CIPFA The Chartered Institute of Public Finance & Accountancy

report

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Author	Sarah Sheen, CIPFA, Technical Manager, Local Government Financial Reporting
Subject	Development of the 2016/17 Code of Practice on Local Authority Accounting

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To consider the accounting and reporting developments for inclusion in the Code of Practice on Local Authority Accounting in the United Kingdom for 2016/17

SUMMARY

1 Introduction

1.1 This report is intended to summarise developments both in financial reporting standards and legislation that need to be considered for inclusion in the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). The Secretariat recommends that the process used to develop the Code in previous years is maintained.

Amendments Already Agreed for the 2016/17 Code Development Programme

1.2 Amendments in the development programme already agreed by CIPFA/LASAAC include:

- adoption of the CIPFA *Code of Practice on Transport Infrastructure Assets* measurement requirements in the Code in accordance with CIPFA/LASAAC's confirmation of its position in the 2014/15 Code (this is likely to be a significant reporting issue for local authorities);
- implementation of the recommendations of the Simplification and Streamlining Review; and
- review of the requirements of Section 6.5 *Accounting and Reporting by Pension Funds* of the Code.

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Legislative Developments

3.1 The Accounts and Audit (England) Regulations (2015) and the proposed new Local Government (Accounts and Audit) Regulations Northern Ireland (2015) will need to be included in the 2016/17 Code. It is possible that the 2016/17 Code will need to include relevant provisions for changes in the statutory prescriptions for the repayment of debt in Scotland. Section 8.2 of the 2016/17 Code will need to be updated for the anticipated issue of statutory guidance for Scottish Local authorities on equal pay (see paragraph 8.2.3.4).

Narrative Reporting

1.3 Narrative reporting has been a development issue for CIPFA/LASAAC for a number of years and is being considered as a part of the Simplification and Streamlining review project. However, CIPFA/LASAAC's desired inclusion of the relevant outcomes of the IIRC project in local authority narrative reporting is unlikely to be available for the 2016/17 Code. The Secretariat is therefore seeking CIPFA/LASAAC's views on two options for the approach to narrative reporting until these outcomes are available.

Financial Reporting and Accounting Developments

1.4 The 2016/17 Code will need to include the narrow scope amendments that were not able to be included in the 2015/16 Code as they were not legally in force until 12 January 2015 ie outside the effective date for adoption in that Code[1].

1.5 The following international financial reporting standards or amendments to standards need to be included in the 2016/17 Code:

- *Accounting for Acquisitions of Interest in Joint Operations* (amendments to IFRS 11);
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* – (*Clarification of Acceptable Methods of Depreciation and Amortisation);*
- *Equity method in separate financial statements* (proposed amendments to IAS 27);
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);*
- *Annual Improvements to IFRSs 2012 – 2014 Cycle*; and
- IAS 1 *Presentation of Financial Statements: Disclosure Initiative*.

Future Developments for the Code

1.6 The following standards have been issued:

- IFRS 9 *Financial Instruments* – Effective date 1 January 2018;
- IFRS 14 *Regulatory Deferral Accounts* - Effective date 1 January 2016 (this standard will not apply to local authorities)

[1] ie by 1 January 2015

- IFRS 15 *Revenue from Contracts with Customers* – Effective Date, 1 January 2017.

The Secretariat considers that information about IFRS 9 and IFRS 15 should be included in the annual Code consultation documents to raise awareness about the new standards and to seek interested parties views on whether there might be any particular application issues that need to be considered in the Code.

IPASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

1.7 The Secretariat also considers that the IPSASB *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* should be reviewed for any public sector recommendations which will be relevant to local authority financial reporting. This will be particularly important for the Streamlining and Simplification Review

Recommendation

CIPFA/LASAAC is asked to agree which developments are to be incorporated into the 2016/17 Code.

DETAILED REPORT

2 Introduction

2.1 At its November 2014 meeting CIPFA/LASAAC noted a report on the changes that will be required to the *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)* for 2016/17. This report provides an update on developments in legislation and financial reporting standards since that meeting, enabling CIPFA/LASAAC to consider the modifications it requires to the 2015/16 Code and establish the development programme for the year.

