

**Report to Audit and Risk Committee 28 September 2015**

**Consultation Response re “Telling the Story” in relation to the format of the Statement of Accounts**

**Submitted by** Head of Finance

**Portfolio** Finance ICT and Customer

**Wards Affected** All

**Purpose**

To consider and approve the response to be made to the consultation by the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of “Telling the Story” in relation to changes proposed to the format of the Statement of Accounts.

**Recommendations**

- a) That the response set out at Appendix 1 be considered and approved for forwarding to CIPFA as the Council’s response.

**Reason**

The changes consulted upon are significant changes to the presentation of the Statement of Accounts, intended to make it more understandable, and warrant consideration by the Committee prior to a response being sent.

**1. Background**

- 1.1 The form in which the Council’s accounts are made available to the public and to members, is difficult in many cases for the lay reader to understand. The complexity of the document derives largely from the need to comply with the requirements of International Financial Reporting Standards (IFRS), which closely prescribe the form and content of financial reports, including those of local authorities. The current format is one that CIPFA devised and published in their Accounting Code of Practice to fit the circumstances of local authorities, many of whose accounting practices differ from those of the private sector at which IFRS is primarily oriented, whilst still complying with IFRS. The Code of Practice is recognised as “proper accounting practice” which must be followed by local authorities in compiling their accounts so the Council has no choice but to publish in the prescribed form.
- 1.2 CIPFA has initiated a project to look at the Statement of Accounts with a view to finding ways of simplifying and de-cluttering it and thereby making it more accessible to the user. There was also a need to consider how to effect the new requirement contained in the Accounts and Audit Regulations 2015 for a Narrative Statement to be included in the Statement of Accounts, replacing the Explanatory Foreword. The project working group carrying out this work has now made recommendations for changes to be made to its format, which it is hoped will achieve these objectives. CIPFA has published these recommendations in the form of a consultation document, entitled “Telling the Story”, requesting local authorities to consider the proposed changes and respond to them with their views. To facilitate the response a “response sheet” has been provided setting out what are considered to be the pertinent questions

requiring a response, generally in the form of whether the respondent agrees or not with the proposed change and asking for reasons for the response, particularly where respondents do not agree.

- 1.3 As well as the “Telling the Story” consultation, CIPFA is also consulting authorities upon proposed amendments to the 2016 Accounting Code of Practice. This is a normal occurrence in advance of the publication of the Code applicable to the following year. The amendments proposed to the 2016 Code are mostly technical ones that need to be made to comply with changes in accounting standards, so there is little scope to object to them, plus the amendments which will be required to bring about the changes recommended in the “Telling the Story” consultation and to enable a Narrative Statement to be incorporated in the Statement of Accounts. CIPFA are proposing to call this the “Narrative Report”. It is not intended to respond to this separate consultation, other than to request consequent changes in any cases where the Council is not in agreement with a proposal contained in the “Telling the Story” consultation. It may also be worth asking for the name of the “Narrative Report” to be subject to local discretion on the grounds that calling it this in our published statement of Accounts may not be felt to be the most user friendly title, as opposed to, say, a “Foreword”.
- 1.4 The contents of the statement of Accounts which are affected by the proposed changes are the:
  - Movement in Reserves Statement and associated Note;
  - Comprehensive Income and Expenditure Statement;
  - Explanatory Foreword (replaced by a Narrative Statement);
  - Note to the accounts relating to “Amounts Reported for Resource Allocation Decisions”.
- 1.5 The need for a Narrative Statement is not being consulted upon as it is not optional.
- 1.6 One part of the rest of the proposed changes is concerned with dealing with the anomalies arising from the various accounting adjustments which local authorities are required to make to their accounts but which, by law, cannot be allowed to affect the amount chargeable to taxpayers. IFRS requires the income and expenditure recorded in the Comprehensive Income and Expenditure Statement (CI&ES) to be in accordance with the applicable accounting standards, which are not reflective of local authority practice. Generally this means that certain transactions must be recorded in the CI&ES as either income or expenditure to show a “surplus or deficit on the provision of services” which accords with IFRS standards and generally accepted accounting practice and is comparable to private sector practice. Examples of such transactions are charges for depreciation and asset impairment and losses or gains on disposal of capital assets. In other sectors, there is no need for any further adjustment to be made since the position shown in the Comprehensive Income and Expenditure Statement is their “bottom line” position. However, local authority accounts have to record the actual “funding” position as opposed to the “accounting” position shown in the CI&ES. This requires further transactions to be shown in the Movement in Reserves Statement to remove the accounting transactions which have been included in the CI&ES because IFRS requires it but which, by law, are not permitted to be charged to taxpayers, i.e. to affect the authority’s “bottom line”.
- 1.7 The other proposed changes are concerned with how the expenditure and income is analysed in the Cost of Services section of the CI&ES. Presently, this is analysed according to a standard set of service groupings prescribed by CIPFA in the Service

