

Report

To: CIPFA LASAAC

From: Steven Cain

Date: November 2024

Subject: Horizon scanning - financial reporting standards developments

Purpose

The purpose of this report is to note current and planned developments in standards, guidance and the standards environment which may be relevant to public sector stakeholders

Report

- 1.1 Notes of potentially relevant developments and potential effects are set out encompassing
- UK GAAP developments (new standards adopted)
 - Financial reporting standards planned developments
 - Auditing standards planned developments
 - Other relevant standards planned developments
- 1.2 It was anticipated that IPSASB will have issued a sustainability related ED by the end of October. IPSASB has already issued a financial reporting ED that may be sustainability adjacent. CIPFA comment on both of these may be appropriate.

Recommendations

The Board is invited to note the developments in the report. Also to provide information to the Secretariat on any other issues of which they are aware.

UK GAAP developments – IFRS Adoption status in October 2024



2024 list of UK Adoptions			
	UKEB		IASB Effective date
	Adoption date	UK-adopted international accounting standard publication ²	IASB Effective date
<i>Lack of Exchangeability (Amendments to IAS 21)</i>	15 July 2024	17 July 2024	1 January 2025

This needs to be reviewed when developing the consultation on the 2025/26 Code on Local Authority Accounting.

UK Adoption status report: IASB/IFRS Interpretations Committee documents not yet adopted			17 July 2024
	IASB Issue date	IASB Effective date	Link to UKEB project page ¹
STANDARDS			
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	9 April 2024	1 January 2027	Project page
IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	9 May 2024	1 January 2027	Project page
AMENDMENTS			
<i>Amendments to the Classification and Measurement of Financial Instruments</i>	30 May 2024	1 January 2026	Project page

These need to be reviewed when developing the consultation on the 2026/27 and 2028/28 Codes on Local Authority Accounting.

FINANCIAL REPORTING DEVELOPMENTS – ISSUED STANDARDS

IFRS Adoptions

IFRS 17 *Insurance Contracts*
Adopted with effective date 01.01.2023

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.

Other IFRS not yet effective, or not yet UK endorsed

Lack of Exchangeability (Amendments to IAS 21)
Issued August 2023
Effective January 2025

To be considered 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 pronouncements issued since June

Concessionary Leases and Other Arrangements Conveying Rights over Assets
(Amendments to IPSAS 43, IPSAS 47, and IPSAS 48)
(Final pronouncement October 2024)
The amendments to IPSAS 43 and IPSAS 47 have an effective date of January 1, 2027. Earlier application is permitted.

New guidance addresses public sector issues specific to concessionary leases (i.e. leases at below-market terms) and other arrangements conveying rights over assets.

To be reviewed when developing future Codes, having regard to whether the treatment differs at all from the Code approach to peppercorn leases and leases at below market terms.

FINANCIAL REPORTING PLANNED DEVELOPMENTS

IASB consultations

<p>Exposure Draft <i>Translation to a Hyperinflationary Presentation Currency</i> 25 July 2024 The IASB is inviting feedback on the proposed amendments until 22 November 2024.</p>	<p>The Exposure Draft proposes to improve information for investors in a cost-effective manner by requiring an entity to translate amounts from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy using the closing rate at the date of the most recent statement of financial position.</p> <p>Unlikely to be UK public sector relevant.</p>
<p>Exposure Draft <i>Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures</i>. July 2024 The comment letter period is open until 27 November 2024.</p>	<p>When IFRS 19 was issued, it did not impact on any disclosure requirements that were added or amended after 28 February 2021. The IASB is now consulting on whether and how to reduce later disclosure requirements in IFRS 19. The IASB is also asking for views on whether to reduce the disclosure requirements from the prospective IFRS Accounting Standard Regulatory Assets and Regulatory Liabilities.</p>
<p>Exposure Draft <i>Climate-related and Other Uncertainties in the Financial Statements</i> July 2024 The deadline for submitting comment letters is 28 November 2024.</p>	<p>The Exposure Draft proposes eight examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements.</p>
<p>Exposure Draft <i>Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)</i> 19 September 2024 The deadline for submitting comment letters is 20 January 2025.</p>	<p>This Exposure Draft :</p> <ul style="list-style-type: none"> • proposes amendments to answer application questions about how to apply the equity method of accounting; • proposes new disclosure requirements to IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements.

