

Report

To: CIPFA LASAAC

From: Steven Cain

Date: June 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

Recommendations

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

UK GAAP developments – IFRS Adoption status in June 2024
(most recent adoption report is November 2023)



2023 list of UK Adoptions			
	UKEB		IASB Effective date
	Adoption date	UK-adopted international accounting standard publication ²	IASB Effective date
<i>Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)</i>	28 November 2023	30 November 2023	1 January 2024
<i>Amendments to IAS 1 Presentation of Financial Statements</i> <ul style="list-style-type: none"> Non-current Liabilities with Covenants Deferral of Effective Date Amendment (published 15 July 2020) Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) (published 23 January 2020)	21 July 2023	24 July 2023	1 January 2024
<i>International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)</i>	19 July 2023	19 July 2023	1 January 2023
<i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i>	11 May 2023	16 May 2023	1 January 2024

As noted at the April meeting, these have been known about and consulted on in the 2024/25 ITC.



UK Adoption status report: IASB/IFRIC documents not yet adopted			30 November 2023
	IASB Issue date	IASB Effective date	Link to UKEB project page ¹
STANDARDS			
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AMENDMENTS			
Lack of Exchangeability	15 August 2023	1 January 2025	Project page

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.

FINANCIAL REPORTING DEVELOPMENTS – ISSUED STANDARDS	
IFRS Adoptions	
IFRS 17 Insurance Contracts Adopted with effective date 01.01.2023	<p>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.</p> <p>Appropriate liaison to be carried out with CIPFA forums where guidance rather than Code material is appropriate.</p>
Other IFRS not yet effective, or not yet UK endorsed	
IFRS 18 Presentation and Disclosure in Financial Statements was issued by the International Accounting Standards Board (IASB) on 09 April 2024. Subject to UK endorsement it will be effective from 01.01 2027 with early adoption permitted.	<p>Secretariat review suggests that the changes relate mainly to standardising intermediate sub-totals and aggregation to provide consistent performance measures.</p> <p>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 when setting out proposals for future Code consultations.</p>
IPSAS pronouncements issued since April meeting	
Improvements To IPSAS, 2023 Apr 30, 2024	Improvements to IPSAS 2023 includes improvements to align with amendments to IFRS Accounting Standards based on IASB's Narrow Scope Amendments projects.

FINANCIAL REPORTING PLANNED DEVELOPMENTS	
IASB consultations	
<p>Exposure Draft: <i>Business Combinations—Disclosures, Goodwill and Impairment</i></p> <p>Comments to be received by 15 July 2024</p>	<p>This appears to mainly address private sector issues, and issues more relevant to bodies using the historical cost measurement basis. Chapter 9 of the Code also includes an adaptation that combinations of public sector bodies are deemed to be a combination of businesses under common control and as such excluded from the scope of IFRS 3.</p> <p>CIPFA would not expect to respond to this consultation on matters with no public sector specific characteristics.</p>
<p>Exposure Draft: <i>Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard</i></p> <p>Comments to be received by 30 July 2024</p>	<p>This relates to lack of exchangeability between currencies in line with amendments to IFRS. No UK public sector entities report using the IFRS for SMEs</p> <p>CIPFA is not responding to this consultation</p>
<p>Exposure Draft <i>Contracts for Renewable Electricity Proposed amendments to IFRS 9 and IFRS 7</i></p> <p>Comments to be received by 7 August 2024 (short 90 day exposure period)</p>	<p>Renewable electricity markets have unique characteristics. These distinct market characteristics have created accounting challenges in applying the current accounting requirements, especially for long-term contracts.</p> <p>IASB is proposing some targeted changes to the accounting for contracts with specified characteristics.</p> <p>We would expect revisions to public sector entities which have relevant power purchase agreements.</p> <p>CIPFA would not expect to respond to this consultation on matters with no public sector specific characteristics.</p>
IPSASB consultations on financial reporting	
<p>Exposure Draft (ED) 89, <i>Amendments To Consider IFRIC Interpretations</i></p> <p>Apr 16, 2024</p> <p>Comments due by: Jun 17, 2024</p>	<p>ED 89 proposes amendments based on five IFRIC Interpretations. It has the effect of aligning IPSASs based on IFRS with the 'interpreted' IFRS.</p> <p>CIPFA is not responding to this consultation.</p>

FRC consultations on financial reporting	
Not applicable	
UK public sector developments	
Not applicable	
Other known financial reporting consultations	
Not applicable	
Other FRC consultations impacting on financial reporting	
Not applicable	

AUDITING PLANNED DEVELOPMENTS	
IAASB consultations	
Not applicable	
FRC consultations on audit	
Not applicable	
UK public sector developments	
The status of the NAO Code proposals is currently uncertain given the effect of the election on available parliamentary time.	

OTHER RELEVANT PLANNED STANDARDS DEVELOPMENTS	
IFRS Foundation consultations on other matters	
None noted at this time	
IPSASB consultations on other matters	
None noted at this time.	
FRC developments	
<p>UK Sustainability Disclosure Technical Advisory Committee</p> <p>16 May 2024</p>	<p>The Financial Reporting Council has set up a new UK Sustainability Disclosure Technical Advisory Committee (TAC), for which it will act as secretariat.</p>