CIPFA The Chartered Institute of Public Finance & Accountancy

report

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Committee	CIPFA/LASAAC
Venue	CIPFA Scotland, Edinburgh
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Subject	Development of the 2018/19 *Code of Practice on Local Authority Accounting in the United Kingdom*

To approve the issues that need to be considered for inclusion in the Code of Practice on Local Authority Accounting in the United Kingdom for 2018/19

1 Introduction

1.1 This report is intended to identify developments in both financial reporting standards and legislation that need to be considered for inclusion in the 2018/19 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) or subsequent Codes.

2 Legislative Developments

Accounts and Audit Regulations 2015

2.1 The 2017/18 Code consultation Invitation to Comment (ITC) referred to the anticipated consultation on the Accounts and Audit Regulations 2015 that apply in England. The changes are now anticipated to be wider than those outlined in the Code consultation and include:

i) Amendments to the provisions on the public inspection period

2.2 It is anticipated that these changes will take two forms:

a) Amendments to ensure that the public inspection period is no later than the first 10 working days in June.

b) Permission to extend the period of public inspection if an authority is unable to publish at the beginning of the inspection period.

ii) Amendments to allow auditors to consider objections

2.3 It is anticipated that the regulations will clarify the abilities of auditors to consider objections outside of the public inspection period.

iii) Amendments to Require the Disclosure of the Remuneration of Elected Mayors

2.4 The amendments to the regulations are anticipated to require the disclosure of the remuneration of elected mayors (and their appointed deputies where they are remunerated by the authority).

iv) Amendments in Relation to the Pension Fund Accounts

2.5 The regulations are anticipated to include amendments to require that local authority pension funds produce a separate statement of accounts in a combined document, meaning that the pension fund accounts will no longer be reported in the administering authority main financial statements.

2.6 Currently it is anticipated that the regulations will apply to the 2017/18 financial statements. The timing of the issue of the consultation on the regulations will be reported to CIPFA/LASAAC at the meeting.

The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017

2.7 The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017 (Item 8 Determination) was issued on 24 January 2017. For housing authorities in England it:

- continues to allow impairment charges on dwelling assets to be reversed out of the HRA following the end of the transitional period
- extends the principle to non-dwelling assets in the HRA from 2017/18, and
- confirms that from 2017/18 depreciation should be charged to the HRA in accordance with proper practices, and.
- includes revaluation gains adjustments and charges, as they would be applied under proper practices.

2.8 The only references in the Code to the Item 8 Determination relate to the entries for depreciation and therefore the references to the ability to limit depreciation to the amount of the notional Major Repairs Allowance will need to be removed. At this current juncture the Secretariat does not consider that it is necessary to issue an update to the 2017/18 Code for this limited amendment.

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended

2.9 Amendments are anticipated to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. These amendments are anticipated to take three forms:

- changes to allow the high value asset housing payments under the Housing and Planning Act 2016 to be made to the Secretary of State
- changes to extend the provisions for pooling of receipts from disposals of housing land, and
- amendments to allow Corporation Tax for mayoral development local authority companies to be paid for from capital receipts proceeds.

2.10 A commentary on the potential timing of these regulations will be made at the meeting.

2.11 There is a current consultation on amendments to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. This relates to the Pooling of Housing Capital Receipts. The Secretariat cannot see that the proposed amendments will require changes to the Code. The consultation will have closed on 3 March 2017 it is available at the following address https://www.gov.uk/government/consultations/local-authorities-capital-finance-regulations.

Non-Domestic Rates, 100 per cent Retention - England

2.12 CIPFA/LASAAC has been updated on the consultation on 100 per cent business rates retention, including CIPFA's response to the consultation. The Local Government Finance Bill 2016/17 was issued in January 2017. This Bill proposes to repeal the current 50 per cent system ie as included in Schedule 7B to the Local Government Finance Act 1988. Pilot schemes under the proposals are also anticipated to take place from 1 April 2017. A further consultation[1] was published on 15 February seeking views on many of the important aspects of the new system. Responses to that consultation are invited by 3 May 2017. The Secretary of State for Communities and Local Government in his speech on the local government finance settlement noted that the Government has confirmed that it is interested in building on the existing pilot scheme and will be inviting all councils to apply to participate in piloting aspects of 100% business rates retention from April 2018. The Secretariat would highlight that changes to the Code are likely to be needed under the new scheme, but that it is not clear yet whether any changes to the Code will be needed for the 2018/19 year.

