the definition of held for sale may meet the definition of investment property; this could occur where the property was being held for capital appreciation prior to any sale taking place. The Code (following IFRS 5) does not permit investment property to be reclassified as held for sale. Therefore any assets classified as surplus under the SORP that had been classified as investment property prior to being classified as surplus assets will need to be reclassified as investment property under the Code. It is unlikely that property classified as operational under the SORP would meet the definition of investment property under section 4.4 of the Code.

Step 1 – restate opening IFRS Balance Sheet as at 1 April 2009

10.1.2.63 The Code (following IFRS 1) requires local authorities to classify and account for investment properties in their opening IFRS Balance Sheet (1 April 2009) in accordance with section 4.4 of the Code (also see IAS 40 and IPSAS 16). Accounting for investment property at fair value through Surplus or Deficit on the Provision of Services is a change of accounting policy that will require authorities to restate their opening balances in respect of investment property.

10.1.2.64 For existing investment properties, and surplus assets reclassified as investment properties, authorities shall transfer any balances on the Revaluation Reserve in respect of investment property as at 1 April 2009 to the Capital Adjustment Account. Any depreciation charged prior to 1 April 2009 would have been transferred to the Capital Adjustment Account, and therefore no further adjustment is required.

10.1.2.65 As surplus properties were subject to depreciation, authorities shall adjust the carrying amount of surplus properties reclassified as investment properties to fair value where this is materially different to the carrying amount.

10.1.2.66 Authorities shall adjust the carrying amount of investment property held under a lease to fair value as at 1 April 2009.

10.1.2.67 Where an asset classified as an investment property under the SORP is reclassified as property, plant and equipment under the Code, the asset shall be revalued (as at 1 April 2009) in accordance with section 4.1 of the Code. Any loss on revaluation in excess of the balance for the asset in the Revaluation Reserve shall be transferred to the Capital Adjustment Account.

Step 2 – restate comparative figures for 2009/10 (investment property acquired prior to 1 April 2009)

10.1.2.68 Transactions in relation to investment property during 2009/10 will need to be restated in line with the Code. Where the revaluation of investment property was effected through the Revaluation Reserve, authorities shall restate the 2009/10 position by reversing these transactions and effecting the change to fair value through Surplus or Deficit on the Provision of Services. Any depreciation charged on property that has been reclassified from surplus assets to investment property shall be reversed.

10.1.2.69 Depreciation charged on investment property held under a lease shall be reversed. The carrying amount of the lease shall be adjusted to fair value if required.

10.1.2.70 Depreciation shall be charged in Surplus or Deficit on assets reclassified from investment property to property, plant and equipment. The depreciation shall be reversed to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Step 3 – restate comparative figures for 2009/10 (investment property acquired during 2009/10)

10.1.2.71 Where an authority has acquired investment property during 2009/10, any revaluations or depreciation charged on investment property held under a lease shall be reversed in line with step 2. In addition, an authority shall consider whether any investment property acquired during 2009/10 requires its carrying amount to be adjusted to fair value, and whether any investment property under construction requires its carrying amount to be adjusted to fair value.

10.1.2.72 IAS 40 states that, where an asset is transferred from operational assets to investment property, the asset is revalued to fair value on transfer and the gain or loss is recognised in the Revaluation Reserve (up to the balance on the reserve; thereafter the loss is recognised in Surplus or Deficit on the Provision of Services). These requirements also cover assets transferred from operational assets to surplus assets under the SORP, where the surplus assets are reclassified as investment properties under the Code. This balance is retained in the Revaluation Reserve until the investment property is derecognised. This requirement shall apply prospectively from 1 April 2009, and shall not be applied to transfers prior to 1 April 2009. This arises due to the difficulties in establishing the balance that would be required on the Revaluation Reserve due to the reserve being constituted with a nil balance at 1 April 2007.

10.1.2.73 Where an authority acquired a property as investment property under the SORP that is reclassified as property, plant and equipment under the Code, the authority shall consider whether any depreciation needs to be charged and whether the property needs to be revalued.

4.5 INTANGIBLE ASSETS

10.1.2.74 The Code (following IFRS 1) requires local authorities to recognise, in their opening IFRS Balance Sheet (1 April 2009), all intangible assets whose recognition is required by section 4.5 of the Code (also see IAS 38). Intangible assets shall not be recognised where section 4.5 of the Code does not permit such recognition. Authorities are also required to apply section 4.5 of the Code in measuring all recognised intangible assets.

10.1.2.75 Any intangible asset that has previously been recognised under the provisions of the SORP will meet the recognition criteria in paragraphs 4.5.2.3 and 4.5.2.4 of the Code. Authorities shall therefore continue to recognise all intangible assets that were previously recognised on their Balance Sheet. In local authorities, intangible assets will normally have been carried at depreciated historical cost, and the depreciated historical cost of an intangible asset on the opening IFRS Balance Sheet shall be the depreciated historical cost of that asset as at 31 March 2009.

10.1.2.76 Because section 4.5 of the Code (following IAS 38) recognises a wider range of intangible assets than the 2009 SORP, it is possible that expenditure in previous years that could have been recognised as an intangible asset had the Code applied at the time was not so recognised under the SORP, but was charged to the Income and Expenditure Account (and therefore to the General Fund). Such expenditure may be recognised as an intangible asset in the opening IFRS Balance Sheet if, and only if, the recognition criteria in paragraphs 4.5.2.3 and 4.5.2.4 (and 4.5.2.7 for internally generated intangible assets) would have been met at the time the expenditure was incurred. For internally generated intangible assets, this means that an authority, at the time the expenditure was incurred, distinguished between the research and development phases of the generation of an intangible asset, and was able to reliably measure the costs of each phase.

4.6 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

10.1.2.77 There are expected to be no transition issues arising from Revenue Expenditure Funded from Capital under Statute.

4.7 IMPAIRMENT OF ASSETS

Step 1 – restate opening IFRS Balance Sheet as at 1 April 2009

10.1.2.78 The Code (following IFRS 1) requires local authorities to classify and account for impairments in their opening IFRS Balance Sheet (1 April 2009) in accordance with section 4.7 of the Code (also see IAS 36 and IPSAS 21 and 26). Accounting for impairment of assets following IAS 36 is a change of accounting policy that will require authorities to restate their opening balances in respect of Impairment. IAS 36 requires all impairments, including the term referred to in the SORP as 'clear consumption of economic benefits', on re-valued assets to be recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset and thereafter recognised in Surplus or Deficit on the Provision of Services (previously called the Income and Expenditure Account).

10.1.2.79 No adjustments are required to authorities' opening Balance Sheet in relation to impairments as the 2009 SORP required an adjustment between the Revaluation Reserve and the Capital Adjustment Account that matches the adjustment that would otherwise be required on transition to the IFRS-based Code.