Reporting Code of Practice (SERCOP). These groupings and sub divisions are used throughout the accounts to record expenditure and income in a standardised way in every local authority across the UK, particularly in order to facilitate comparisons. IFRS requires that where management reporting to facilitate budgetary control is carried out using a different analysis and which may not include all of the expenditure and income included in the CI&ES, the Statement of Accounts must contain a reconciliation between the analysis shown in the CI&ES and that used for management reporting. Because management reporting, in this and most other councils, is carried out on the basis of departmental responsibilities, rather than according to SERCOP service groupings, this results in a three part Note to the Accounts being necessary, titled "Amounts Reported for Resource Allocation Decisions". Expenditure is shown on a total cost basis, i.e. the expenditure shown against each service segment includes apportioned central support and administrative expenses.

## 2. Issues

- 2.1 A draft response has been formulated and is set out at Appendix 1. Following consideration by the Committee, and the incorporation of any consequential amendments to it, it is intended to send this response to CIPFA.
- 2.2 Some of the points to be responded to are of a technical nature and may not be of great concern to members. However, there are a number of fundamental questions which are being asked, and a few others, which members will more likely wish to consider before approving the response to be made. These are discussed below, by reference to the applicable response number shown on the response sheet at Appendix 1.
- 2.3 CIPFA have provided templates in respect of the statements affected by the changes showing how they could appear in the Statement of Accounts, if adopted. These templates are shown at Appendix 2. Members are advised to refer to the 2014/15 Statement of Accounts included elsewhere on this agenda for a comparison with the present position.
- 2.4 **Should the expenditure and income shown in the cost of services section of the Comprehensive Income and Expenditure Statement be presented on the basis of the organisational structure of the authority rather than on the basis of standard service groupings as laid down by SERCOP? (Response 1).** This has the merit of showing the cost of services analysed according to how the Council is actually managed on a day to day basis. For this Council, the analysis would be split between the Chief Executive and Executive Directors, i.e. the Executive Management Team. It also removes the need for an additional Note to the Accounts (Amounts Reported for Resource Allocation Decisions) which is lengthy and complex in style and is felt adds an unnecessary element of clutter to the Statement of Accounts whilst its purpose may not be obvious to the lay reader. In addition, it is a tedious and time consuming note for accounts preparers to produce, a consideration which will be relevant when the requirement contained in the Accounts and Audit regulations 2015 to produce the Statement of Accounts by the end of May comes into effect for the first time in respect of the 2017/18 accounts. This presentation will also facilitate the adoption of a "Funding Analysis", discussed later, which enables further simplification of the presentation of the accounts. Because each local authority organises itself in different ways, there will be a need to explain in broad terms, via footnotes, what services each Executive Management Team member is responsible for. There may also be concerns that comparisons between authorities will be more difficult to make owing to the inherent lack of standardisation. Local authority users of the statement of accounts will have access to the revenue outturn forms data returned to central government each

year and which is readily available to provide this information but this alternative is not available to most other readers of the accounts, particularly lay readers. On balance it is felt that presenting the cost of services in management structure format is an improvement to the present practice and enables further simplification to be made elsewhere in the Statement of Accounts.