Local Government Reform - Scotland

2.13 The paper *A Plan for Scotland 2016 -17 the Government's Programme for Scotland* indicates that the Scottish Government has committed to work with local authorities to review their roles and responsibilities. It will discuss with key stakeholders the scope and timing of the review before the end of the year.

Education Governance - Scotland

2.14 CIPFA/LASAAC may also be aware of the Scottish Government's review of Education Governance – a consultation[2] was issued by the Scottish Government in September 2016 and closed in January 2017. The Scottish Government has indicated that it will introduce a new Education Bill in the second year of the Scottish parliament and will consult on this in early 2017. It is possible that there could be accounting issues arising similar to those that occurred under the move to academies transfers in England. Any impact will of course depend on the exact proposals that are now being developed following the initial consultation exercise.

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[1] 100% business rates retention: further consultation on the design of the reformed system https://www.gov.uk/government/consultations/100-business-rates-retention-further-consultation-on-the-design-of-the-reformed-system

[2] Empowering teachers, parents and communities to achieve excellence and equity in education: a governance review

Accounts and Audit (Wales) Regulations 2014

2.15 Amendments to the Accounts and Audit (Wales) Regulations 2014 were issued for consultation in November 2016. CIPFA has responded to the consultation. CIPFA/LASAAC saw the draft response to the consultation.

2.16 The consultation proposes changes to the timetable for closure of the financial statements ie to bring forward:

- the final date on which the responsible financial officer must sign and date the statement of accounts of a larger relevant body from 30 June to 31 May, and

- the date that a larger relevant body must consider, approve and publish an audited statement of accounts from 30 September to 31 July.

Note that there are transitional provisions in the regulations which will mean that the revised timetable is implemented for the 2018/19 financial year for fire and rescue authorities, national park authorities, police and crime commissioners and chief constables. For county or county borough councils, it is proposed that the revised timetable be implemented for 2020/21. There are also interim arrangements for county or county borough councils in the last two years of the transition period.

2.17 The consultation also proposed removing the requirement to include in the statement of accounts financial statements relating to pension funds administered in accordance with the Local Government Pension Scheme Regulations 2013. It also proposed changes for the requirements for public notices.

2.18 It is currently not clear when the regulations will apply. However, the Welsh Government has confirmed that it will not apply to the 2016/17 financial year. The Code will need to reflect changes for the closure of the financial statements and the changes for pensions fund financial statements.

Welsh Government White Paper - Reforming Local Government: Resilient and Renewed

2.19 On 31 January 2017 the Welsh Government issued its White Paper *Reforming Local Government: Resilient and Renewed*. The White Paper proposes regional structures and in its preferred option proposes functions for regionalisation and seeks views on regional working. It also proposes new, enhanced 'Joint Governance Committees' to oversee regional services, based on the current joint committee model but with clearer powers and delegations.

2.20 The White Paper also discusses voluntary mergers of local authorities.

2.21 The timetable for local government reform is not yet confirmed though as a White Paper it is unlikely to impact on the 2018/19 Code. At the moment the Secretariat cannot see any specific need to change the Code for the proposals.

Pooling of Pension Funds

2.22 CIPFA/LASAAC will be aware that in the Summer Budget 2015 the Chancellor announced the Government's intention to invite the 89 administering authorities in England and Wales to bring forward proposals for pooling Local Government Pension Scheme investments, to deliver reduced costs while maintaining overall investment performance. There are eight pools being established. The

Secretariat understands that a number (but not all) of the pools being established will deliver the investment and savings objectives using a special purpose vehicle.