2.2 The 2015/16 Code was developed to incorporate:

- any known legislative changes;
- changes in relation to pronouncements by CIPFA and other bodies; and
- new accounting standards that have a mandatory commencement date of 1 January 2015 or earlier, provided that they are EU adopted by this date.

The Code has not been developed to incorporate other financial reporting or accounting standards ahead of their effective date.

2.3 It is recommended that CIPFA/LASAAC maintain this approach in developing the 2016/17 Code.

2015/16 Code Consultation

2.4 The consultation on the 2015/16 Code sought local authorities' views on areas where further guidance might be needed. This question generated one response in relation to the CIPFA/LASAAC development programme ie PFI//PPP contracts by one respondent. The respondent noted that "*We suggest that further consideration be given to accounting for third party income under Service Concession agreements. This was referred to in The Foreword to the 2013/14 Code, which noted that the treatment was under review by the CIPFA/LASAAC Code Board. However this matter was not addressed in the 2014/15 Code and the 2015/16 consultation is also silent on this*." This issue was considered by CIPFA/LASAAC in its deliberations on service concession arrangements at the time. Unfortunately there are two different views in international GAAP at the moment[2].

2.5 CIPFA/LASAAC does include provisions in the Code but has recommended that authorities consider their transactions from first principles (see paragraph 4.3.2.19 of the Code). The Secretariat is of the view that as this issue has not been raised by local authority accounts preparers and that the Secretariat is not aware of any authority with such transactions this will need to be reviewed when the leases standard is issued. However, the Secretariat recommends that this issue be kept under review until that time.

[2] Draft FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland FRC October 2012* notes that IPSAS 32 includes a 'grant of right to the operator model' and included the comment "*The Accounting Council does not advise the application of this model because it appears to result in the recognition as liabilities of amounts that may not meet the definition of a liability*".

Simplification and Streamlining of Local Authority Financial Statements

2.6 CIPFA/LASAAC has also recognised the need to take forward a Simplification and Streamlining Project. A project plan for Simplification and Streamlining Project has been included in a separate item of the agenda. This brings together a number of development areas for CIPFA/LASAAC ie:

- a review of disclosures against WGA requirements;
- the Code's provisions on a management commentary/narrative report; and
- the need to consider the issue of materiality.

Transport Infrastructure Assets

2.7 CIPFA/LASAAC has confirmed its intention to adopt the measurement requirements of the *Code of Practice on Transport Infrastructure Assets* (ie measurement at Depreciated Replacement Cost) in the 2016/17 Code. Further updates and an early draft of the proposed changes to the Code are included in agenda item 9. CIPFA/LASAAC members will be aware that this will have a significant impact on the local authority financial statements and has previously considered the need for effective preparation for this change.

Review of Section 6.5 of the Code Accounting and Reporting by Pension Funds

2.8 CIPFA/LASAAC decided last year that it would undertake a separate review of Section 6.5 of the Code (Accounting and Reporting by Pensions Funds) following the issue of the new Pensions SORP[3]. This issue was raised at during the 2015/16 Code consultation. A number of responses were made to this question. These are appended to this report at Appendix A.

2.9 One of the substantial items (ie the impact of the introduction of IFRS 13 on pension fund reporting) was considered at the meeting particularly the disapplication of the fair value measurement disclosures for pension funds. However, it may be useful to ensure that the Code's requirements in this area remain clear. The other items raised by the respondents outlined in Appendix A can be included in the Review. A further item of note is the issue of whether the pension fund accounts are reported separately from the administering authority's financial statements. CIPFA/LASAAC Members will be aware that this is already the case for Scottish local authorities.

2.10 CIPFA/LASAAC members are asked for their views on these proposals and to suggest any other items which in their view should be incorporated into the 2016/17 Code.

Longer term Financial Reporting Developments

2.11 This report also provides details in Appendix B of developments being undertaken which are expected to be relevant to the development of the Code for 2017/18 or later years.

3 Changes in legislation that are expected to impact on the 2016/17 Code

[3] Financial Reports of Pension Schemes, A Statement of Recommended Practice (2015)

3.2 The following outlines the legislation and other policy initiatives that are anticipated to impact on the 2016/17 Code.