- 2.5 Should the expenditure shown in the cost of services section of the Comprehensive Income and Expenditure Statement be provided on the basis of direct costs or on a total cost basis? (Response 7).** Currently expenditure is shown in the CI&ES on a total cost basis including apportionment of each service segment's share of central support and administrative costs, such as in respect of accountancy, legal, facilities management services and charges for the use of buildings such as the civic offices. The consultation proposes that only direct costs are shown against each segment of the cost of services without any apportionment of central and administrative costs. This reflects the way that expenditure and income is recorded and monitored during the year with these central and administrative costs recorded in holding accounts controlled by an Executive Director, for example Accountancy is controlled by the Executive Director (Resources and Support Services) and Civic Offices by the Executive Director (Regeneration and Development). This would mean that in the proposed analysis the expenditure and income relating to the civic offices, for example, would be included in the segment relating to the Executive Director (Regeneration and Development). It is considered that the move to direct costs from total costs would be beneficial because it is a simpler method and reflects the way that costs are actually recorded and monitored in year. It also facilitates the removal of the Note to the Accounts (Amounts Reported for Resource Allocation Decisions) referred to earlier. A possible drawback to the new approach could be that the reader may not get a feel for how much resources the authority allocates to service groupings, because a considerable amount of support provided to services will be contained within whatever management segment is responsible for this provision.
- 2.6 Should the Movement in Reserves Statement (MIRS) be simplified and a new Funding Analysis be included in the Statement of Accounts to provide a link between the accounting position as shown in the Comprehensive Income and Expenditure Statement and the funding position as shown in the MIRS? (Responses 4, 9, 10 and 11).** The new format for the MIRS proposes that the accounting position balance as shown at the bottom of the CI&ES is brought into the MIRS. Currently this balance is brought into the MIRS in two parts, the balance relating to the surplus or deficit on provision of services being shown separately from that relating to Other Comprehensive Income and Expenditure. This seems a sensible change as the separation of the two elements of the CI&ES balance serves no useful purpose. An additional proposed simplification is to remove transfers to and from earmarked reserves as a separately shown transaction within the MIRS. This is discussed in paragraph 2.7 below. The fundamental change proposed though is to provide a new statement called a "Funding Analysis" to explain how the accounting position shown as the surplus or deficit on provision of services in the CI&ES has been converted to the funding position shown in the MIRS. The Funding Analysis will set out the adjustments that have been made to the CI&ES accounting position by way of transfers to or from reserves to reach the funding position. These adjustments will be analysed in the same way as in the CI&ES, i.e. the cost of services analysed over the organisational structure plus separate lines for "Other Operating Expenditure", "Financing and Investment Income and Expenditure" and "Taxation and Non-specific Grant Income and Expenditure". The Funding Analysis is to be supplemented by a further Note giving more detail of the adjustments shown in the Analysis. The Funding Analysis will replace the current Note, "Adjustments Between Accounting Basis and Funding Basis Under Regulations" (Note 2.1.1 in the 2014/15 Statement of Accounts)

which gives details of every type of transaction which has been included in the adjustments line of the MIRS. This is considered to be an extremely technical Note cast in accounting terminology throughout, hard for the lay reader to understand, and it is felt that it could usefully be discontinued. The Funding Analysis and Note, by contrast, appear to be more user friendly but still may not be easily understood by the lay reader.