2.23 The Secretariat is of the view that there is currently no need to amend the Code as the existing Code provisions for investments in other entities will cover the reporting requirements. The Secretariat would recommend, however, that the Code seeks the views of interested parties to ensure that there are no areas where the Code's provisions need to be augmented.

CIPFA/LASAAC's views are sought on whether it wishes to include a question in the Code consultation on whether there needs to be any amendments to the Code for Local Government Pension Scheme Pooling.

Other Policy Developments

2.24 There are no other new legislative developments that are currently anticipated to have an effect on the Code.

CIPFA/LASAAAC Members are invited to update the Board on any other policy or legislative developments that may impact on the 2018/19 or future Codes.

3 Financial Reporting Developments for the 2018/19 Code

3.1 The 2017/18 Code consultation included provisions on IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. CIPFA/LASAAC will issue the publication *Forthcoming Provisions for IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*. This publication sets out CIPFA/LASAAC's agreed provisions following its consideration of the responses to the consultation.

IFRS 9 *Financial Instruments*

3.2 The majority of the Exposure Draft remained unchanged following the consultation. The Secretariat would note the following issues in relation to the approach to the adoption of IFRS 9.

Classification and Measurement

3.3 The classification and measurement provisions follow those in IFRS 9 (with the exception of those adaptations and interpretations that were already included in IAS 39 *Financial Instruments: Recognition and Measurement*). The Secretariat would comment that it considers that no further changes are required.

Hedge Accounting

3.4 CIPFA/LASAAC decided that it would adapt the Code's provisions on hedge accounting to restrict the accounting policy choice to the IFRS 9 hedge accounting policies. Again the Secretariat would comment that no further changes are required.

Simplified Approach to Impairment

3.5 The Code has adopted the impairment provisions in the Standard without adaptation and interpretation. As reported to CIPFA/LASAAC at its November 2016 meeting the consultation on the adoption of IFRS 9 in the Government's Financial Reporting Manual (the FReM) included a proposal to mandate the simplified approach to impairment (for trade receivables, contract assets with a significant financing component and lease receivables). The Secretariat would note that this was a late change made as a result of a comment by a member of the Government's Financial Reporting Advisory Board (FRAB) during the June FRAB meeting. This would ease the reporting burden for local authorities as it would reduce the need for constant assessment. However, it would result in a more significant 'day one' loss for local authorities. At the November 2017 meeting of FRAB the Secretariat understands that it was decided that the FReM would mandate this approach and include the relevant adaptation.

3.6 The Secretariat would note that this is not likely to have a substantial effect for trade receivables which contain a significant financing component. However, it is not clear what the impact might be for lease receivables in local authority financial statements.

CIPFA/LASAAC is invited to consider whether it wants to mandate the approach to remove the accounting policy choice for trade receivables that contain a significant financing component and lease receivables.

3.7 The Secretariat would note that if it does wish to propose this amendment it will need to be subject to consultation and the Secretariat would recommend that a specific question is included in the Invitation to Comment (ITC).

Purchased or Originated Credit-Impaired Financial Assets

3.8 The provisions in the separate publication on IFRS 9 indicate that it is unlikely that a local authority will hold purchased or originated credit-impaired financial assets. However, following discussions with the respondent to the consultation which raised the issue it appears that it is possible that some housing rent debtors (although not purchased) might be in this position. The Secretariat considers that this issue ought to be investigated further in the consultation on the 2018/19 Code.

CIPFA/LASAAC is invited to consider whether it is content with the approach outlined above for purchased or originated credit-impaired financial assets.

Impairment of Non-Contractual Debtors (principally Council Tax and Non-Domestic Rates)

3.9 CIPFA/LASAAC members will remember that a FRAB Member raised the issue of the use of the incurred loss model for impairment of non-contractual debtors (principally Council Tax and Non-Domestic Rates). The FRAB Member did '*not understand why the incurred loss model is to be retained, and do[es] not think it is appropriate*. *It seems inappropriate to have two different accounting policies for the calculation of loss provisions for similar items'.* The Chair of FRAB suggested that this could be debated at the March FRAB meeting.