Accounts and Audit (England) Regulations (2015)

3.3 The Local Audit and Accountability Act 2014 received Royal Assent in January 2014. This was followed by a consultation in June 2014 on secondary legislation including the new Accounts and Audit (England) Regulations. The two main features of the consultation in June 2014 of the Regulations were:

- An earlier timetable for the preparation and publication of the statements of accounts for Category 1 authorities[4]; and
- Reform of the rules on the exercise of the public's rights to inspect the accounting records and to put objections and questions to the auditor.

3.4 Other changes anticipated include the introduction of a requirement for a narrative statement.

3.5 The Code will need to be updated for the new timetable and for the references to a narrative statement (see section 4 of this report for further comments on narrative reporting below). The introduction of the Code will also need to be updated to ensure that the Code is consistent with the new regulations for bodies that would need to apply the reporting requirements of the Code. The Secretariat understands that the regulations will be laid before parliament imminently and will update the Board at its meeting.

The Proposed Revocation and Remaking of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006

3.6 As reported in previous meetings the Department of the Environment in Northern Ireland consulted on the revocation and remaking of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006. The consultation closed in January 2015. References to the new regulations throughout the Code will need to be changed. One of the most substantial changes anticipated to be included is the introduction of a remuneration report.

Possible Changes to the Scottish Capital Finance Framework

3.7 The Secretariat is also aware of the possibility of legislation being made regarding the statutory repayment of debt for Scottish local authorities. The model is anticipated to move from the existing 'loans fund advance' periods approach to a more English based 'minimum prudent repayment' basis.

Equal Pay - Scotland

3.8 Scottish Ministers have agreed to issue statutory guidance which will allow provisions for equal pay back pay and severance not to be a charge to the General Fund until the actual payments are made. The relevant provisions in section 8.2 of the 2016/17 Code will need to be updated for this issue (see paragraph 8.2.3.4).

[4] Category 1 authority means a relevant authority that either— (a) is not a smaller authority or (b) is a smaller authority that has chosen to prepare its accounts for the purpose of a full audit in accordance with regulation 3 of the Local Audit (Smaller Authorities) Regulations 2014

4 Narrative Reporting

4.1 CIPFA/LASAAC reviewed the Code's provisions for a management commentary for the 2012/13 Code. Following the consultation process and consideration of the anticipated legislative developments on narrative reporting (including the possibility that English local authorities might be required to produce an annual report)[5] the 2012/13 Code and subsequent editions included encouragement to follow the government's Financial Reporting Manual (FReM's) provisions on the management commentary/strategic report.

4.2 CIPFA/LASAAC members will be aware that the Scottish Government are anticipated to issue guidance on the provision of a management commentary required by the Local Authority Accounts (Scotland) Regulations 2014 to be included in the Annual Accounts.

4.3 The Local Audit and Accountability Act 2014 does not introduce any requirements for local authorities in England to produce an Annual Report. At its June 2013 meeting CIPFA/LASAAC considered it was appropriate to revisit its deliberations on the management commentary in the 2015/16 Code. Subsequently in June 2014 CIPFA/LASAAC agreed that the provisions on the management commentary or narrative report should be considered as a part of the Streamlining and Simplification Review. The report highlighted the opportunity to incorporate lessons from the IIRC[6] Pilot.

4.4 Following the Code's provisions to encourage authorities to follow the FReM's prescriptions on the management commentary/strategic report it would seem a logical path to maintain this approach to any changes in the reporting requirements of the Code. The IIRC project is progressing. However, it is unlikely that any outcomes would be available in time for the 2016/17 Code and may not be available for the 2017/18 Code. The Secretariat considers that there are two options for this interim period:

i) Prepare narrative reporting provisions following the approach in the FReM but in accordance with local authority circumstances. The Secretariat would note that this might mean subsequent changes within a relatively short period; or

ii) Maintain the current overall approach to the explanatory foreword, augmenting where necessary as a part of the Streamlining and Simplification review where additional provisions within the Explanatory Foreword might assist with telling the story of local authority financial performance.

4.5 The Secretariat considers that it is important to note that a number of the consultation responses from the 2014 Simplification and Streamlining Consultation did refer to the need to avoid overburdening the financial statements with excessive detail and appeared not to support any changes to the Explanatory Foreword which would extend their reporting requirements.