- 2.7 Should transfers to and from earmarked reserves, be shown separately in the Movement in Reserves Statement? (Response 8).** Earmarked Reserves are the Council's usable reserves, which are held for defined purposes and are available for use at the Council's discretion, and include the Renewals and Repairs Fund, Contingency Reserve, Budget Support Fund, ICT Development Fund, Equipment Replacement Fund. The proposal is to include these in one line together with the movement on the General Fund Balance. This is technically correct because earmarked reserves are in fact part of the General Fund Balance. However, this Council and many, if not most others, have traditionally treated earmarked as separate due to their availability for use, as opposed to the part of the General Fund Balance which is held as insurance against adverse budget risks materialising, the level of which is set after a risk assessment and evaluation of those budget risks and which is not considered to be generally available for use. It is considered that it would still be useful to the reader to see earmarked reserves separately identified and it would also enable the reader to relate the transactions shown to the Note to the accounts setting out the reserves balances. For these reasons, it is felt that earmarked reserves should continue to be shown separately. This appears to be permitted by the proposed 2016/17 Code of Accounting Practice.
- 2.8 Should the Funding Analysis be included in the Narrative Report? (Response 4).** The consultation proposes to include the Funding Analysis and associated Note in the Narrative Report. The Narrative Report is the equivalent of the Explanatory Foreword currently provided at the front of the Statement of Accounts. It is intended to offer an easily understandable guide to the accounts according to the draft Code of Accounting Practice. It is questionable whether the inclusion of the Funding Analysis in the Narrative Statement will further this aim. The Analysis and accompanying Note appear to be complex and technical statements, not user friendly in form or content, the inclusion of which would disrupt the natural flow of the Narrative Statement. For this reason the proposed response suggests that it should be included as a Note to the Accounts rather than as part of the Narrative Statement.
- 2.9 Should budgetary information be shown in the Funding Analysis? (Response 5).** It is felt that this should not be mandatory, rather it should be left to individual authorities to decide their preference. If the Funding Analysis is included as a Note to the Accounts instead of in the Narrative Report it would not be appropriate to include budgetary information because this is not accounting data.
- 2.10 Should comparator information be shown in the Funding Analysis? (Response 6).** If the Funding Analysis is included in the Narrative Statement, it may not be appropriate to include comparative figures for previous years because the Narrative Statement is primarily concerned with looking at the year of account and future prospects for the authority, not looking back at previous years. There would also be an additional element of clutter if more data was to be added to the Analysis. If the Funding Analysis was included as a Note to the Accounts, there would be no particular objection to including comparative data.
- 2.11 Should the changes proposed take effect in the 2016/17 Accounts? (Response 18).** Changes intended to improve the presentation of the Statement of Accounts,

thereby assisting readers in understanding its contents, ought to be brought into effect as soon as practicable. It is feasible to do so starting with the 2016/17 accounts. Leaving it until the 2017/18 accounts would coincide with the first set of accounts which will have to be produced according to the new deadline of 31 May laid down in the Accounts and Audit Regulations 2015. Accounts preparers will not wish to be dealing with a new format at the same time as they are striving to complete the accounts earlier.

**3. Financial and Resource Implications**

3.1 There are none deriving directly from approval of the consultation response.

**4. Background Papers**

- CIPFA Consultation Document “Telling the Story” published July 2015;
- Exposure Draft of the 2016/17 Code of Practice on Local Authority Accounting in the UK and Invitation to comment.

APPENDIX 1

# Telling the Story

## consultation on improving the presentation of local authority financial statements

### response sheet

This Invitation to Comment response sheet will be regarded as on the public record unless confidentiality is specifically requested. Copies of all correspondence and an analysis of responses will be provided to the Financial Reporting Advisory Board. Unless confidentiality is requested in the box below the responses will also be held on the CIPFA Website. Please note if you wish to provide additional commentary on separate sheets it would be helpful if you set out clearly the questions and/or parts of the Code to which your comments relate.

Name	Dave Roberts
Organisation	Newcastle-under-Lyme Borough Council
Do you wish this response to be considered as confidential?	No

Responses are required by **9 October 2015** and may be sent to:

The Secretary  
CIPFA/LASAAC Local Authority Accounting Code Board  
Policy and Standards Directorate  
CIPFA  
77 Mansell Street  
London  
E1 8AN  
Fax: 020 7543 5695  
E-mail: [financial.reporting@cipfa.org](mailto:financial.reporting@cipfa.org)

For ease of handling, e-mailed copies of this Response Form are preferred.

