

Report

To: CIPFA LASAAC

From: Steven Cain, CIPFA/LASAAC Secretary

Date: 9 March 2023

Subject: Look ahead to the 2024/25 Code and ITC

Purpose

The purpose of this report is to note items which affect the development of the 2024/25 Code and seek the views of the Board on additional items which may need to be included.

Report

- 1.1 Notes of potentially relevant developments and potential effects are set out encompassing
 - Legislative Developments
 - Financial Reporting Developments
- 1.2 Matters prioritised in the strategic plan will impact on the ITC but are subject to a separate report at Agenda Item 8

Recommendations

The Board is invited to note these matters and also to provide information to the Secretariat on any other issues of which they are aware. It would be helpful to have any additional information by 30 April to inform preparation for Invitation to Comment and consultation papers to be presented at the June 2023 meeting.

LEGISLATIVE DEVELOPMENTS

UK / England / Scotland / Wales / Northern Ireland	
Development	Implications for Code
England	
DLUHC has committed to extending the deadline for publishing audited local authority accounts to 30 November 2022 for 2021/22 accounts, then 30 September for 6 years, beginning with the 2022/23 accounts.	Relevant changes to accounts submission dates would need to be reflected in the Code.
In 2018, MHCLG enacted a statutory override to ameliorate the effect of IFRS 9 in relation to pooled investments, making a time-limited amendment to the Local Authorities (Capital Finance and Accounting) (England) Regulations. Without further regulation this would expire with effect from 2024/25. DLUHC have consulted on this in <i>Future of the IFRS 9 statutory override: mitigating the impact of fair value movements of pooled investment funds</i> Initial indications have been provided to local authorities that the Regulations will extend for a further two years.	Relevant changes to statutory reporting would need to be reflected in the Code.
Scotland	
The Scottish Government has deferred its review of capital accounting for a year. Any changes are likely to impact on the statutory provisions explained in the Code.	Relevant changes to statutory reporting would need to be reflected in the Code.
Wales	
No relevant developments anticipated based on feedback from Welsh government, except a planned extension of IFRS 9 relief, which will preserve the current code provisions.	Relevant changes would need to be reflected in the Code.
Northern Ireland	
No relevant developments anticipated based on feedback from Department for Communities (NI)	Not applicable

FINANCIAL REPORTING DEVELOPMENTS

Items already considered by C/L in previous years	
Development	Implications for Code
IFRS 16 Leases	IFRS 16 material to be provided in main body of the Code, in line with the previous planned implementations. There will be some differences in the transitional arrangements due to voluntary adoption being allowed in 2022/23 and 2023/24.
PFI PPP accounting – effect of IFRS 16 Leases	Material to be provided in main body of the Code, in line with previous planned implementation. There will be some differences in the transitional arrangements due to voluntary adoption being allowed in 2022/23 and 2023/24.
<p>IFRS 17 Insurance Contracts</p> <p><u>UK GAAP position:</u> IFRS 17 Insurance Contracts was approved for adoption by the UK Endorsement Board on 16 May 2022.</p> <p>The effective date of UK-adopted IFRS 17 is 01 January 2023</p> <p>The UKEB will carry out a review of the impact of the adoption of the standard and a report setting out the conclusions of this review will be published by the UKEB by 1 January 2028.</p> <p><u>UK central government position:</u> Mandatory adoption of IFRS 17 in the FReM is deferred until 2025/26.</p> <p><u>CL Code position:</u> Adoption of IFRS 17 in the FReM is deferred until 2025/26.</p>	<p>Implementation in local government deferred in line with the FReM position.</p> <p>Consultation in successive consultations has reinforced the view that IFRS 17 will seldom be materially relevant to local authorities, and that the current approach where no detailed material is included in the Code has not proved to be inappropriate though confirmatory work is still needed.</p> <p>Responses to the 2023/24 ITC raised</p> <ul style="list-style-type: none"> - An example of another class of insurance related arrangements for which IFRS 16 might be relevant - Further representations in relation to the applicability of insurance accounting to some pension guarantees <p>No implications for 2024/25.</p> <p>Further discussions will be carried out with the relevant parties to determine the scope of the above points to confirm they do not challenge the proposed approach for 2025/26.</p> <p>Appropriate liaison to be carried out with CIPFA forums if guidance rather than Code material is appropriate.</p>
Other IFRS not yet effective, or not yet UK endorsed	
<p>Financial Statements</p> <ul style="list-style-type: none"> • Non-current Liabilities with Covenants • Deferral of Effective Date Amendment • Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) <p>Issued 31 October 2022 Effective 1 January 2024</p>	<p>This requires additional disclosures around non-current liabilities subject to conditions, and may be relevant and material for some local authority preparers.</p>

<p>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</p> <p>Issued 22 September 2022 Effective 1 January 2024</p>	<p>Prima facie this will have little impact on local authority preparers and should be adopted into the Code without amending any of the main Code text</p>
IPSAS	
<p>IPSAS 43, <i>Leases</i></p> <p>Phase One of the leases project, covering commercial leases. Effective 2025</p>	<p>No direct impact. It will be interesting to see how Phase Two of the project progresses, encompassing public sector specific matters such as leases with a non-exchange element.</p> <p>IPSASB</p>
UK public sector developments	
<p>HMT Thematic Review</p>	<p>This focused on information around measurement of assets and will inform and influence Code development. The Exposure Draft of proposed changes to the FReM should be issued by the time of the CIPFA LASAAC meeting and is noted in the agenda as an information item.</p>
Strategic Plan Developments	
<p>Matters prioritised in the strategic plan</p>	<p>Subject to a separate report at Agenda Item 8</p>