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5 Future of local public audit – consultation, Department for Communities and Local Government, August 2010

6 The International Integrated Reporting Council (IIRC) Pilot

5 Financial Reporting and Accounting Developments

5.1 The 2016/17 Code will require adoption of standards with an effective date between and including 2 January 2015 and 1 January 2016. It will also need to include the narrow scope amendments to the Code which have an effective date before these dates but were withdrawn from the 2015/16 Code as they were not legally in force until 12 January 2015. These are:

- Amendments to IAS 19 *Employee Benefits: Defined Benefit Plans: Employee Contributions* (issued on 21 November 2013); and
- *Annual Improvements to IFRSs 2010–2012 Cycle*.

The Secretariat recommends their approach to adoption in the Code should follow the approach in the 2015/16 Code consultation.

5.2 At the time this report was drafted there were a number of projects that have been completed by the IASB. These amendments to standards have an effective date of 1 January 2016 and therefore, subject to European Union (EU) adoption will need to be included in the 2016/17 Code.

Completed Standards	
Standard/amended standard	*Secretariat Comment*
IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations	The objective of these amendments is to add new guidance to IFRS 11 on the accounting for the acquisition of an interest in a joint operation that constitutes a business. Acquirers of such interests will need to apply all of the principles on business combinations accounting in IFRS 3 *Business Combinations,* and other IFRSs, that do not conflict with the guidance in IFRS 11 and disclose the information that is required in those IFRSs in relation to business combinations. This will apply to local authority group accounts.
IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation	This project is a limited-scope amendment to IAS 16 and IAS 38 to clarify the use of a revenue-based depreciation or amortisation method. Although relevant this is unlikely to have a significant application to local authorities as they are unlikely to use revenue-based depreciation or amortisation, with the possible exception of social housing if authorities have chosen the Discounted Cash Flow methodology.
IAS 16 and IAS 41 *Agriculture* - Bearer Plants	The Secretariat considers that this will not apply to local authorities and recommends that these changes are not brought

	forward into the 2016/17 Code.
IAS 27 *Separate Financial Statements* - Equity Method in Separate Financial Statements.	The objective of this project is to restore the option to use the equity method of accounting in separate financial statements. This amendment would be applicable to local authorities.
IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The objective of the project is to address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This will apply to local authority group accounts. However, EFRAG made a recommendation to the European Commission to postpone the endorsement process on the amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* until the IASB's project on *Elimination of gains or losses arising from transactions between an entity and its associate or joint venture* is completed. It seems unlikely therefore that this amendment to Standards will be adopted in time for the effective date of the 2016/17 Code ie 1 January 2016. However, the Secretariat will keep these amendments under review.
Annual Improvements to IFRSs 2012-2014 Cycle: ▪ IFRS 5 - Changes in methods of disposal ▪ IFRS 7 *Financial Instruments, Disclosures* - Servicing Contracts ▪ IFRS 7 - Applicability of the amendments to IFRS 7 to condensed interim financial statements ▪ IAS 19 - Employee Benefits - Discount rate: regional market issue ▪ IAS 34 - Disclosure of information "elsewhere in the interim financial report"	The amendments to IFRS 7 *Servicing Contracts* to clarify how the principle in paragraph 42C of IFRS 7 is applied to a servicing contract for the purpose of the transfer disclosure requirements in paragraph 42E-42H of IFRS 7 may apply to local authorities. The remaining elements of the Annual Improvements 2012 -2014 do not apply.
IFRS 10 and IAS 28: Investment Entities: Applying the Consolidation Exception	These amendments will not apply to local authorities.
IAS 1 *Presentation of Financial Statements: Disclosure Initiative*	These amendments to IAS 1 address some of the concerns expressed about existing presentation and disclosure requirements and ensure that entities are able to use

	judgement when applying IAS 1. The amendments in this project apply to local authorities and will assist with CIPFA/LASAAC's project on Simplification and Streamlining.

IFRS 14 Regulatory Deferral Accounts

5.3 The IASB has issued IFRS 14 *Regulatory Deferral Accounts.* A number of countries have industry sectors that are subject to rate regulation, whereby governments regulate the supply and pricing of particular types of activity by private entities e.g. utilities such as gas and water. This standard is considered by the IASB to be an interim measure for the accounting treatment of rate regulated activities. It is intended to provide short-term guidance for first-time adopters of IFRS until the research project on rate regulated activities is completed. This standard will not apply to local authorities.