Step 2 – restate comparative figures for 2009/10

10.1.2.80 Although in step 1 it was not necessary to restate the opening sheet position as at 1 April 2009, it may be necessary to restate comparative figures for 2009/10 in relation to impairments classed 'consumption of economic benefit' under the SORP and any associated reversals that were recognised in the Income and Expenditure Account on a previously revalued asset.

Impairment due to clear consumption of economic benefit

10.1.2.81 Where an impairment loss due to the clear consumption of economic benefits on a re-valued asset has been charged to the Income and Expenditure Account in 2009/10, the charge to the service revenue account, trading account, support service or non-distributed cost shall be reduced to the amount of the impairment loss that takes the carrying amount below historical cost,[11] with the corresponding entry reducing the Revaluation Reserve.

10.1.2.82 Further entries will be required in the Movement in Reserves Statement to reverse the entry within the General Fund/HRA that was required by statute to negate the impact on General Fund/HRA Balances and the corresponding entry in the Capital Adjustment Account, together with the reversal of the original entries associated with writing down the balance on the Revaluation Reserve to the Capital Adjustment Account with regard to the impairment based on re-valued amounts.

Reversal of impairment loss due to clear consumption of economic benefit

10.1.2.83 Where a reversal of a previous impairment loss due to the clear consumption of economic benefit on a re-valued asset has been credited to the Income and Expenditure Account in 2009/10, it may be necessary to restate comparative figures for 2009/10 in relation to this reversal. This restatement will only be required when the original impairment loss was based on a previous re-valued asset and the subsequent gain is in excess of the historical cost as it would have been without the original impairment (adjusted for depreciation that would have been applied).

10.1.2.84 Further entries will be required in the Movement in Reserves Statement to reverse the entry within the General Fund/HRA that was required by statute to negate the impact on General Fund Balances of the impairment reversal and corresponding entry in the Capital Adjustment Account, together with the original entries associated with the reinstatement of the balance on the Revaluation Reserve from the Capital Adjustment Account with regard to the impairment based on re-valued amounts.

4.8 BORROWING COSTS

10.1.2.85 Where authorities had previously adopted a different policy of capitalising borrowing costs than that adopted under the Code, the revised treatment will constitute a change in accounting policy. In accordance with the option permitted by IFRS 1, the Code requires that the change in policy shall apply from 1 April 2009; borrowing costs capitalised prior to this date shall not be restated.

4.9 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

10.1.2.86 There are not expected to be any transition issues arising from discontinued operations.

11. Historical cost is referred to throughout this section and is deemed to be the carrying amount of an asset as at 1 April 2007 (ie b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

10.1.2.87 The impact on transition of re-measuring costs to sell at their present value where sale is expected beyond one year is not expected to be common and will only be required where material. Where authorities deem that the re-measurement of costs to sell is required, and the present value of costs to sell increase from a passage of time (representing the unwinding of the discount), it will be necessary to reduce the carrying amount of the asset and show the corresponding entry as a financing cost in Surplus or Deficit on the Provision of Services.

10.1.2.88 Where assets meet the criteria to be classified as held for sale they shall be treated as either non-current assets or current assets dependent on meeting the respective definitions.

Step 1 – restate opening IFRS Balance Sheet as at 1 April 2009 (assets classified as held for sale prior to 1 April 2009)

10.1.2.89 The Code (following IFRS 1) requires authorities to classify and account for Non-current Assets Held for Sale in their opening IFRS Balance Sheet (1 April 2009) in accordance with section 4.9 of the Code (also see IFRS 5). In accordance with IFRS 1 *First Time Adoption of IFRS* the exemption of applying IFRS 5 prospectively (as opposed to retrospectively) is not permitted because the date of transition for authorities is after 1 January 2005. Accounting for non-current assets held for sale following section 4.9 of the Code is a change of accounting policy that will require authorities to restate their opening balances in respect of non-current assets held for sale.

10.1.2.90 The opening Balance Sheet (1 April 2009) will need to be restated for assets classified as held for sale prior to 1 April 2009.

10.1.2.91 In the event that the criteria under chapter four, section 9 of the Code **have not been met** as at 31 March 2009, authorities shall reclassify the assets held for sale to non-current assets (ie property, plant and equipment or investment property) and adjust the carrying amount of the asset to the level it would have been as at 1 April 2009 before the asset was classified as held for sale.

10.1.2.92 In the event that the criteria under section 4.9 of the Code **have been met** as at 31 March 2009, authorities shall reclassify surplus assets held for disposal to the classification of held for sale. From the date the criteria are met (note: this may be a different date to when the asset was reclassified under the SORP), reverse any depreciation charged and reinstate the carrying amount where this amount is lower than fair value less costs to sell. Further entries will be required to reverse any initial or subsequent revaluation gains recognised following reclassification that are in excess of cumulative impairment or revaluation losses (adjusted for depreciation that would have been charged had the impairment or revaluation losses not occurred) previously recognised in the Income and Expenditure Account. Increases in fair value less costs to sell that are not in excess of previous impairment or revaluation losses (adjusted for depreciation) recognised in the Income and Expenditure Account will need to be recognised in the Capital Adjustment Account as opposed to the Revaluation Reserve. Any impairment or revaluation losses recognised in the Revaluation Reserve, following reclassification, will need to be recognised in the Capital Adjustment Account.

Step 2 – restate comparative figures for 2009/10 (assets classified as held for sale prior to 1 April 2009)

10.1.2.93 Transactions during 2009/10 in relation to assets classified as held for sale that have not been sold as at 31 March 2010 will need to be restated in line with the Code. The required transactions will lead on from the adjustments carried out in step 1.

10.1.2.94 In the event that the criteria under section 4.9 of the Code **have not been met** as at 31 March 2010, authorities shall reverse any 2009/10 transactions whilst the asset was classified as surplus assets held for disposal, ie depreciation and revaluations under the SORP and if applicable reinstate any 2009/10 transactions that would have been charged if the original reclassification to surplus assets held for disposal had not taken place, ie depreciation and revaluations under the Code.