	Response
<b>Service Reporting Code of Practice and the Comprehensive Income and Expenditure Statement</b>	
1 Do you agree that the net expenditure of continuing operations in the Comprehensive Income and Expenditure Statement (CIES) (known as the net cost of services) should be presented on the basis of the organisational structure of the authority? If not, why not? What alternatives do you suggest?	Agree
<p><b>Comments</b> (Please insert your comments in the box below)</p> <p>Our one reservation here is that it will be necessary to provide a description of the services which each directorate is responsible for, otherwise readers of the statement will have no idea what the expenditure and income relates to.</p> <p>We also have concerns that comparisons between authorities will be more difficult to make owing to the inherent lack of standardisation. However, we will still have the revenue outturn forms to provide this information but this alternative is not available to many readers of the accounts, particularly lay readers.</p> <p>On balance, however, we believe that presenting the CIES in this way, enabling the resource allocation note and its three tables to be abandoned and replaced by the more understandable and easier to prepare funding analysis is a better option.</p>	
<b>Options for Change</b>	
2 Do you agree that the financial statements should attempt to balance the need to show the true fiscal position of the local authority under proper accounting practices with the funding position?	Agree
<p><b>Comments</b> (Please insert your comments in the box below)</p> <p>This is always one of the most difficult aspects of the statement of accounts to explain to lay readers. We are not sure, however, that this will improve significantly even with the simpler presentation proposed.</p>	
3 Do you support Option 4 which provides a direct reconciliation between the positions or do you support a different option?	Option 4
<p><b>Comments</b> (Please insert your comments in the box below)</p> <p>None</p>	
<b>Funding Analysis</b>	
4 Do you agree that a Funding Analysis should be prescribed by the Code and included in the narrative report that accompanies local authority financial statements to provide a link between the IFRS based financial reporting requirements and the statutory funding requirements for taxation and rent setting purposes? If not, why not? What alternatives do you suggest?	Disagree



		Response
<p><b>Comments</b> (Please insert your comments in the box below)                      We agree that there should be a funding analysis. However, we do not agree that this should be included in the narrative report. Including a complex table in the narrative report, together with a highly technical introductory paragraph, and a further even more complex accounting style note (as set out in appendix 3) goes against the aim of de-cluttering the accounts, disrupting the natural flow of the narrative and would prove off-putting to many readers and certainly does not help to offer an easily understandable guide to the accounts as stated to be the purpose of the Narrative Statement in paragraph 3.1.1.1 of the 2016/17 Code exposure draft. We believe readers, particularly the lay reader who has been identified as our main audience, want an easily understood summary of the results for the year and the future prospects for the authority with commentary on other relevant matters appertaining to efficiency and effectiveness in use of resources. They may then look at the rest of the statement of accounts for whatever detail they require. We feel the funding statement (and further note, as appendix 3) would be best included as a note to the accounts.</p>		
5	Do you consider that it would be useful to require budgetary information in the Funding Analysis? Please provide the reasons for your response.	No
<p><b>Comments</b> (Please insert your comments in the box below)                      We do not believe this should not be a mandatory requirement. If authorities wish to include a budget comparison they should be free to do so at their discretion, either within the funding analysis or separately. If, as we would prefer, the funding analysis was included elsewhere as a note to the accounts, it would not be appropriate to include budgetary information for the reasons stated in the consultation document.</p>		
6	Do you consider that the Funding Analysis should include comparator information? Please give a reason for your answer including any alternatives you consider might achieve the objective of telling the story of local authority financial performance.	No comparator information
<p><b>Comments</b> (Please insert your comments in the box below)                      The consultation document suggests that the analysis is included in the narrative statement. However, this is primarily dealing with information concerning the year the accounts relate to, together with future prospects for the authority, not looking backwards to previous years. It would also take up additional space if comparators were included and add to the clutter. If the funding analysis was not included in the narrative statement but as a note to the accounts we would have no objection to including comparator information. Paragraph 3.1.2.6 of the 2016/17 Code says that "authorities may wish to present a comparison". Such wording would permit comparators to be included or not, according to the requirements of an individual authority.</p>		
<p><b>Comprehensive Income and Expenditure Statement</b></p>		
7	Do you consider that the CIES segmental analysis should be provided on the basis of direct costs or on a total cost <sup>1</sup> basis (both in accordance with the accrued costs of these services as required by IFRS)? Please give a reason for your answer.	Direct Cost