IFRS 15 Revenue Recognition from Contracts with Customers

5.3 IFRS 15 *Revenue Recognition from Contracts with Customers*. The new standard aims to clarify the principles for recognising revenue from contracts with customers. The Standard currently has an effective date of 1 January 2017 and would therefore apply to the 2017/18 Code. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

5.4 For an overview of the Standard CIPFA/LASAAC Members might refer to the FRAB report: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389078/FRAB__122__04_-_IFRS_15.pdf. This paper was issued to FRAB by CIPFA as a stage 1 report under the new working methods between the relevant authorities.

5.5 The CIPFA Secretariat would concur with FRAB on this issue and also considers that it will be important to raise local authority awareness of the impact of the new standard. It has also written to the Local Authority Accounting Panel to consider whether there are any particular application issues or particular types of contract that need to be considered. In addition as the annual consultation is the main contact point the Board has with local authority accounts preparers the Secretariat would recommend that an Annex is added to the Invitation to Comment seeking interested parties' views on the application of the standard, indicating clearly that the consultation is for future editions of the Code.

5.6 This will also present an opportunity to bring this standard to the attention of local authority accounts preparers as the Secretariat understands from discussions at FRAB that indications are that for many adoption will require an understanding of the contracts that the entity enters into. Even if there were no changes to revenue recognition itself, additional systems or processes might be required to gather the necessary information.

IFRS 9 Financial Instruments

5.7 IFRS 9 *Financial Instruments* was first issued in 2009 with a new classification and measurement model for financial assets, which was followed by additions in 2010 relating to requirements for financial liabilities and derecognition. In 2013, the

Standard was amended to include a new hedge accounting model. IFRS 9 was finalised in July 2014, with the final version of the Standard superseding all previous versions. The new standard will apply for annual periods beginning on or after 1 January 2018, but early adoption is permitted.

5.8 The final version of IFRS 9 therefore brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Following on from this the objective of IFRS 9 is to provide users with more useful information about an entity's expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments.

5.9 IFRS 7 *Financial Instruments; Disclosures* requires organisations to disclose changes in categories of financial instruments as a result of IFRS 9 and the financial impact of the changes. IFRS 7 disclosure requirements regarding valuation techniques have been relocated to IFRS 13 which will be adopted in the Code and the rest of the public sector from 2015/16. There are consequential amendments to other Standards as a result of IFRS 9, for example in IAS 1, impairment losses, including reversals of impairment losses and impairment gains, are presented in a separate line item in the statement of profit or loss and other comprehensive income.

5.10 IFRS 9 has not yet been endorsed by the EU. The current EFRAG endorsement status report indicates that the endorsement of the standard will be in time for the effective date of the standard ie by 1 January 2018. This would therefore apply to the 2018/19 Code.

5.11 The Secretariat would recommend that a similar approach to the preparation for the adoption of IFRS 15 as described above is used for IFRS 9. CIPFA/LASAAC Members are invited to consider the HM Treasury report to FRAB 122 on the stage 1 report on the new standards and particularly its application to central government entities. This is available at the following address. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389077/FRAB__122__03_-_IFRS_9_.pdf. The Secretariat has also sought the views of the Treasury and Capital Management Panel on the approach and the adoption and application of this standard.

IPASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

5.12 The final pronouncement on the IPASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework) was issued in October 2014. The Conceptual Framework establishes the concepts that are to be applied in developing International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs) applicable to the preparation and presentation of general purpose financial reports (GPFRs) of public sector entities.

5.13 The Conceptual Framework includes a Preface which considers the most significant of the public sector characteristics with potential implications for financial reporting.

5.14 The Conceptual Framework responds to key public sector characteristics in its approach to elements, the measurement of assets and liabilities, and the presentation of financial reports, while focusing on service recipients’ and resource providers’ needs for high-quality financial reporting information for both accountability and decision-making purposes. The individual chapters of the Code are summarised in the presentation. It is likely that Chapter Two Concepts and Principles of the Code will need to be reviewed for the application of the concepts in the Conceptual Framework.