3.10 The Secretariat would note that the consultation on the 2017/18 Code was clear that debtor balances principally relating to council tax and non-domestic rates are not the subject of a contract but are specified in legislation (including the payment requirements) and are therefore not financial instruments. This issue was not contested as a part of the consultation process.

3.11 CIPFA/LASAAC members will be aware that two respondents did raise the same issue as the FRAB Member about the relevant impairment loss model to be used on the introduction of IFRS 9. There was otherwise substantial support from respondents for the use of the incurred loss model.

3.12 Council tax and non-domestic rates are payable for the relevant year of account. There are statutory arrangements for payments by instalments (over a 10 month period to January or, more recently 12 months) but all instalments must be paid during the course of the financial year in question[3]. Any debtor balances at 31 March of the relevant year are therefore by definition 'past due' or are in default. This means that if these balances were considered under the provisions of IFRS 9 they would be defined as credit impaired at 31 March under the definitions in the Appendix to IFRS 9.

3.13 The Secretariat is of the view that the accounting treatment for purchased or originated credit impaired assets under IFRS 9 is the same or is very similar to the incurred loss model under IAS 39 (as the losses are assessed under stage 3 of the expected credit loss impairment model) and therefore the treatment prescribed in the separate publication on IFRS 9 would not be substantially different. CIPFA/LASAAC's approach has been to maintain the fundamental position in the Code that council tax and national non-domestic rates debtor balances are not financial instruments. These balances are outside the scope of IFRS 9 and (previously) IAS 39 and are therefore recognised at their full recoverable amount in the balance sheet (until there is objective evidence of an impairment event).

3.14 The Secretariat would note that the consultation process identified the need to ensure that any impairment of the debtors under the model is disclosed. Therefore section 5.2 will include the relevant debtor balances for assets that are past due or impaired this will include non-contractual debts.

3.15 The Secretariat would highlight that provisions in the separate publication on the adoption of IFRS 9 do take a principles based approach to debtor balances which are not subject to contract but would highlight that these balances principally relate to council tax and national non-domestic rates, although this is an issue which should be explored further in the consultation on the 2018/19 Code.

CIPFA/LASAAC's views are sought on whether it wishes to maintain this position on the Code's approach to the impairment of non-contractual debtor balances (principally council tax and non-domestic rates).

3.16 The three areas outlined above are the only areas which the Secretariat considers should be subject to review from the amendments to the Code agreed by CIPFA/LASAAC at its November meeting.

Impact on the General Fund

3.17 CIPFA/LASAAC will be aware that it has requested that the CIPFA Treasury and Capital Management Panel consider the impact on the General Fund of the new classification requirements of IFRS 9. The Secretariat also raised the issue of the new expected loss impairment model. The Panel agreed to establish a working group of Treasury Management experts to consider the issue in more detail. This group met on 13 February 2017 and will establish a number of follow-up meetings. It is possible that CIPFA/LASAAC will want to refer to the work of this group in the ITC.

[3] The provisions to make these regulations emanate from the Local Government Finance Act 1992 Schedule 2, 2 (2) (a) and the Local Government Finance Act 1988 Schedule 9, 2 (2)(a).

CIPFA/LASAAC is invited to note the establishment of the CIPFA Treasury and Capital Management Working Group.

Approach to the Consultation on IFRS 9

3.18 CIPFA/LASAAC's views are sought on whether the Board wishes to include in its Exposure Draft all the amendments to the Code from IFRS 9 or only those which it seeks to subject to further review? The Secretariat would comment that whilst the consultation will ask a question on whether there are any other issues on the approach to adoption in the Code re-exposing the whole set of provisions on IFRS 9 could challenge the effectiveness of the early consultation and may cause local authorities to wait until the final provisions of the Code are available before preparing for the changes.

IFRS 15 *Revenue from Contracts with Customers*

3.19 CIPFA/LASAAC will be aware that there were very few substantial amendments following the consultation on the Code in relation to the approach to adoption of IFRS 15. The amendments were minor drafting augmentations.