10.1.2.95 In the event that the criteria under section 4.9 of the Code **have been met** as at 31 March 2010, authorities shall reverse the 2009/10 depreciation whilst the asset was classified as surplus assets held for disposal under the SORP. Further entries will be required to reverse any 2009/10 revaluation gains that have been recognised following reclassification that are in excess of cumulative impairment or revaluation losses (adjusted for depreciation that would have been charged had the impairment or revaluation losses not occurred) previously recognised in the Income and Expenditure Account. Increases in fair value less costs to sell in 2009/10 that are not in excess of previous impairment or revaluation losses (adjusted for depreciation) recognised in the Income and Expenditure Account will need to be recognised in Surplus or Deficit on the Provision of Services, as opposed to the Revaluation Reserve. This adjustment shall be reversed to the Capital Adjustment Account and reported in the Movement in Reserves Statement. Any 2009/10 impairment or revaluation losses recognised in the Revaluation Reserve, following reclassification, will need to be recognised in Surplus or Deficit on the Provision of Services. This adjustment shall be reversed to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Step 3 – restate comparative figures for 2009/10 (assets classified as held for sale during 2009/10)

10.1.2.96 Transactions in relation to assets classified as held for sale during 2009/10 that have not been sold as at 31 March 2010 will need to be restated in line with the Code.

10.1.2.97 In the event that the criteria under section 4.9 of the Code **have not been met** as at 31 March 2010, authorities shall reverse any 2009/10 transactions whilst the asset was classified as Surplus Assets held for Disposal, reclassify the assets to Non-current Assets (ie property, plant and equipment or investment property) and adjust the carrying amount of the asset to the level it would have been before the asset was classified as held for sale, ie reflecting any 2009/10 transactions, depreciation or revaluations.

10.1.2.98 In the event that the criteria under section 4.9 of the Code **have been met** as at 31 March 2010, authorities shall reclassify surplus assets held for disposal to the classification of held for sale. From the date the criteria are met (note: this may be a different date to when the asset was reclassified under the SORP), reverse any depreciation charged and reinstate the carrying amount where this amount is lower than fair value less costs to sell. Further entries will be required to reverse any initial or subsequent revaluation gains recognised following reclassification that are in excess of cumulative impairment or revaluation losses. Increases in fair value less costs to sell that are not in excess of previous impairment or revaluation losses (adjusted for depreciation) recognised in the Income and Expenditure Account will need to be recognised in Surplus or Deficit on the Provision of Services as opposed to the Revaluation Reserve. This adjustment shall be reversed to the Capital Adjustment Account and reported in the Movement in Reserves Statement. Any impairment or revaluation losses recognised in the Revaluation Reserve, following reclassification, will need to be recognised in Surplus or Deficit on the Provision of Services. This adjustment shall be reversed to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Step 4 – restate comparative figures for 2009/10 (assets classified as held for sale prior to 1 April 2009 and sold during 2009/10)

10.1.2.99 Transactions in relation to assets classified as held for sale prior to 1 April 2009 and sold during 2009/10 will need to be restated in line with the Code. Transition issues will arise where the 1 April 2009 opening balance has been restated in line with step 1 or 2009/10 transactions have occurred that would have been reversed (see step 2) if the asset had not been sold, ie depreciation and revaluation gains.

10.1.2.100 Authorities shall reverse the derecognition of the asset, action any adjustments in line with step 2 (it is assumed that the opening 1 April opening balance would have been restated in line with step 1) and derecognise the adjusted carrying amount of the asset reflecting the revised gain or loss in Surplus or Deficit on the Provision of Services. The adjusted carrying amount shall be reversed to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Step 5 – restate comparative figures for 2009/10 (assets classified as held for sale and sold during 2009/10)

10.1.2.101 Transactions in relation to assets classified as held for sale and sold during 2009/10 will need to be restated in line with the Code. Transition issues will arise when 2009/10 transactions have occurred that would have been reversed (see step 3) if the asset had not been sold, ie depreciation and revaluation gains.

10.1.2.102 Authorities shall reverse the derecognition of the asset, action any adjustments in line with step 3 and derecognise the adjusted carrying amount of the asset reflecting the revised gain or loss in Surplus or Deficit on the Provision of Services. The adjusted carrying amount shall be reversed to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

5.1 INVENTORIES

10.1.2.103 It is considered that the impact of transition with regard to the change in measurement and acquisition on deferred settlement terms will not apply to many inventories held by authorities.

Step 1 – restate opening IFRS Balance Sheet as at 1 April 2009

10.1.2.104 The Code (following IFRS 1) requires local authorities to classify and account for inventories in their opening IFRS Balance Sheet (1 April 2009) in accordance with section 5.1 of the Code (also see IAS 2 and IPSAS 12). Accounting for inventories following IAS 2 is a change of accounting policy that will require authorities to restate their opening balances in respect of inventories. IPSAS 12 requires that where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition, and where inventories are provided at no charge or for a nominal charge, they are to be valued at the lower of cost and current replacement cost.

10.1.2.105 Where inventories are acquired through a non-exchange transaction (and held as at 31 March 2009) their carrying amount shall be adjusted to their fair value at the date of acquisition. Any previous adjustment to their carrying amount shall be reversed.

10.1.2.106 Where inventories are to be provided at no charge or for a nominal charge (and are held as at 31 March 2009), their carrying amount shall be adjusted to the lower of cost and current replacement cost. Any previous adjustment to their carrying amount shall be reversed.

10.1.2.107 Where inventories have been purchased on deferred settlement terms beyond normal credit terms (and held as at 31 March 2009), the carrying amount of the inventories shall be adjusted with the difference between the purchase price for normal credit terms and the amount paid. The resultant deferred debit (in effect the financing element of the arrangement) shall be written down from the initial period of the arrangement to 31 March 2009.

Step 2 – restate comparative figures for 2009/10 (inventories held prior to 1 April 2009)

10.1.2.108 Following the restatement in step 1, where inventories to be provided at no charge or for a nominal charge are still held at 31 March 2010, their carrying amount shall be adjusted to the lower of cost and current replacement cost (if required) as at that date. Any previous adjustment to their carrying amount shall be reversed.

10.1.2.109 Following the restatement in step 1, where inventories purchased on deferred settlement terms beyond normal credit terms are still held at 31 March 2010 and the period of credit covers 2009/10, the deferred debit relating to 2009/10 shall be written down and recognised as interest in Surplus or Deficit on the Provision of Services.

10.1.2.110 Following the restatement in step 1, where inventories acquired through a non-exchange transaction were sold or used during 2009/10, the carrying amount of the inventories shall be charged to Surplus or Deficit on the Provision of Services as an expense. Any corresponding credit to match the inventories sold or used shall be charged to Surplus or Deficit on the Provision of Services. Any outstanding deferred debit associated with the inventories sold or used shall be written off to Surplus or Deficit on the Provision of Services. Transactions in relation to the previous accounting treatment shall be reversed.

10.1.2.111 Following the restatement in step 1, where inventories to be provided at no charge or for a nominal charge were sold or used during 2009/10, the carrying amount of the inventories shall be charged to Surplus or Deficit on the Provision of Services as an expense. Any outstanding deferred debit associated with the inventories sold or used shall be written off to Surplus or Deficit on the provision of Services. Transactions in relation to the previous accounting treatment shall be reversed.