IPSASs 34 to 38 Accounting for Interests in Other Entities

5.15 In January 2015 the IPSASB issued:

- IPSAS 34 *Separate Financial Statements*;
- IPSAS 35 *Consolidated Financial Statements*;
- IPSAS 36 *Investments in Associates and Joint Ventures*;
- IPSAS 37 *Joint Arrangements*;
- IPSAS 38 *Disclosure of Interests in Other Entities.*

5.16 These standards converge with IFRS equivalents with minor amendments and acknowledgements to make them more public sector compatible. The standards replace IPSASs 6 to 8. The IFRS equivalents of IPSASs 34 to 36 were adopted in the 2014/15 Code. The Secretariat was able to take the developing IPSASB standards into account during the development of the Code and therefore does not consider that additional amendment will need to be made to the Code. However, the Code can now refer to these standards in the relevant section in Chapter Nine (Group Accounts) of the Code.

6 Other Guidance

7.1 At this stage, the Secretariat is not aware of any other definite proposals for other guidance that will affect the development of the Code for 2016/17 or later years, but will keep the situation under review.

Recommendation

CIPFA/LASAAC is asked to agree which developments are to be incorporated into the 2016/17 Code.

Pension Fund Accounts

Issue
Question 12 **– Are there any issues you consider should be covered in the review of section 6.5 Accounting and Reporting by Pension Funds? Please list giving the reason for your response.**
An Audit Body Commented: "1) Investment management costs. The Code (based on IAS 26) requires 'administrative expenses' to be presented on the face of the fund account. However a recent guidance publication from CIPFA recommends management costs being presented in the fund account with three cost categories being disclosed in the notes, of which administrative expenses is one. It would be helpful if the Code was brought into line with this updated guidance. "2) The Codes guidance on the disclosure of the actuarial present value of promised retirement benefits could be improved. Currently it allows each of the three options available under IAS 26 but recommends one (which few authorities actually follow). It may be better to simply remove the other two options and require the one considered to be best practice. "3) The LGPS accounts for Scottish authorities are published in a separate document rather than with the authority's annual accounts. The review of section 6.5 should ensure that this scenario is properly reflected."
An firm commented: "Local Government Pension Funds have previously been required to make the disclosures required by IFRS 7, including disclosure of valuation methods and assumptions, and the level in the fair value hierarchy within which the fair value measurement is categorised. The disclosure requirements in IFRS 7.27-27B were removed from IFRS 7 on issue of IFRS 13. We make an observation that disclosure requirements in IFRS 13 are not required to be made for retirement benefit plan investments measured at fair value in accordance with IAS 26 Accounting and Reporting by Retirement Benefit Plans (see IFRS 13.7(b)). We are not aware of the IASB's rational for this scope exclusion, other than what is said in the Basis for Conclusions. Retirement Benefit Plans are, however, required to make disclosures about sources of estimation uncertainty and key judgements in accordance with IAS 1. In practice, it remains to be seen what level of disclosure Retirement Benefit Plans will typically make under IAS 1 now that the requirement to disclose valuation methods and assumptions has been removed from IFRS 7 and dis-applied by IFRS 13. This is due to the small number of plans around the world that apply IAS 26. It would seem appropriate to assume that IAS 1 disclosures will often be required where a material investment is valued using level 2 or level 3 of the fair value hierarchy. We further note that the draft Pensions SORP issued by PRAG will require funds reporting under the SORP to make disclosures about the fair value hierarchy and

Issue
valuation method and assumptions. On the face of it the SORP therefore has more onerous requirements than IFRS. We recommend that CIPFA/LASAAC gives careful consideration to where the right balance of disclosure lies in respect of users of Local Government Pension Funds and provides clear guidance on this matter.”
The Secretariat concurs that the disclosures under 27 to 27 B (these disclosures relates to the disclosures of the valuation techniques, assumptions applied, and where within the hierarchy the fair value measurements of the financial instruments lie) are removed from IFRS 7 and that the scope exclusion in IFRS 13 will mean that these disclosures are no longer required for retirement benefit plans. Arguably if this is material for the pension fund accounts such disclosures would be required under IAS 1. CIPFA/LASAAC is invited to consider whether it wishes to make any further amendments to the 2015/16 Code or whether it wishes to wait for the review.
A firm commented: “We consider that reporting for pension funds should follow the practice in other sectors where these are not presented as part of the host body's accounts.” “This would simplify preparation of local authority accounts.” “In our view the accounts of the pension fund should be prepared, audited and reported separately from the accounts of the administering authority. “
Secretariat response: **This comment accords with CIPFA/LASAAC’s own views. CIPFA Secretariat raised this issue with Government in its response to the draft Accounts and Audit (England) Regulations 2014. The Secretariat also raised this issue verbally with the Welsh Government.**
An authority commented that it would be useful to make it explicit that the “simplification” agenda applied to the pension fund accounts.