3.20 CIPFA/LASAAC Members may also remember that it requested that the Secretariat research the approach in US GAAP to the reliefs on the disclosure requirements for non-public entities. The Secretariat has initiated its research with its contacts on US GAAP.

3.21 Other than the research on US GAAP the Secretariat does not currently propose reviewing any of the provisions for the approach to adoption of IFRS 15 as agreed by CIPFA/LASAAC at its November meeting. CIPFA/LASAAC's views are also sought on whether it wishes to re-expose the provisions of IFRS 15 in the consultation on the 2018/19 Code. Though the Secretariat would reiterate its comments on IFRS 9 in relation to the possible impact of re-exposure.

CIPFA/LASAAC's views are sought on the approach to IFRS 15 in the 2018/19 Code consultation.

Narrow Scope Amendments

3.22 CIPFA/LASAAC is aware that Amendments to IAS 7 *Cash Flow Statements Disclosure Initiative* (issued on 29 January 2016) and Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016) were not adopted by the EU in time for inclusion in the 2017/18 Code. The Secretariat therefore will include these in the consultation on the 2018/19 Code following the same format as the 2017/18 Code.

3.23 The following amendments to standards and interpretations have been issued by the IASB:

- *Annual Improvements to IFRSs 2014-2016 cycle*
- IAS 40 *Investment Property—Transfers of investment property (Proposed amendments to IAS 40)*
- IFRS 2 *Share Based Payments — Classification and Measurement of Share-based Payment Transactions*; this standard does not apply to local authorities

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration,* and
- IFRS 4 *Insurance Contracts Applying IFRS 9 Financial Instruments*

Annual Improvements to IFRSs 2014-2016 Cycle

3.24 The table below identifies the amendments included in Annual Improvements to IFRSs 2014-2016 cycle

Standard	**Nature of Amendment**	**Comments/Application**
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Deletion of short-term exemptions for first-time adopters.	This amendment will not apply to local authorities
IFRS 12 *Disclosure of Interests in Other Entities*	Clarification of the scope of the Standard.	This amendment will apply to local authorities though it is not clear that it will have a wide application. Note that even though the Annual Improvements were only issued in December 2016, this amendment has an effective date of 1 January 2017. However, unsurprisingly, the amendments to the Standard were not adopted by the EU in time to be included in the 2017/18 Code.
IAS 28 Investments in Associates and Joint Ventures	Measuring an associate or joint venture at fair value.	This amendment will apply to local authorities. However, it is not considered that it will have a wide application.

IAS 40 Investment Property—Transfers of Investment Property (Proposed amendments to IAS 40)

3.25 In December 2016 the IASB issued an amendment to IAS 40 which provides clarification on paragraph 57 which deals with transfers to or from the investment property classification. This will affect local authorities although this paragraph is currently only included by cross-reference in the 2017/18 Code.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

3.26 IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. IFRIC 22 does not apply widely to local authorities but may impact on pension fund accounts. Again it is unlikely that this will require direct reference to this amendment in the Code.

IFRS 4 Insurance Contracts Applying IFRS 9 Financial Instruments

3.27 In September 2016, the IASB issued the amendments to its existing insurance standard IFRS 4. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the Board is developing for IFRS 4. These concerns include temporary volatility in reported results. The current Code does not anticipate that the insurance standard will apply to local authorities. However, the consultation on the 2017/18 Code sought views on whether this is the case (see report 7 11-16). The respondents to the consultation largely clarified that IFRS 4 did not apply. In addition the new Insurance Standard is anticipated to be issued in May 2017; this is unlikely to have an effective date for the 2018/19 Code and will not have a wide application for local authorities.

Materiality Practice Statement

3.28 The Materiality Practice Statement is likely to be issued by the IASB within the next six months and depending on the timing of its issue the Secretariat will review the Statement to consider whether any of its provisions would need to be included in the Code or whether it should be referred to by appropriate cross reference in the Code.

