The Chartered Institute of
Public Finance & Accountancy

CL 10 06 24

Report

To:	CIPFA LASAAC
From:	Steven Cain, Technical Manager Ben Matthews, Technical Advisor Hazel Watton, Technical Manager
Date:	13 June 2024
Subject:	Adjusted 2025/26 Code timetable and look ahead to the 2025/26 Code and ITC

Purpose

The purpose of this report is to note the adjusted 2025/26 Code timetable and items which affect the development of the 2025/26 Code; seeking the views of the Board on additional items which may need to be included.

Report

1.1 The 2025/26 Code process initially experienced a slight delay due to prioritising the short-term Code measures at the re-arranged March meeting that took place in April. Originally, the plan was to bring both the look ahead and the draft ITC and ED in June, which would have then brought the timetable back in line. There are various items to be included in the 2025/26 Code consultation and most could have met that timetable; however, the two items identified below are unable to meet the timelines due to the reasons outlined.

1.2 Two key items for inclusion in the 2025/26 Code unable to meet the timelines.

- HMT Thematic Review – The lead time for mainstream Code amendments is generally longer than for FReM amendments because of the required Code consultation process. This can mean that changes are made in earlier editions of the FReM than the corresponding Code changes. However, the aim is to implement the HMT Thematic review in the Code for 2025/26, the same year as the FREM. Additionally, developing suitable consultation material on application in the Code would be best progressed when the HMT Thematic review changes are substantially agreed. Furthermore, indexation was initially proposed for 2024/25 as part of the short-term measures, where it's likely a better understanding of indices and their application would be gained. If indexation is implemented in 2024/25 it would seem a shame not to use lessons learnt when presenting the longer-term reforms.

- Reducing the burden of LGPS pension reporting – Due to prioritising the short-term measures, the Secretariat hasn't had the opportunity to progress this as anticipated. The Secretariat intends to produce a paper to be discussed with members of the Relevant Authority Working Group.

1.3 For both above items, expectations have already been set that they would be included in the 2025/26 Code. Consequently, the Secretariat propose an adjusted timetable for the 2025/26 Code at Annex A.

1.4 This would result in two additional CIPFA LASAAC meetings being required - September and January. However, it's highly likely an additional meeting would have been required between the already scheduled June and November meetings to discuss the 2024/25 Indexation proposals. The proposal to move to an adjusted timetable also means that the November meeting wouldn't fulfil its normal function, although this meeting is still likely to be useful for covering the yearly board performance review and effectiveness.

1.5 Finally, any amendment to the timetable that results in the Code being made available later than 1 April requires agreement with FRAB. The relevant authority memorandum of understanding sets out exceptions to this rule - where additional time is needed to change charging regimes or regulations to mitigate the potential impact of guidance changes in Council Tax. However, given the unusual nature of the local audit measures, hopefully this request is considered reasonable.

1.6 In Annex B notes of potentially relevant developments and potential effects are set out encompassing

- Legislative Developments
- Financial Reporting Developments

1.7 Matters prioritised in the strategic plan will impact on the ITC but are subject to a separate report at Agenda Item 6

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 31 July to inform preparation for Invitation to Comment and consultation papers to be presented at a potential meeting in September.

Annex A – Table showing the 'normal timetable' and 'proposed adjusted timetable'

Process	Stakeholders	Normal timetable	Proposed adjusted timetable
Look ahead	CIPFA LASAAC and FRAB	March meeting	June meeting
Draft ITC and ED	CIPFA LASAAC and FRAB	June meeting	September meeting
Approvals and Consultation issued	CIPFA LASAAC, FRAB, PFMB and LASAAC	Mid July	October
At least an 8 week consultation period (although usually runs a bit longer)	Local Authorities, Audit Firms, Accountancy institutes etc	Mid July - October	October – December
Consultation analysis, amendments and approval of the Code	CIPFA LASAAC and FRAB	November meeting	January meeting
Final version of the Code sent for approval	PFMB, LASAAC and FRAB	December/January	February
Publication process (approximately 8 weeks)	CIPFA publications team/ FRAB chair for final signature to be added	Issued 1 April	Issued 1 May