		Response
<p><b>Comments</b> (Please give a reason for your answer.)  This keeps things simple and not including recharges removes one of the areas where confusion can occur in the minds of readers. It is also the way that costs are reported to management during the year.  The drawback to this approach, however, is that the reader may not get a feel for how much resources the authority allocates to service groupings, because a considerable amount of support provided to services will be contained within whatever management grouping is responsible for this provision, most likely the corporate and central services or similar block.</p>		
<b>Movement in Reserves Statement</b>		
8	Do you agree that the transfers to earmarked reserves need not be presented in the MiRS? If not, why not? What alternatives do you suggest?	Disagree
<p><b>Comments</b> (Please insert your comments in the box below)  We do not disagree that the movement in earmarked reserves need not be shown in the MIRS but would prefer to continue to show transfers to/from earmarked reserves in a separate column in the MIRS rather than for these to be included in the General Fund Balance column. Whilst including these all together is technically correct, earmarked reserves being part of the General Fund Balance, this authority, and we suspect many others, treat earmarked reserves as being distinct from the general balance which is maintained as a buffer against significant adverse budget variances or other major financial problems which might occur and the level of which is determined by an assessment of the risks involved and their values. The earmarked part of the balance is seen as being available for use at the discretion of members. Being able to see a separate figure for the reserves movement will enable readers to see in the MIRS, rather than looking for it in a later note, what has been transferred to/from earmarked reserves. They may also relate this to the movement shown in the transfers to/from earmarked reserves note (note 8 as shown in the example financial statements included in the Code Guidance Notes 2014/15). We feel that the Code should permit (but not prescribe) earmarked reserves to be shown in a separate column in the MIRS, if accounts preparers wish to do so. This may indeed be permitted by paragraphs 3.4.2.26 and 3.4.2.27 of the draft Code currently being consulted on?</p>		
9	Do you agree with the proposed MiRS format based on the Total Comprehensive Income and Expenditure? If not, why not? Please give a reason for your answer.	Agree
<p><b>Comments</b> (Please give a reason for your answer)  With regard to the MIRS, we also support the revised order of the primary statements, with the MIRS being presented after the CI&amp;ES which seems more logical to us and makes for a better flow when explaining the principles of the accounts to lay persons.</p>		
10	Do you have any further proposals for streamlining the Movement in Reserves Statement?	No Comment

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<sup>1</sup> The Total Cost of Services based on the definition of total cost within Section 2 of the Service Reporting Code of Practice.

		Response
<p><b>Comments</b> (Please insert your comments in the box below) None.</p>		
11	Do you agree with the proposals for change in relation to note e) required by paragraph 3.4.2.53? If not, why not? What alternatives do you suggest?	Agree
<p><b>Comments</b> (Please insert your comments in the box below) This will give accounts preparers flexibility to include as much or as little analysis as is needed to meet materiality requirements and local circumstances. It should enable the lengthy and somewhat obscure adjustments between accounting basis and funding basis note to the MIRS to be discontinued with all necessary information being disclosed in the, hopefully, simpler note to the Funding Analysis.</p>		
<p><b>Segmental Analysis</b></p>		
12	Do you agree that the segmental reporting requirements under IFRS 8 for the income and expenditure of the Authority will be met under the proposals for change ie in the Comprehensive Income and Expenditure Statement and the Funding Analysis, both of which include a segmental analysis based on how a local authority is structured ie its directorates/departments or service structure? If not why not? What alternatives do you propose?	Agree
<p><b>Comments</b> (Please insert your comments in the box below) None.</p>		
13	Do you agree that local authorities rarely present income and expenditure listed in paragraph 23 of IFRS 8 to Decision Makers on a segmental basis? If not why not? Please give a reason for your answer.	Agree
<p><b>Comments</b> (Please give a reason for your answer.) Some of these are not applicable to the authority or are not of interest to management when considering the overall financial position of the authority. For example there is no interest in depreciation and amortisation expenditure, these being notional charges in the local authority context, nor is it helpful to management to receive statements of income and expenditure which include internal transactions between segments. The only item listed which is of significance is revenues from external customers, which is included in segments within reports considered by management, although, due to the significance to the authority, the major items of income are also highlighted together in a separate section of the periodic management report. Currently, interest revenue and expense are included within the appropriate corporate segment but are presently insignificant in value.</p>		