Step 3 – restate comparative figures for 2009/10 (inventories recognised in 2009/10)

10.1.2.112 Where inventories acquired through a non-exchange transaction were recognised during 2009/10 and are still held at 31 March 2010, their carrying amount shall be adjusted to their fair value as at the date of acquisition. Any previous adjustment to their carrying amount shall be reversed.

10.1.2.113 Where inventories to be provided at no charge or for a nominal charge were recognised during 2009/10 and are still held at 31 March 2010, their carrying amount shall be adjusted to the lower of cost and current replacement cost as at that date. Any previous adjustment to their carrying amount shall be reversed.

10.1.2.114 Where inventories that have been purchased on deferred settlement terms beyond normal credit terms are held at 31 March 2010, the carrying amount of the inventories shall be adjusted with the difference between the purchase price for normal credit terms and the amount paid. The resultant deferred debit (in effect the financing element of the arrangement) shall be written down to reflect the period of credit covering 2009/10 and recognised as interest in Surplus or Deficit on the Provision of Services.

10.1.2.115 Where inventories acquired through a non-exchange transaction recognised during 2009/10 were sold or used during 2009/10, the carrying amount of the inventories shall be charged to Surplus or Deficit on the Provision of Services as an expense. Any corresponding credit to match the inventories sold or used shall be charged to Surplus or Deficit on the Provision of Services. Any outstanding deferred debit associated with the inventories sold or used shall be written off to Surplus or Deficit on the Provision of Services. Transactions in relation to the previous accounting treatment shall be reversed.

10.1.2.116 Where inventories to be provided at no charge or for a nominal charge were recognised during 2009/10 and sold or used during 2009/10, the carrying amount of the inventories shall be charged to Surplus or Deficit on the Provision of Services as an expense. Any outstanding deferred debit associated with the inventories sold or used shall be written off to Surplus or Deficit on the Provision of Services. Transactions in relation to the previous accounting treatment shall be reversed.

5.2 WORK IN PROGRESS (CONSTRUCTION CONTRACTS)

10.1.2.117 There are expected to be no transition issues arising from construction contracts albeit it may be necessary to recognise contract revenue in earlier periods than under the SORP.

5.3 DEBTORS

10.1.2.118 There are expected to be no transition issues arising from debtors.

6.2 BENEFITS PAYABLE DURING EMPLOYMENT

10.1.2.119 Under IAS 19 and the Code, 'benefits payable during employment' comprise 'short-term benefits' and 'other long-term employment benefits'. Except for 'long-term disability benefits', the SORP and UK accounting standards do not cover these matters. It is therefore likely that authorities' accounting policies will vary and some authorities may not have followed accounting policies that accord with the requirements of the Code.

10.1.2.120 The types of short-term employment benefits covered by IAS 19 and the Code are:

a) wages, salaries and social security contributions
b) short-term compensated absences
c) bonuses and similar payments
d) non-monetary benefits.

10.1.2.121 The Code's requirement in respect of a), c) and d) above follow standard principles for accruing expenditure and it seems unlikely that amounts recognised under most authorities' pre-IFRS accounting policies would be significantly different from those that would have been recognised under the Code's requirements.

10.1.2.122 In the case of 'short-term compensated absences', however, few, if any, authorities have provided for 'accumulating' short-term absences such as annual leave and flexi-time in accordance with the requirements of the Code, which requires provision to be made for benefits which have accumulated but are untaken at the Balance Sheet date.

10.1.2.123 The types of 'other long-term employment benefits' covered by IAS 19 and the code are:

a) long-term compensated absences such as long service or sabbatical leave
b) jubilee or other long service benefits
c) long-term disability benefits
d) bonuses payable 12 months or more after the end of the period in which the employees render the related service
e) deferred compensation paid 12 months or more after the period in which it is earned.

10.1.2.124 All of the above except 'long-term disability benefit' rarely occur at local authorities or would very rarely involve significant expenditure, where they do occur.

10.1.2.125 Where an authority incurs significant expenditure on an employee benefit covered by the 'benefits during employment' section of the Code it shall consider whether its accounting policy has resulted in its accounts recognising significantly different amounts from those that would have been recognised if the Code had been in force. Where the amounts are significant, the authority shall:

Step 1 – restate the opening IFRS balance as at 1 April 2009

10.1.2.126 In the case of short-term employee benefits, this will involve recognising provisions for the amount by which the expenditure which would have been recognised had the Code always been in force exceeds the expenditure that was actually recognised in the accounts with the double entry being to debit the General Fund and HRA Reserve as appropriate. Or, if the expenditure actually recognised in the accounts exceeds the expenditure which would have been recognised had the Code always been in force, recognising a debit accrual with the

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double entry being to debit the General Fund and HRA Reserve as appropriate. (Note: the need for legislation/statutory guidance to ameliorate the effect of recognising accumulating short-term compensated absences is being discussed with stakeholders).

Step 2 – restate the comparative figures for 2009/10

10.1.2.127 The short-term employment benefit transactions during 2009/10 will need to be restated in accordance with the Code and the effected 2009/10 comparative statement of accounts restated.

Long-term disability benefits

10.1.2.128 Under the 2009 SORP long-term disability benefits (called 'incapacity benefit' in the SORP) were accounted for in the same way as retirement benefits, with any difference between the expected cost included in the actuarial assumptions and the amounts actually incurred treated as an actuarial gain or loss. Following IAS 19 as interpreted by IPSAS 25, under the Code long-term disability benefits are classified as 'other long-term benefits' and consequently, subject to a rebuttable presumption (see paragraphs 6.2.3.5 to 6.2.3.6), that actuarial gains and losses are required to be recognised immediately in Surplus or Deficit on the Provision of Services. Where the presumption is rebutted authorities are required to recognise actuarial gains and losses in Other Comprehensive Income and Expenditure.

10.1.2.129 Therefore at 1 April 2009 an authority that has granted disability benefit will likely have associated actuarial gains and losses that that have been taken to the STRGL but which (subject to the above 'rebuttable assumption') are required under the Code to have been included in Surplus or Deficit on the Provision of Services. Where the amounts involved are significant the authority shall:

Step 1 – restate the opening IFRS balance as at 1 April 2009

10.1.2.130 There is no requirement to restate the opening IFRS Balance Sheet at 1 April 2009 since the transfer between the General Fund and the Pension Reserve in respect of actuarial gains and losses not recognised in the Income and Expenditure Account would be exactly offset by the increase in the statutory transfer between the General Fund and the Pension Reserve that would in turn be required.

Step 2 – restate the comparative figures for 2009/10

10.1.2.131 The long-term disability benefit transactions during 2009/10 will need to be restated in accordance with the Code and the affected 2009/10 comparative Statement of Accounts restated.