Annex B – Look ahead to 2025/26 Code content

LEGISLATIVE DEVELOPMENTS

<table>
<tr><th colspan="2">UK / England / Scotland / Wales / Northern Ireland</th></tr>
<tr><th>Development</th><th>Implications for Code</th></tr>
<tr><th colspan="2">England</th></tr>
<tr><td>Joint statement on update to proposals to clear the backlog and embed timely audit.

Originally the joint statement set out proposals for backstop dates where local authorities would be required to publish audited accounts.

• Year ended 31 March 2023: 30 September 2024
• Year ended 31 March 2024: 31 May 2025
• Year ended 31 March 2025: 31 March 2026
• Year ended 31 March 2026: 31 January 2027
• Year ended 31 March 2027: 30 November 2027
• Year ended 31 March 2028: 30 November 2028</td><td>Relevant changes to accounts submission dates would need to be reflected in the Code. However, the recent general election announcement is likely to impact this now.</td></tr>
<tr><td>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.

DLUHC consulted on it’s future in 2022 Future of the IFRS 9 statutory override: mitigating the impact of fair value movements of pooled investment funds
Following this consultation DLUHC agreed to extend the override for a further two years. However, without further regulation this will expire with effect from 2025/26.</td><td>Relevant changes to statutory reporting would need to be reflected in the Code.

This is likely to require inclusion in any Code consultation once a decision on its future has been made by Government.</td></tr>
<tr><td>In 2020, MHCLG also introduced a statutory override which separates local authorities’ DSG deficits from their wider financial position. The regulations provided that where a local authority has a deficit on its school budget, the authority must not charge any such deficit to its revenue account. The statutory override was put in place for a period of three years, up to March 2023, and meant that local authorities’ DSG deficits could be separated from their wider accounts.
In 2022 this override was extended for a further three years and will expire with effect from 2026/27.</td><td>Relevant changes to statutory reporting would need to be reflected in the Code.

There’s no need to consult at this stage, but CIPFA LASAAC may need to consider this later if there is a realistic prospect that the override lapses.</td></tr>
<tr><td>In 2022, DLUHC issued amendment regulations to provide that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component (ie either a nil amount or to follow the Code). The statutory override was put in place for a period of four years, up to March 2025. As part of the local audit ‘recovery’ measures</td><td>Relevant changes to statutory reporting would need to be reflected in the Code.

CIPFA LASAAC set out in its earlier consultation regarding Code short term measures, that extending the temporary solution for infrastructure assets would be included when consulting on proposals affecting the 2025/26 Code.</td></tr>
</table>