	<b>Response</b>
<p>14 Do you agree that the CIES and the Funding Analysis under the new proposals provide a reconciliation of the local authority equivalent of the total of the reportable segments' revenues to the entity's revenue and the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations per IFRS 8? If not, why not? Please give a reason for your answer.</p>	<p>Agree</p>
<p><b>Comments</b> (Please give a reason for your answer.) None.</p>	
<p>15 Do you consider that the reconciliation "Adjustments to add expenditure or income not chargeable to Council Tax or Rents and the removal of transactions which are only chargeable under statutory provisions" demonstrated in Appendix 3 is able to clearly demonstrate the main reconciliation adjustments to the users of local authority financial statements? If not, why not? What alternatives do you propose?</p>	<p>Yes</p>
<p><b>Comments</b> (Please insert your comments in the box below) It is difficult to conceive of a reconciliation which would be concise and at the same time clear to lay readers. In the circumstances, the proposed format is probably as clear as any. It will need to be supplemented by some footnotes , as shown in the appendix, explaining what is included in the three columns, otherwise the reconciliation is likely to be incomprehensible to most such readers.</p>	
<p>16 Do you consider that even though the Funding Analysis is presented in the Narrative Report it should remain a part of the financial statements to meet the requirements of IFRS 8? If not, why not? Please give a reason for your answer.</p>	<p>Part of the financial statements</p>
<p><b>Comments</b> (Please give a reason for your answer.) It is essential to a proper understanding of the financial statements, but should be a note rather than included in the Narrative Statement.</p>	
<p>17 If you agree that the Funding Analysis should be a part of the financial statements though included in the Narrative Report, are there any reporting or audit issues you consider that CIPFA/LASAAC should be aware of which need to be referred to the appropriate regulatory bodies? Please give a reason for your response.</p>	<p>No Comment</p>
<p><b>Comments</b> (Please give a reason for your response.) N.B. We do not agree that it should be part of the narrative statement.</p>	
<p><b>Transition under the New Proposals</b></p>	

	<b>Response</b>
<p>18 Do you consider that the proposed changes to the financial statements should be effective in the 2016/17 Code? Please give reasons for your answer.</p>	<p>2016/17</p>
<p><b>Comments</b> (Please give reasons for your answer.)            They should be implemented as soon as practicable in order to improve the presentation of the statement of accounts as soon as possible. They should be implemented before the requirement for earlier closure of accounts takes effect so that accounts preparers are used to the new format by the time the 2017/18 accounts need to be produced. We do not want to be dealing with a new format for the first time at the same time as we are striving to complete the first set of accounts by the new statutory deadline.</p>	
<p>19 What do you consider to be the practical effects of the proposals for local authority accounts preparers?</p>	<p>See comments</p>
<p><b>Comments</b> (Please insert your comments in the box below.)            An important part of the financial statements should be simpler to prepare, saving time when this is at a premium. It may also make the accounts easier to explain to the lay person.</p>	

	<u>Signed</u>	<b>Dated</b>
<b>Financial Implications Discussed and Agreed</b>		
<b>Risk Implications Discussed and Agreed</b>		
<b>Legal Implications Discussed and Agreed</b>		
<b>H.R. Implications Discussed and Agreed</b>		
<b>ICT Implications Discussed and Agreed</b>		
<b>Report Agreed by: Executive Director/ Head of Service</b>		