APPENDIX B

Other Accounting Developments

IASB Work Plan	
Standard/Amended Standard	**Timing and comments**
Insurance contracts.	Re-deliberations in quarter one – this standard will not have a significant impact on local authority accounting.
Leases – The aim of the project is to develop a new Leases standard that establishes the principles that entities would apply to report useful information to users about the amount, timing and uncertainty of cash flows arising from a lease. To meet that objective, a lessee should recognise assets and liabilities arising from a lease. A project update is available on the standard from the IASB website – see link.	Target IFRS in quarters three and four 2015. http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/Documents/Project-Update-Leases-August-2014.pdf
IFRS for SMEs comprehensive review 2012 – 2014.	No direct impact on the Code - Target amended IFRS for SMEs quarters one and two 2015.
IASB Conceptual Framework – An overview of the developments for the IASB Conceptual Framework is available on the IASB website – see link.	Exposure Draft quarter one 2015 http://media.ifrs.org/2014/Projects/Conceptual-Framework/Webinar%20Conceptual%20Framework.pdf
Annual Improvement to IFRSs 2014–2016 - The issue included in this cycle is IFRS 1: Short-term exemptions for first-time adopters.	No impact on the Code
IFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions.	No impact on the Code.
IAS 1 *Presentation of Financial Statements* - Classification of liabilities.	Target exposure draft, quarter one 2015.
IAS 7 *Statement of Cash Flows* - Reconciliation of liabilities from financing activities.	Under public consultation until April 2015.
Amendments to IAS 28 - Elimination of gains arising from 'downstream' transactions.	Target exposure draft in quarter two 2015.
Fair Value Measurement: unit of account.	Comments letters and analysis in quarter one 2015.
IAS 32 Financial Instruments;	Redeliberations by the IASB quarter two.

Presentation - Put Options Written on Non-Controlling Interests.	
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses.	Redeliberations by the IASB quarter one.
IFRS 3 Business Combinations.	Post implementation review – target feedback statement quarter two 2015.
Published Discussion Papers	
Financial Instruments: Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging.	Comment letter analysis quarter one 2015 – not anticipated to impact on the Code.
Rate-regulated Activities.	Comment letter analysis quarter one 2015 – no impact on the Code.
Anticipated Discussion Papers	
Disclosure Initiative: Principles of Disclosure.	Target discussion paper quarter two of 2015.
IASB Research Projects – such projects involve preliminary research to assist the IASB to assess whether to add a topic to its work plan.	
Disclosure initiative ▪ General disclosure review – IASB discussion quarter one ▪ Materiality – IASB discussion quarter one - Target draft practice statement quarter two ▪ Principles of disclosure (see above).	
Business combinations under common control – IASB discussion quarters one and two.	
Discount rates – IASB discussion quarter one.	
Emissions trading schemes– IASB discussion quarter one.	
Equity method of accounting– IASB discussion quarters one and two.	
Financial instruments with characteristics of equity - IASB discussion quarter one.	
Inflation – IASB discussion quarter one.	
Liabilities—amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* pending developments in the Conceptual Framework project.	
Performance Reporting – IASB discussion quarter one.	
Longer –term research projects	
Extractive activities/Intangible assets/ research and development activities.	
Foreign currency translation.	

Income taxes – IASB discussion quarter one.	
Post-employment benefits (including pensions) IASB discussion quarters one and two.	
Share Based Payment – IASB discussion quarter one.	
IPSASB Work Plan	
Public Sector Combinations	Exposure draft is anticipated to be issued in quarter two 2015.
Reporting Service Performance Information	Final Recommended Practice Guidance is anticipated to be issued in quarter one.
Government Business Enterprises	Exposure draft anticipated to be issued in quarter four 2015.
Public Sector Specific Financial Instruments	Timescales not confirmed.
Emissions Trading Schemes	The initial phase of this project is a joint research project together with the IASB.
Social Benefits	Consultation paper is anticipated to be issued in quarter one.