6.3 TERMINATION BENEFITS

10.1.2.132 The SORP did not cover all termination benefits (eg lump sum payments on termination of employment); it only covered termination awarded as an enhancement of pension benefits usually in the form of added years of service. The SORP treated these as a retirement benefit and classified them as one type of 'past service' cost. The Code, in accordance with IAS 19, covers all forms of termination benefits and does not treat them as a 'post-

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employment benefit' but as a separate category of employment benefit. Termination benefits are required to be recognised immediately in Surplus or Deficit on the Provision of Services.

10.1.2.133 Past service cost may be subject to a vesting period (although this is unusual in local authorities) which would require the obligation to be recognised on a straight-line basis over the vesting period. It is very unlikely that a grant of 'added years' would have been subject to a vesting period since it would be expected to be awarded on retirement.

10.1.2.134 Unless, very unusually, termination benefits awarded as a pension enhancement are subject to a vesting period, no transitional adjustment to the opening IFRS Balance Sheet at 1 April 2009 will be required. If there are unrecognised past service costs:

Step 1 – restate the opening IFRS balance as at 1 April 2009

10.1.2.135 Any unrecognised past service cost shall be immediately recognised by crediting the defined benefit obligation and debiting the General Fund. In turn the entry to the General Fund shall be reversed by increasing the statutory transfer to the Pension Reserve (ie credit General Fund and debit Pension Reserve).

Step 2 – restate the comparative figures for 2009/10

10.1.2.136 Any past service benefits awarded during 2009/10 in respect of pension enhancements not recognised immediately in the Income and Expenditure Account shall be recognised in Surplus or Deficit on the Provision of Services and the Defined Benefit Pension Obligation. The increase in the charge to Surplus or Deficit on the Provision of Services for the year shall in turn require the statutory transfer between the General Fund and the Pension Fund to be increased.

6.4 POST-EMPLOYMENT BENEFITS

10.1.2.137 For authorities, except those in Northern Ireland, there will not normally be transitional issues in respect of post-employment benefits and the Balance Sheet items will usually be transferred to the 1 April 2009 opening IFRS Balance Sheet at the amounts carried on the 31 March 2009 Balance Sheet.

10.1.2.138 Where exceptionally the defined benefit obligation or plan assets to be included to the opening IFRS (1 April 2009) Balance Sheet in accordance with the requirements of the Code is different from the carrying amounts included in the 31 March 2009 Balance Sheet, an authority shall:

Step 1 – restate the opening IFRS Balance Sheet as at 1 April 2009

10.1.2.139 The amounts included for the opening IFRS Balance Sheet shall be the amount determined in accordance with the Code and the net difference shall be taken to the Pension Reserve.

Step 2 – restate the comparative figures for 2009/10

10.1.2.140 The post-employment benefit transactions during 2009/10 will need to be restated in accordance with the Code and the affected 2009/10 comparative Statement of Accounts restated.

Northern Ireland Local Government Officers Superannuation Scheme

10.1.2.141 The Northern Ireland Local Government Officer's Superannuation Scheme (NILGOS) is a defined benefit plan. The 2009 SORP classifies NILGOS as a plan that employers should account for as if it were a defined contribution scheme. Under the Code this is no longer the case and employers shall account for their pension plans on a defined benefit basis. This will involve the following steps:

Step1 – determine opening IFRS Balance Sheet as at 1 April 2009

10.1.2.142 Authorities shall recognise in accordance with the Code their defined benefit obligation and the fair value of the plan assets attributed to them on their opening IFRS Balance Sheet (1 April 2009).

10.1.2.143 The net liability (or asset) will be a charge (or credit) to the District Fund unless the Northern Ireland Department of the Environment introduces regulations or an accounts direction requiring the charge to the District Fund to be calculated on a different basis. If such a regulation or accounts direction is introduced, authorities shall follow the regulations or accounts direction.

Step 2 – restate the comparative figures for 2009/10

10.1.2.144 The post-employment benefit transactions during 2009/10 will need to be restated in accordance with the Code and the affected 2009/10 comparative Statements of Accounts restated.

6.5 ACCOUNTING AND REPORTING BY PENSION FUNDS

10.1.2.145 The Code (following IFRS 1) requires authorities that administer pension funds to disclose an opening IFRS Net Assets Statement at 1 April 2009. Other than with regard to the disclosure of the 'actuarial present value of promised retirement benefits', which it is optional to disclose in the Net Assets Statement, the requirements of the Code are the same as the 2009 SORP. Where an authority has opted not to disclose the actuarial present value of promised retirement benefits in the Net Asset Statement, the Net Assets Statement at 31 March 2009 would be used unchanged as the 1 April 2009 opening IFRS Net Assets Statement.

10.1.2.146 Where an administering authority chooses to disclose the 'actuarial present value of promised retirement benefits' in its Net Asset Statement, it will need to determine this in accordance with the requirements of the Code (ie on an IAS 19 basis, not on the basis of the pension fund's funding assumptions).

10.1.2.147 Where an authority has opted not to disclose the actuarial present value of promised retirement benefits in the Net Asset Statement, the Fund Account and Net Asset Statement at 31 March 2010 would be used unchanged as the comparative amounts to the 31 March 2010 statement.

10.1.2.148 Where an administering authority chooses to disclose the 'actuarial present value of promised retirement benefits' in its Net Asset Statement at 31 March 2011, it will need to determine the comparative amount for the previous year in accordance with the requirements of the Code.

CHAPTER SEVEN FINANCIAL INSTRUMENTS

10.1.2.149 The accounting standards on which the 2009 SORP is based are converged standards: there are expected to be no issues arising from financial instruments on transition to the Code. The transitional provisions contained in paragraphs 103 to 108c of IAS 39 shall not be used. The 2007 SORP adopted FRS 26 *Financial Instruments: Recognition and Measurement*; FRS 25 *Financial Instruments: Presentation* and the predecessor of FRS 29 *Financial Instruments: Disclosures* in the 2007 SORP. These UK standards are converged with the international standards and it would be inappropriate to make use of the international standards transitional provisions on adopting international standards in the 2010 Code. Where they continue to be relevant the transitional provisions of the UK standards adopted by the 2007 SORP remain. In particular, recognition and derecognition decisions prior to 1 April 2006 need not be reconsidered.

8.1 CREDITORS

10.1.2.150 There are expected to be no transition issues arising from creditors.

8.2 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

10.1.2.151 Where provisions meet the definition of current liabilities, an authority shall reclassify the relevant amounts from non-current liabilities (referred to as long-term liabilities under the SORP).