IPSASB consultations on financial reporting	
<p>Exposure Draft (ED) 90, <i>Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement</i> Aug 1, 2024 Comments due by: Nov 29, 2024</p>	<p>While public sector relevant, this is mainly consequential amendments following the publication of IPSAS 46</p> <p>CIPFA does not expect to respond to this consultation.</p>
<p>Exposure Draft (ED) 91, <i>Limited-scope Updates to First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)</i> Amendments to IPSAS 33 Aug 14, 2024 Comments due by: Dec 13, 2024</p>	<p>ED 91 proposes to clarify and restructure existing guidance and add new non-authoritative guidance to IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> to help public sector entities adopt accrual basis IPSAS.</p> <p>Not relevant to UK public sector.</p>
<p>Exposure Draft (ED) 92, <i>Tangible Natural Resources</i> Comments due by: Feb 28, 2025 Open for public comment through February 28, 2025.</p>	<p>This proposes guidance on the recognition, measurement, display and disclosure of tangible natural resources.</p> <p>CIPFA will review this consultation to determine whether a response would be appropriate.</p>
FRC consultations on financial reporting	
<p>Consultation on Guidance on the Going Concern Basis of Accounting and Related Reporting, including Solvency and Liquidity Risk Published 5 August 2024 Closing date 28 October 2024</p>	<p>Not UK public sector relevant.</p>
<p>Discussion Paper: Opportunities for the future of digital reporting Published 13 August 2024 Closing date 1 November 2024</p>	<p>Not specifically UK public sector relevant.</p>

UK public sector developments	
<p>HM Treasury</p> <p>TCFD-aligned disclosure Exposure Draft for Phase 3</p> <p>This consultation ran from 10am on 25 July 2024 to 11:59pm on 26 September 2024</p>	<p>This covers the whole UK public sector, which is the boundary for the Whole of Government Accounts. However, the relevant authority for each jurisdiction within that boundary will have their own due process for proposing and approving changes to their reporting regime.</p> <p>The proposed effective date for central government bodies is 1 April 2025.</p> <p>Other public sector bodies should follow the direction from their respective relevant authority. Public sector bodies may choose to voluntarily apply this guidance - in full or in part.</p>
Other known financial reporting consultations	
None noted at this time.	
Other FRC consultations impacting on financial reporting	
None noted at this time.	

AUDITING PLANNED DEVELOPMENTS	
IAASB consultations	
None noted at this time.	
FRC consultations on audit	
<p>NHS Audit Market Study</p> <p>Closing date 17 October 2024</p> <p>Published 25 July 2024</p>	
UK public sector developments	
Not applicable	Proposals for recovery in relation to local audit in England were consulted upon earlier in the year. After some delay due to the election and change of government these are now being implemented

OTHER RELEVANT PLANNED STANDARDS DEVELOPMENTS	
IFRS Foundation consultations on other matters	
None noted at this time	
IPSASB consultations on other matters	
<p>Sustainability Reporting Standard (IPSASB SRS) Exposure Draft (ED) 1, Climate-related Disclosures.</p> <p>Approved at September 2024 meeting</p> <p>IPSASB expect to publish the ED by the end of October 2024</p>	<p>This proposes disclosures for all public sector entities to report on their climate-related risks and opportunities, aligned with the private sector disclosures developed by the International Sustainability Standards Board.</p> <p>The proposals also include additional public sector disclosures for those select entities with the responsibility to develop climate-related policy programs by exercising their sovereign powers.</p> <p>CIPFA's Sustainability Forum will be developing a response to this consultation, with input from CIPFA's Accounting and Financial Reporting Forum if appropriate.</p>

Information sources reviewed include:

<https://www.endorsement-board.uk/adoption-status-report>

<https://www.ipsasb.org/standards-pronouncements>

<https://www.ifrs.org/projects/open-for-comment/>

<https://www.ifrs.org/projects/completed-projects/>

<https://www.ipsasb.org/consultations-projects/open-public-consultations>

<https://www.ipsasb.org/ipsasb/consultations-projects/closed-consultations>

<https://www.frc.org.uk/consultations/>

<https://www.iaasb.org/consultations-projects/open-public-consultations>