

2021/22 Code– Approval of Changes Arising from Consultation Questions 2 to 13 and 23

CL 06 11 20

CIPFA LASAAC Secretariat

Consultation Responses

- 24 responses
- As expected lower than previous years - this is a very technical consultation where questions relate largely to transactions which have been discussed previously
- Also subject to the impact of the pandemic (note this issue is mentioned by a small number of respondents).
- Appendix A sets out both type of respondent and geographical distribution – type of respondent no different from last year.

IFRS 16 – Implementation

- Implementation Poll from FAN Events

Poll – How well prepared do you feel your authority is for the implementation of IFRS 16 (10 is fully prepared)			
	March 2020	September 2020	
	%	Numbers	%
9-10 Very well prepared	0	0	0
7-8 Reasonably well prepared	8	13	11
5-6 Undertaken significant work but still plenty to do	33	49	40
3-4 Undertaken some work but remains a significant project	42	54	44
1-2 Not very well prepared	17	7	6
	100	123	100

B.2 Service Concession Arrangements

- Option 1 – IFRS 16 *Leases* liability – liability may change if cashflows are modified
- Option 2 – status quo – finance lease liability – liability is fixed at commencement

- Option 1 – 12 (50%)
- Option 2 – 7 (29%)
- No comment – 5 (21%)

B.2 Service Concession Arrangements

- Option 1 – IAS 17 not extant, symmetry, (easy to implement)
- Option 2 – Cost of implementation (such that the CBA is not achieved) – not measuring a lease liability but an asset deferred purchase.
- One firm introduced conceptual issues on how the liability should be measured.

B.2 Service concession arrangements – 2

- Other issues
- If maintain status quo – need a mechanism to account for modifications
- Guidance needs to be produced
- Decision on whether indexation relates to asset or services (or both)
- Suggest this is considered with group of experts in working group.

Service Concession Arrangements - Implementation

- Largest number suggest 2021/22 to align with IFRS 16 changes
- Again noted the need for guidance and workload
- Alignment with FReM timescales
- Suggest this is considered by working group

- 2021/22 Code – 11 (46%)
- 2022/23 Code – 7 (29%)
- No comment – 6 (25%)

B.3 Interpretation for Leases at Nil Consideration, a Nominal Amount, or at a Peppercorn

- Some respondents suggest no change
- A number of others suggest that it is important to be clear about the transactions and that this only applies to the public sector
- Two respondents suggest that there should be more research before applying interpretation

B.3 Interpretation for Leases at Nil Consideration, a Nominal Amount, or at a Peppercorn

- Small number of examples
- Some redrafting for clarification (that these transactions only apply to transactions which are in substance donated assets). *Is the Board content with the interpretation?*
- Need to redraft to remove internal inconsistency on measurement of the donated asset (see paragraph 4.2.2.48).

B.4 COVID-19 Related Rent Concessions

- Respondents in favour (63%)
- No significant changes suggested
- One authority suggested extending this – suggest await any IASB developments
- Another respondent suggested that these amendments shouldn't be included because they add complexity to the transition arrangements
- Secretariat suggests no change
- EU Endorsed

C.1 and C.2 IBOR Phases 1 and 2

- Overall suggest no change
- Phase 1 not expected to impact – EU Endorsed
- Phase 2 – example - investments in floating rate notes – endorsement awaited
- Reference to the amendments in Appendix 2.
- Same results phases 1 and 2:
 - Agree 17 – (71%)
 - Disagree – 2 (8%)
 - No comment – 5 (21%)

IPSAS 41 Financial Instruments

- In favour and adopt in 2021/22 (63%)
- Concerned that this does not impact on extant recognition and measurement
- Suggest confirmation that there are no changes in recognition and measurement.

Agree – 21 (88%)

Disagree – 0

No comment – 3 (12%)

IPSAS 42 Social Benefits

- Largely in favour (67%)
- Queries relating to housing benefit, council tax benefit and social care payments
- Secretariat view - these are excluded from the definition of social benefits as they are payments for services
- **Does CIPFA LASAAC want to test this in the consultation on next year's Code? (63% in favour of 2021/22 Code)**

D.1 Sources of Estimation Uncertainty

- Majority in favour of changes
- Recommendation that the references are extended to paragraph 133 of IAS 1 *Presentation of Financial Statements*

Agree – 15 (63%)

Disagree – 4 (16%)

No comment – 5 (21%)

Appendix C – Further Guidance – Responses

- Number of issues for CIPFA LASAAC Strategic Plan:
 - Expenditure and Funding Analysis
 - Statutory adjustments
 - General reduction in disclosures
 - Including suggestions that some reporting is moved to an accountability report (note local authorities are not required to produce an accountability report)
 - Format of the Code – follow the FReM
- Issues outside of CIPFA LASAAC direct control
 - Easement of funding using statutory prescriptions
 - HRA in the accounts
 - Pension fund reporting excluded from the accounts

Appendix C – Further Guidance – Responses -2

- Dedicated School's Grant (see item 8)
- Better care reporting in development programme for 2022/23 Code
- Accounting for Grants and IPSAS
- Better format for consultation response document
- Reporting standards that have been issued but not yet adopted.

Next Steps

- Agree changes to 2021/22 Code – Produce fully edited Code Draft
- Secretariat will make the changes (don't yet have the housing tenancy changes)
- Report to FRAB 19 November 2020