The Application of the Accounting Standards in the Code

3.29 Paragraph 1.2.8 of the 2017/18 Code states:

'In the unusual event that a local authority enters into a transaction, the accounting treatment and disclosure requirements of which are not covered by the Code, but which are covered by an extant IAS, IFRS, SIC Interpretation or IFRIC Interpretation, by an IPSAS or other reporting standards relevant to the public sector, the requirements of the relevant IAS, IFRS, SIC Interpretation, IFRIC Interpretation, IPSAS or other GAAP shall be followed.'

3.30 A FRAB Member commented '*Suggest adding a hierarchy, so that if a transaction is not covered by the Code but is covered by (for example) both an IFRS and an IPSAS, the authority knows which one to use*'. The Secretariat would concur that it would be worthwhile making such a change. However, this paragraph has been in the Code for a number of years and if such a change is proposed this should be subject to the consultation process in the event that this might impact on the accounting policies currently used by local authorities. The Secretariat would therefore recommend that this is included in the consultation for the 2018/19 Code.

Future Financial Reporting Standards that May Impact on Future Codes

3.31 Other future financial reporting standards developments are included for information in Appendix A.

CIPFA/LASAAC is invited to agree with the approach outlined above to the new or amended standards that will need to be considered in the consultation on the 2018/19 Code.

4 IPSAS 40 *Public Sector Combinations*

4.1 IPSASB issued IPSAS 40 *Public Sector Combinations* on 31 January 2017. The Standard establishes requirements for classifying, recognising and measuring public sector combinations.

4.2 IPSAS 40 covers an area which is not directly covered by IFRS. It is notable that section 2.5 of the Code is not directly based on IFRS but on the approach to group reconstructions and reorganisations and on the old UK GAAP FRS 6 *Acquisitions and Mergers*. The Code follows the approach, where relevant, in the FReM which was established following a special working group's deliberations on the issue.

4.3 The IPSAS establishes a definition of an operation which is very similar to the definition of a function being transferred under the Code's definition of a transfer of a function. The IPSAS also defines two forms of public sector combination – transfer by acquisition and transfer by amalgamation. The IPSAS includes a classification test to assist public sector entities to decide whether to account under the acquisition or the amalgamation form of accounting. Accounting for acquisition applies the acquisition method of accounting (in IFRS 3 *Business Combinations*) and is therefore consistent with the approach in the Code. It does include specific provisions for accounting for a bargain acquisition.

4.4 Accounting for amalgamation recognises the assets, liabilities and any non-controlling interests in the financial statements of the combining operations as at the amalgamation date. It measures them at their carrying amounts in the financial statements of the combining operation. This is very similar to the transfer by absorption approach in the Code.

4.5 The IPSAS is very similar in many respects to the current approach in the Code. The most substantial, but not the only, difference between the two standards is that the Code and the FReM include a transfer by merger ie following the approach in the old UK GAAP FRS 6 which views the resulting combination as if the entity has always existed. This approach has been used in the past on the initial establishment of Police and Crime Commissioners and Chief Constables under the Police Reform and Social Responsibility Act 2011.

4.6 The effective date of the IPSAS is 1 January 2019 and could therefore be considered for application of the appropriate amendments in the 2019/20 Code. As this is a particular area where public sector accounting policies treatments need to be as consistent as possible, any amendments to the Code should be considered against the approach in the FReM.

CIPFA/LASAAC's views are sought on the comments on IPSAS 40.

5 Other Financial Reporting Items for the Development of Future Editions of the Code

5.1 CIPFA/LASAAC members will be aware that the IASB issued IAS 16 *Leases* in January this year. A separate report CL 10 03-16 provides early consideration of the development issues relating to IFRS 16.

6 Post Implementation Reviews of Amendments to the Code

6.1 The first post-implementation review of the IFRS based Code took place in 2012/13 based on the provisions in the Code from the 2010 Code to date.

CIPFA/LASAAC members will be aware that the Code adopted the substantial amendments to IAS 19 *Employee Benefits* in the 2013/14 Code and the Group Accounts Standards in the 2014/15 Code.