CHAPTER NINE GROUP ACCOUNTS

10.1.2.152 It is expected that IFRS 3 will apply infrequently to authority Group Accounts. However, where it does apply and there are timing differences when fair value of assets, liabilities and goodwill are measured and recognised when an acquisition takes place in stages, the fair values of the relevant assets, liabilities and goodwill shall be restated (where material). In addition, where differences exist in the accounting for goodwill (ie amortisation and 'negative goodwill'), the relevant transactions shall be restated.

Restate comparative figures for 2009/10

10.1.2.153 In the event the group boundary in relation to associates changes, an authority shall consolidate these additional bodies into the Group Accounts.

10.1.2.154 Where the authority's accounting policies have changed under IFRS, the relevant amounts of the subsidiary, associate or joint venture shall be adjusted accordingly (where material).

10.1.2.155 Where an authority has disposed of a subsidiary in 2009/10, the gain or loss should be restated to exclude goodwill previously written off to reserves.

10.1.2.156 Where an authority chooses to use the proportionate consolidation method for consolidating the interests in jointly controlled entities instead of the equity method, the amounts in the Group Accounts shall be restated to follow the proportionate consolidation method.

10.1.2.157 Where an authority chooses to use the equity method for consolidating the interests in jointly controlled entities instead of the proportionate consolidation method, the amounts in the group financial statements shall be restated to follow the equity method.

10.1.2.158 It is implicit in the SORP that adjustments should be made for the effects of significant transactions or events between the differences in period ends of the reporting authority and its subsidiary, associate and jointly controlled entity in the group; where this has not been undertaken authorities shall reflect these adjustments.

APPENDIX A: IFRSs WITH LIMITED APPLICATION TO LOCAL AUTHORITIES

10.1.2.159 Where a material item would be recognised, measured or presented differently under the Code than the SORP 2009, a local authority shall restate the opening IFRS Balance Sheet, the comparative Balance Sheet and the comparative Comprehensive Income and Expenditure Statement in accordance with the requirements of the relevant IFRS.

10.1.3 Statutory Accounting Requirements

10.1.3.1 Where regulations, statutory guidance or accounts directions are introduced that require amounts to be debited or credited to the General Fund or Housing Revenue Account other than in accordance with this chapter of the Code, authorities shall comply with the requirements of the regulation, statutory guidance or accounts direction.

10.1.4 Disclosure Requirements

10.1.4.1 An authority shall disclose any material differences between amounts presented under the SORP 2009 and the IFRS-based Code. Disclosure is required where there are material differences in the following statements:

- Balance Sheet as at 1 April 2009
- Balance Sheet as at 31 March 2010
- Comprehensive Income and Expenditure Statement for 2009/10.

10.1.4.2 Where no disclosure is required as any differences are not material, an authority shall include in the notes a statement that there were no material differences on transition to the IFRS-based Code.

10.1.5 Statutory Disclosure Requirements

10.1.5.1 Where regulations, statutory guidance or accounts directions are introduced that require amounts to be debited or credited to the General Fund or the Housing Revenue Account other than in accordance with this chapter of the Code, authorities shall provide any disclosures that are:

i) required by the regulations, statutory guidance or accounts directions, and

ii) necessary to explain the effect of the regulations, statutory guidance or accounts directions.

10.1.6 Changes since SORP 2009

10.1.6.1 These changes apply on transition to the IFRS-based Code only, and therefore there were no equivalent provisions in the SORP 2009.

APPENDIX A

IFRSs with limited application to local authorities

A.1 INTRODUCTION

A.1.1 A small number of IFRSs are only expected to apply to local authorities in limited circumstances. As such, the Code does not include detailed accounting requirements for these IFRSs. Where an IFRS is relevant to a local authority, the authority shall comply with the requirements of the relevant IFRS. The standards not covered in detail in the Code are:

A.1.2 IAS 12 *Income Taxes,* SIC 21 *Income Taxes – Recovery of Revalued Non-Depreciated Assets* and SIC 25 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders* relate to taxes on an entity's income (for example, corporation tax). They do not relate to accounting for VAT, council tax or non-domestic rates, which are covered elsewhere in the Code. IAS 12 is not expected to be relevant to an authority's single entity accounts. Group entities will account for their own tax; however a consolidation adjustment may be required in the group accounts where group entities have accounted for tax under UK GAAP.

A.1.3 IAS 21 *The Effects of Changes in Foreign Exchange Rates* relates to accounting for exchange rates and exchange rate movements. IPSAS 4 provides additional guidance for the public sector. Where local authorities have foreign currency transactions, they shall use the spot exchange rate at the date of the transaction to record the transaction in pounds sterling. For more complex foreign currency transactions, authorities shall refer to IAS 21.

A.1.4 IAS 29 *Financial Reporting in Hyperinflationary Economies* and IFRIC 7 *Applying the Restatement Approach under IAS 29* relate to financial reporting in hyperinflationary economies. IPSAS 10 provides additional guidance for the public sector. These standards are not expected to be relevant to local authorities.

A.1.5 IAS 41 *Agriculture* sets out the accounting requirements for agricultural activities undertaken for commercial gain. Biological assets that are not held for agricultural activity (eg trees in public parks; police horses and police dogs; and the management of biological assets held for research, experimental and public recreation purposes, including breeding for the preservation of species and raising in game parks and zoos) are not subject to the requirements of IAS 41. Where material, these assets shall be accounted for in accordance with IAS 16 *Property, Plant and Equipment.*

A.1.6 IFRS 2 *Share-based Payment* sets out the accounting requirements for payments that are made by the transfer of equity instruments. IFRS 2 will only apply to local authorities in the rare circumstance that they transfer shares or other equity instruments in a subsidiary or associate in return for goods or services received.

A.1.7 IFRS 4 *Insurance Contracts* specifies the financial reporting for insurance contracts by an entity that issues such contacts. The standard does not cover insurance contracts held by a policyholder. A number of transactions such as giving a financial guarantee and product or service warranties are outside the scope of IFRS 4.

A.1.8 IFRS 6 *Exploration for and Evaluation of Mineral Resources* specifies the accounting requirements for expenditure incurred whilst an entity is exploring for and evaluating mineral resources; it does not apply after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. This standard is not expected to be relevant to local authorities.

Interpretation and adaptation for the public sector context

A.1.9 The following interpretations apply to IFRSs covered by this section of the Code:

A.1.10 IAS 21 *The Effects of Changes in Foreign Exchange Rates*: local authorities are required to account for transactions in pounds sterling, and to present their financial statements in pounds sterling. The alternative approaches available in IAS 21 are not permitted by the Code.

A.1.11 IAS 29 *Financial Reporting in Hyperinflationary Economies*: HM Treasury will notify classification of the UK economy as hyperinflationary for the purposes of IAS 29 if appropriate.