CIPFA LASAAC are to consult on extending the temporary solution, given DLUHC's view is that local authorities in England would not be in a position to develop systems to support a long-term solution to reporting on infrastructure assets by 2025/26.	
In 2024, DLUHC made amendments to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (the "2003 Regulations") and the statutory guidance (the "MRP guidance"). The amendment to the 2003 Regulations expressly provides that authorities cannot exclude any amount of CFR, unless by an exception set out in statute. Further, that capital receipts cannot be used to directly replace, in whole or part, the prudent charge that is made to revenue. These amendments were as a result of the government's concerns that some local authorities were employing practices that resulted in under-payment of MRP, including not making MRP with respect to debt that was associated with the financing of investment assets, and using capital receipts as a direct replacement for a charge to revenue. To mitigate the risk that these changes could have unintended consequences, specifically where local authorities have made capital loans to companies for the purposes of service delivery or housing provision, the amendments also made provision for certain capital loans such that MRP need not be made provided that the loans would be repaid in full.	Relevant changes to statutory reporting would need to be reflected in the Code. Inclusion in Code consultation is not required. Only impact is amendments to references in Appendix B – Sources and legislation in the Code.
Scotland	
Local government finance circular 7-2023 - accounting for service concession arrangements, leases and similar arrangements. This replaces Local Government Finance Circular 10/2022 and sets out the accounting requirements for service concession arrangements, leases and similar arrangements from 1 April 2024. With the exception of those service concession arrangements to which the flexibility was applied in either 2022-23 or 2023-24, from 1 April 2024 the annual statutory charge (the statutory repayment of debt) to the General Fund for all existing and new service concession arrangements, leases and similar arrangements must reflect the principal element of the contractual repayments and must be charged to the General Fund over the term of the contract.	Relevant changes to statutory reporting will need to be reflected in the Code. Inclusion in Code consultation is not required. Only impact is amendments to references in Appendix B – Sources and legislation in the Code.
In 2024 the Scottish Government made amendments to the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 ("the 2016 Regulations) to alter the scope of local authorities to vary repayment to their loans fund of loans fund advances made prior to 1 April 2023.	Relevant changes to statutory reporting would need to be reflected in the Code. Inclusion in Code consultation is not required. Only impact is amendments to references in Appendix B – Sources and legislation in the Code.

Local government finance circular 09/2022: statutory override - accounting for infrastructure assets - gov.scot (www.gov.scot) The Scottish government will shortly publish statutory guidance to extend the statutory override for infrastructure assets until 31 March 2025.	Relevant changes to statutory reporting would need to be reflected in the Code. Infrastructure assets to be covered in 2025/26 Code consultation.
Wales	
The Welsh Government are still intending to extend the deadlines for publishing local authority accounts. Draft accounts to be published by 30 June instead of 31 May. Audited accounts to be required by: a) 31 October for the 2024/25 financial year b) 30 September for the 2025/26 financial year onwards	Relevant changes to accounts submission dates would need to be reflected in the Code. Inclusion in Code consultation is not required.
In 2023 the Welsh Government amended the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 ("the 2003 Regulations") to extend the application of the Pooled Investment Fund override by an additional two financial years to 31 March 2025.	Relevant changes to statutory reporting would need to be reflected in the Code. This is likely to require inclusion in any Code consultation once a decision on its future has been made by Government.
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 17 Insurance Contracts UK GAAP position: IFRS 17 Insurance Contracts was approved for adoption by the UK Endorsement Board on 16 May 2022. The effective date of UK-adopted IFRS 17 is 01 January 2023 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. UK central government position: Mandatory adoption of IFRS 17 in the FReM has previously been deferred until 2025/26. CL Code position:	It is expected that the 2025/26 ITC will continue to propose IFRS 17 is treated in the same way as IFRS 4 which is mentioned only in Appendix A. Unlike previous proposals this will relate to the upcoming Code rather than the Code for later years. Appropriate liaison to be carried out with CIPFA forums where guidance rather than Code material is appropriate.

Adoption of IFRS 17 in the FReM has previously been deferred until 2025/26.	
IPSAS 43, *Leases* Phase One of the leases project, covering commercial leases. Effective 2025	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.
IPSAS 45, *PPE* Issued May 2023 Effective January 2025	IPSAS 45 replaces IPSAS 17, Property, Plant, and Equipment by adding current operational value as a measurement basis in the updated current value model for assets within its scope, identifying the characteristics of heritage and infrastructure assets, and adding new guidance on how these important types of public sector assets should be recognized and measured. This will be considered as part of changes to the Code following the HMT Thematic review.
IPSAS 46, *Measurement* Issued May 2023 Effective January 2025	IPSAS 46 introduces current operational value, a public sector specific current value measurement basis addressing views that an alternative to fair value is needed for certain public sector assets. This will be considered as part of changes to the Code following the HMT Thematic review.
IPSAS 47, *Revenue* Issued May 2023 Effective January 2026	IPSAS 47 presents two accounting models based on the existence (or otherwise)of a binding arrangement. Broadly speaking, binding arrangements are analogous to contracts, and allow an IFRS 15 five step model approach to be applied to exchange transactions and some non-exchange transactions. A different model is used where there is no binding arrangement. The new IPSAS may provide a clearer basis for some transactions which have a combination of exchange and non-exchange characteristics. Particular consideration will need to be given to Section 2.3 of the Code (Government and Non-Government Grants) which relies on IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) particularly for recognition and presentation specification.
IPSAS 48, *Transfer expenses* Issued May 2023 Effective January 2026	IPSAS 48 provides accounting guidance for transfer expenses, which account for a significant portion of expenditures for many public sector entities and may help articulate the Code requirements.
Other IFRS not yet effective, or not yet UK endorsed	

