

# Priorities for the 2021/22 Code

Agenda item 09

Steven Cain

## Related documents

### March agenda papers

- 07 Strategic Plan Progress
- 08 Analysis of Strategic Approach responses
- 12 Code Development Proposals

### Draft minutes of March meeting

## Purpose of this discussion

In this session the Board is asked to consider matters relating to

- required and desired content of the Code
- factors affecting local authorities and local authority reporting

and determine the way forward for developing the 2021/22 Code

## Matters to consider

- IFRS 16 implementation
- New standards for 2021/22
- C/L strategic plan items
- FRAB evidence requirements
- Redmond
- COVID-19 and other pressures on local government
- The delayed start to 2021/22 consultation

## Decisions to be reached

- Confirmation (or not) that we progress all planned workstreams agreed at the March meeting
- For those matters progressed, whether they should feed into 2021/22 ITC and/or 2021/22 Code
- How to progress consultation on the Code including any side discussions around particular issues
- Allocation of Board members to workstreams where this is needed

## IFRS 16 implementation

- Implementation across UK public sector expected
- Believed still problematic for many authorities
- Difficult to justify different treatment for local government
- Issues around HRA treatment
- Vast majority of drafting already complete (subject to review of HRA)

# New IFRS applicable for 2021/22

## **EU endorsed w.e.f. 01.01.2020**

- Amendments to IFRS 9/IAS 39/IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 3 *Business Combinations*

## **Possibly UK/EU endorsed by 01.01.2021**

- IFRS 17 *Insurance Contracts*
- IBOR Reform Phase 2?

## New IPSAS relevant to 2021/22

### **Pronouncement**

IPSAS 41, Financial  
Instruments

IPSAS 42, Social Benefits

### **Proposed approach**

Minor revision to reflect  
alignment of new IPSAS  
with IFRS 9.

Minor revision to drafting  
on social benefits for  
21/22



## C/L strategic plan items

March meeting agreed to progress the following:

- Disclosures & Materiality behaviours
- Key Messages and Stakeholder Engagement
- Outreach
- Differential reporting
- Narrative reporting
- Code format
- Code development relationships

## Disclosures & Materiality behaviours

- Board has approved Disclosures Framework
- Board working group to represent audit community; CFOs; Practitioners / LAAP
- To be progressed with HMT and other stakeholders in a wider public sector working group
- Not clear that this would produce outputs in time for inclusion in the ITC

## Key Messages/Stakeholder engagement

- Feedback needs to be provided to respondents
- Stakeholder groups to discuss options for key messages articulation, in order to develop proposals for focus areas on which all local government accounts need to convey messages
- Note that Redmond outputs are delayed
- Not clear if outputs will be produced in time for inclusion in the ITC
- Would the Board want to gather more information through the ITC?

# Outreach

Establish stakeholder forums to understand

- Audit requirements and needs
- Preparer decision making processes and responsibilities
- Process for evidencing materiality and presentational decisions
- Stakeholder (reader) requirements
- Practices in other sectors

## Differential reporting

- Feedback needs to be provided to respondents
- Should this be linked to other feedback?
- Messages very mixed and some responded very negatively

## Narrative reporting

- Need to provide feedback to respondents
- Should this be linked to other feedback?
- Need to set up a focus group
- Not clear to Secretariat whether this was expected to develop proposals for 2021/22 ITC, and preparer capacity to review proposals may be reduced

## Code format

- Format explored in March meeting
- More options to be presented, applied to a more complex section of the Code
- Need to explore role of Code / the objectives of applying a different format
- Board can then assess if something can be explored in the ITC, and determine how and when to do that
- A key concern may be the capacity of preparers to review proposals

## Code development relationships

- Chair involvement at FRAB
- Review of Code cycle
- Articulation of local government context and evidence base to inform FRAB consideration



## Decisions around IFRS/IPSAS

### **Expected**

- Support IFRS 16 implementation subject to view for UK public sector, with additional project on HRA
- Consult on implementation on expected new endorsed IFRS standards and amendments in ITC
- Minor amendments around IFRS / IPSAS

### **For consideration**

- Fallback: do more strategic plan work if IFRS 16 is being delayed in other sectors

# Decisions on strategic plan items

Disclosures & Materiality behaviours  
Key Messages/Stakeholder Engagement  
Outreach  
Differential reporting  
Narrative reporting  
Code format  
Code development relationships

# Allocation of Board Members to workstreams?

Disclosures & Materiality behaviours  
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