A.2 ACCOUNTING REQUIREMENTS

A.2.1 Where material, authorities shall account for assets, liabilities, income and expenses in accordance with the relevant standards.

A.3 STATUTORY ACCOUNTING REQUIREMENTS

A.3.1 There are no statutory accounting requirements in relation to transactions covered by this section of the Code.

A.4 DISCLOSURE REQUIREMENTS

A.4.1 Where material, authorities shall disclose the information required by the relevant standards.

A.5 STATUTORY DISCLOSURE REQUIREMENTS

A.5.1 There are no statutory disclosure requirements in relation to transactions covered by this section of the Code.

A.6 CHANGES SINCE SORP 2009

A.6.1 Under IAS 12, the criteria for recognising deferred tax are different to those under UK GAAP. This will only be relevant to a group entity, but may need to be reflected in the group accounts.

A.6.2 There are no changes to the accounting arrangements in SORP 2009 in respect of the effect of changes in foreign exchanges rates, financial reporting in hyperinflationary economies, and share-based payment.

A.6.3 The SORP 2009 did not include any specific accounting requirements in respect of agriculture, mineral resources or insurance contracts.

APPENDIX B

Sources and legislation

PART 1 – STATUTORY SOURCES

Great Britain

1 Local Authorities (Goods and Services) Act 1970 *(Income from other bodies)*

2 Local Government Act 1986 *(Publicity Account)*

3 Local Government (Finance) Act 1992 *(Council tax)*

England and Wales

1 Local Government Act 1972

2 Superannuation Act 1972 *(Pension funds)*

3 Local Government Finance Act 1988 *(General Fund and Collection Fund)*

4 Local Government and Housing Act 1989 *(HRA)*

5 Audit Commission Act 1998

6 School Standards and Framework Act 1998 *(School balances)*

7 Building Control Act 1984 and Building (Local Authority Charges) Regulations 1998 (SI 1998/3129)

8 Accounts and Audit Regulations (England) 2003 (SI 2003/533)

9 Local Government Act 2003, Part 1 *(Capital finance and accounts)*

10 Local Government Act 2003, Part IV *(Business Improvement District Scheme)*

11 The Waste and Emissions Trading Act 2003

12 Public Audit (Wales) Act 2004

13 Accounts and Audit (Wales) Regulations 2005 (Welsh SI 2005/368)

Scotland

1 Local Government (Scotland) Act 1973

2 Local Government (Scotland) Act 1975

3 Local Authority Accounts (Scotland) Regulations 1985

4 Housing (Scotland) Act 1987 *(HRA)*

5 Local Government Act 1988 *(DSOs)*

6 Local Government and Housing Act 1989

7 Local Government Finance Act 1992

8 Local Government etc (Scotland) Act 1994

9 Public Finance and Accountability (Scotland) Act 2000

10 Local Government in Scotland Act 2003

Northern Ireland

1 Local Government Act (Northern Ireland) 1972

2 Local Government (Miscellaneous Provisions) (Northern Ireland) Orders

- 1985
- 1992
- 1995

3 The Local Government (Northern Ireland) Order 2005

4 Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006

5 Local Government Companies (Best Value) Order (Northern Ireland) 2006

PART 2 – LEGISLATIVE BASIS FOR STATUTORY ACCOUNTING SECTIONS OF THE CODE

Chapter/ section	England and Wales	Scotland	Northern Ireland
2.3 Government Grants	This is as a consequence of the capital control regime requiring capital expenditure to be financed as part of the capital financing requirement (as defined in CIPFA's *Prudential Code for Capital Finance in Local Authorities*) unless other resources are set aside to finance the expenditure. Part 1 Local Government Act 2003. SI 2003/3146 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. SI 2003/3239 (W.319) The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.	This is as a consequence of the capital control regime requiring capital expenditure to be financed as part of the capital financing requirement (as defined in CIPFA's *Prudential Code for Capital Finance in Local Authorities*) unless other resources are set aside to finance the expenditure. Part 7 Local Government in Scotland Act 2003, refer to: SSI 2004/29: The Local Government Capital Expenditure Limits (Scotland) Regulations 2004. Scottish Government Finance Circular 3/2004.	Councils follow all relevant accounting and disclosure requirements in the *Code of Practice on Local Authority Accounting* under an Accounts Direction from the Department of the Environment. Prudential Code arrangements are under consideration for the new council structure from 2011.

Chapter/ section	England and Wales	Scotland	Northern Ireland
4.1 Property, plant and equipment	**Depreciation:** General Fund (references to General Fund throughout this Appendix are to be read as Council Fund in Wales): as a consequence of the requirement to charge the General Fund with Minimum Revenue Provision (see SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance). HRA: Item 8 Credit and Item 8 Debit (General) Determinations. **Revaluation Losses:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Government Act 2003 and various regulations and statutory guidance). **Gains and Losses on Disposal:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Government Act 2003 and various regulations and statutory guidance).	**Depreciation:** General Fund: as a consequence of the requirement to charge the General Fund with Loans Fund principal repayments (see Schedule 3 paragraph 15(1) of the Local Government (Scotland) Act 1975 and related statutory guidance). HRA: Part II of Schedule 15 paragraph 3 (a) of The Housing (Scotland) Act 1987. *Revaluation Losses:* As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's *Prudential Code for Capital Finance in Local Authorities*).	**Depreciation:** As a consequence of the requirement to charge the District Fund with Loans principal repayments (see Section 65 of the Local Government Act (Northern Ireland) 1972. **Revaluation Losses and Gains and Losses on Disposal:** Councils follow all relevant accounting and disclosure requirements in the *Code of Practice on Local Authority Accounting* under an Accounts Direction from the Department of the Environment. **Loans Fund:** Section 72 of the Local Government Act (Northern Ireland) 1972.

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Chapter/ section	England and Wales	Scotland	Northern Ireland
	Minimum Revenue Provision: SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance.	**Gains and Losses on Disposal:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's *Prudential Code for Capital Finance in Local Authorities*). **Loans Fund:** Schedule 3 paragraph 15(1) of the Local Government (Scotland) Act 1975 and related statutory guidance.	