Lack of Exchangeability (Amendments to IAS 21) Issued August 2023 Effective January 2025	Lack of Exchangeability — Amendments to IAS 21 will be reviewed when developing the consultation on the 2025/26 Code on Local Authority Accounting. It will probably apply in limited circumstances but not to the extent that it warrants change or specific commentary in the main body of the Code.
IFRS 18 Presentation and Disclosure in Financial Statements Issued April 2024 Effective January 2027	Secretariat review suggests that the changes relate mainly to standardising intermediate sub-totals and aggregation to provide consistent performance measures. It is not clear that these are needed given the current Code requirements, but Secretariat will review the alignment of Code requirements with the new IFRS.
IFRS 19 Subsidiaries without Public Accountability Issued May 2024 Effective January 2027	IFRS 19 works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. No direct effect on Code. However, will affect some entities included in group consolidations.
IPSAS	
IPSAS 49, *Retirement benefit plans* Issued November 2023 Effective January 2026	IPSAS 49, Retirement Benefit Plans establishes comprehensive accounting and reporting requirements for the financial statements of retirement benefit plans, with participants comprising current and former public sector employees and other eligible members. IPSAS 49 was adapted from IAS 26. This standard will be considered alongside the project to reduce the burden of LGPS Pension reporting.
The Conceptual Framework For General Purpose Financial Reporting By Public Sector Entities	No direct effect on the Code. The Conceptual Framework was developed and approved in 2014 by the IPSASB and was originally published in October 2014. In 2023, Chapters 3, 5, and 7 were updated. **Chapter 3** This update clarifies the role of prudence and adds ‘obscuring information’ to factors affecting materiality judgments. **Chapter 5** This revises the definitions of an asset and a liability and adds new guidance on the transfer of

	resources, unit of account, and binding arrangements that are equally unperformed. **Chapter 7** This update streamlines the measurement principles by eliminating unused measurement bases and enhancing focus on those commonly used. The new subsequent measurement framework will help constituents apply the principles in practice and aligns measurement concepts with the guidance provided in IPSAS.
Improvements to IPSAS 2023 (Final pronouncement April 2024) (changes as a result of IFRS improvements – Classification of Liabilities as Current or Non-Current IAS 1, Interest Rate Benchmark Reform IFRS 9 IAS 39 IFRS 7 IFRS 4 IFRS 16 and Lease liability in a sale and leaseback amendments to IFRS 16).	This included minor improvements to accrual basis IPSAS that arise through publications of the International Accounting Standards Board (IASB).
UK public sector developments	
HMT Thematic Review	In response to the local audit backlog in England, as part of measures to help local authorities in the longer term, the Board set out its plans to consult on proposals for the measurement of operational property, plant and equipment, having regard to the HM Treasury Thematic Review, which will further explore simplifying requirements.
Purpose of Local Authorities Accounts from the Financial Reporting and Audit in Local Authorities inquiry	The Board to consider consulting on including a Statement of Purpose for local authority accounts in the Code, in line with the LUHC Committee report. This would be subject to discussion and work on what any text may look like, ensuring coverage of the complete audience for the Code.
Strategic Plan Developments	
Matters prioritised in the strategic plan	Subject to a separate report at Agenda Item 6.