Chapter/ section	England and Wales	Scotland	Northern Ireland
4.2 Leases	LESSEE **Depreciation, impairment and revaluation gains and losses:** As a consequence of the requirement to charge the General Fund with Minimum Revenue Provision (see SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance). Item 8 Credit and Item 8 Debit (General) Determinations. **Minimum Revenue Provision:** SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance. LESSOR **Capital Receipts:** SI 2003/3146 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. SI 2004/1010 (W.107) The Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2004.	LESSEE **Depreciation, impairment and revaluation gains and losses:** Proposed statutory guidance in 2009/10 is expected to require for finance leases the replacement of depreciation with the principal element of the lease payment. Part II of Schedule 15 of The Housing (Scotland) Act 1987. **Repayment of Liability:** Proposed statutory guidance in 2009/10 is expected to require for finance leases the replacement of depreciation with the principal element of the lease payment. LESSOR **Capital Receipts:** Capital receipts fall to be defined in accordance with proper accounting practice.	LESSEE **Depreciation, impairment and revaluation gains and losses and Repayment of Liability:** As a consequence of the requirement to charge the District Fund with Loans principal repayments (see section 65 of the Local Government Act (NI) 1972. LESSOR **Capital Receipts:** Section 59 of the Local Government Act (Northern Ireland) 1972.

Chapter/ section	England and Wales	Scotland	Northern Ireland
4.3 PPP and PFI Schemes	**Use of Capital Receipts to meet liability:** SI 2003/3146 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. SI 2003/3239 (W.319) The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003. **Depreciation, impairment and revaluation gains and losses:** As a consequence of the requirement to charge the General Fund with Minimum Revenue Provision (see SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance). Item 8 Credit and Item 8 Debit (General) Determinations. **Minimum Revenue Provision:** SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance.	**Use of Capital Receipts to meet liability:** In Scotland, guidance has yet to be finalised. **Depreciation, impairment and revaluation gains and losses:** The proposed statutory guidance in relation to PFI in 2009/10 is expected to require replacement of depreciation with the repayment of the long-term liability. **Repayment of Liability:** The proposed statutory guidance in relation to PFI in 2009/10 is expected to require replacement of depreciation with the repayment of the long-term liability.	Not applicable.

Chapter/ section	England and Wales	Scotland	Northern Ireland
4.4 Investment Property	**Gains and Losses on Disposal:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see Local Government Act 2003 and various regulations and statutory guidance). **Movements in Fair Value:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see Local Government Act 2003 and various regulations and statutory guidance). **Minimum Revenue Provision:** SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance.	**Gains and Losses on Disposal:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's *Prudential Code for Capital Finance in Local Authorities*). **Movements in Fair Value:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's Prudential Code for Capital Finance in Local Authorities). **Loans Fund:** Schedule 3 paragraph 15(1) of The Local Government (Scotland) Act 1975 and related statutory guidance.	**Gains and Losses on Disposal and Movements in Fair Value:** Councils follow all relevant accounting and disclosure requirements in Code of Practice on Local Authority Accounting under an Accounts Direction from the Department of the Environment. **Loans Fund:** Section 72 of the Local Government Act (Northern Ireland) 1972.

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Chapter/ section	England and Wales	Scotland	Northern Ireland
4.5 Intangible Assets	**Gains and Losses on Disposal:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see Local Government Act 2003 and various regulations and statutory guidance). **Amortisation and impairment:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see Local Government Act 2003 and various regulations and statutory guidance). **Minimum Revenue Provision:** SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance.	**Gains and Losses on Disposal:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's Prudential Code for Capital Finance in Local Authorities). **Amortisation and impairment:** As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's Prudential Code for Capital Finance in Local Authorities). **Loans Fund:** Schedule 3 paragraph 15(1) of The Local Government (Scotland) Act 1975 and related statutory guidance.	**Gains and Losses on Disposal and Amortisation and impairment:** Councils follow all relevant accounting and disclosure requirements in Code of Practice on Local Authority Accounting under an Accounts Direction from the Department of the Environment. **Loans Fund:** Section 72 of the Local Government Act (Northern Ireland) 1972.
4.6 Revenue Expenditure funded from Capital under Statute	Local Government Act 2003, and related regulations and directions.	Schedule 3 paragraph 1(2) of the Local Government (Scotland) Act 1975.	Not applicable.

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Chapter/ section	England and Wales	Scotland	Northern Ireland
4.7 Impairment	As a consequence of the requirement to charge the General Fund with Minimum Revenue Provision (see SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance). Item 8 Credit and Item 8 Debit (General) Determinations.	As a consequence of the requirement to charge the General Fund with Loans Fund principal repayments (see Schedule 3 paragraph 15(1) of the Local Government (Scotland) Act 1975 and related statutory guidance). Part II of Schedule 15 (paragraph 3 (a)) of The Housing (Scotland) Act 1987.	Councils follow all relevant accounting and disclosure requirements in Code of Practice on Local Authority Accounting under an Accounts Direction from the Department of the Environment.
4.9 Assets held for Sale	**Remeasurement:** As a consequence of the requirement to charge the General Fund with Minimum Revenue Provision (see SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance). Item 8 Credit and Item 8 Debit (General) Determinations.	**Remeasurement:** As a consequence of the requirement to charge the General Fund with Loans Fund principal repayments (see Schedule 3 paragraph 15(1) of the Local Government (Scotland) Act 1975 and related statutory guidance). Part II of Schedule 15 (paragraph 3 (a)) of The Housing (Scotland) Act 1987.	**Remeasurement:** Councils follow all relevant accounting and disclosure requirements in Code of Practice on Local Authority Accounting under an Accounts Direction from the Department of the Environment.
6.4 Post-employment Benefits	SI 2003/3146 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. SI 2003/3239 (W.319) The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.	SSI 2003/580 The Local Government Pension Reserve Fund (Scotland) Regulations 2003.	Intervention being considered by NI Department of the Environment.
7.1 Introduction to Financial Instruments (in respect of 'Soft Loans')	SI 2007/573 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007. SI 2007/1051 (W.108) The Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2007.	Guidance issued on 30 March 2007 under section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular No 4/2007).	Not applicable.

Chapter/ section	England and Wales	Scotland	Northern Ireland
7.2 Accounting for Financial Liabilities	**Premiums and Discounts:** SI 2007/573 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007. SI 2007/1051 (W.108) The Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2007. **Acquisition of share or loan capital:** SI 2003/3146 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. SI 2004/1010 (W.107) The Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2004.	**Premiums and Discounts:** Guidance issued on 30 March 2007 under section 12(2)(b) of the Local Government in Scotland Act 2003 (Scottish Government Finance Circular No 4/2007). **Acquisition of share or loan capital:** Not applicable.	**Premiums and Discounts:** Not applicable. **Acquisition of share or loan capital:** Not applicable.
7.3 Accounting for Financial Assets (in respect of impairment of investments in Icelandic banks)	SI 2009 No 321 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009. SI 2009 No 560 (W.52) the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2009.	Scottish Government Finance Circular No 4/2009.	Not applicable.
8.2 Provisions (in respect of unequal pay back pay)	SI 2007/573 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007. SI 2007/1051 (W.108) The Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2007.	Consultation announced.	Not applicable.