6.2 The Secretariat would therefore recommend that as an appropriate bedding-in period for the new or amending standards has taken place a post-implementation review of the Code's adoption of these two standards should be initiated in the 2018/19 Code consultation. The Code consultation would seek specific views on the Code's adoption of these two standards including the disclosure requirements. The Secretariat would note that it has not had any specific feedback on any difficulties on these areas to date.

6.3 CIPFA/LASAAC will also remember that it updated its provisions on service concession arrangements (PFI/PPP contracts) in the 2013/14 Code. It is recommended that as the measurement of service concession arrangement liabilities is based on IAS 17 *Leases* that the post-implementation review of those provisions are reviewed alongside the adoption of IFRS 16 *Leases*.

6.4 In addition the Board may wish to review its position on the grant of the right to the operator (third party payment) model. This has been raised by a firm for the last few years. The Code does provide a response to this issue and requires that authorities account for such income and liabilities under the Code's general provisions for income recognition and accounting for liabilities. This issue was considered by CIPFA/LASAAC in its deliberations on service concession arrangements at the time. Unfortunately, there are two opposing views in international GAAP at the moment; one by the FRC emanating from its deliberations on FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and one included in IPSAS 32 *Service Concession Arrangements: Grantor*. It might be useful to revisit the issue as a part of the consultation process for the 2019/20 Code.

CIPFA/LASAAC's views are sought on the approach to post-implementation reviews of specific areas of the Code as outlined in paragraphs 6.1 to 6.4.

Recommendation

CIPFA/LASAAC is asked to approve the developments that need to be considered for the development programme for the 2018/19 Code.

Other Accounting Developments

IASB Work Plan	
Standard/Amended Standard	**Timing and comments**
IASB Conceptual Framework for Financial Reporting	Consultation concluded in November 2015. The Exposure Draft: a) addressed the following areas that are either not covered, or not covered in enough detail, in the existing Conceptual Framework: ▪ measurement ▪ financial performance (including the use of other comprehensive income) ▪ presentation and disclosure ▪ derecognition, and ▪ the reporting entity. b) clarifies some aspects of the existing Conceptual Framework. For example, it: ▪ clarifies that the information needed to meet the objective of financial reporting includes information that can be used to help assess management's stewardship of the entity's resources ▪ explains the roles of prudence and substance over form in financial reporting ▪ clarifies that a high level of measurement uncertainty can make financial information less relevant ▪ clarifies that important decisions on, for example, recognition and measurement, are driven by considering the nature of the resulting information about both financial performance and financial position, and ▪ provides clearer definitions of assets and liabilities and more extensive guidance to support those definitions. The IASB is currently at the analysis stage. The next stage will be the issue of the Conceptual Framework.
Rate Regulated Activities	Many governments regulate the supply and pricing of particular types of activity by entities. These activities usually involve providing goods or services that are considered in that jurisdiction to be essential to customers, including transport services, some types of insurance policies, and utilities such as gas, electricity and water. The IASB published the Discussion Paper Reporting the Financial Effects of Rate Regulation as part of its active research programme. The Discussion Paper considered the common features of rate regulation and

	explores which of them, if any, create a combination of rights and obligations distinguishable from the rights and obligations arising from activities that are not rate-regulated. The Board is currently at the analysis stage. This is unlikely to apply to local authorities.
IASB Disclosure Initiative, Principles of disclosure	The objective of this IASB research project is to improve existing guidance in IFRS that helps entities determine the basic structure and content of a complete set of financial statements. A discussion paper is anticipated to be issued in April 2017.
IASB Disclosure Initiative, Definition of Materiality (proposed amendments to IAS 1 and IAS 8)	The objective of this project is to refine the definition of materiality and clarify its characteristics. An Exposure Draft is anticipated within six months.
Annual Improvements to IFRSs 2015-2017	The issues included in this cycle are: ▪ IAS 23 *Borrowing Costs*: Borrowing costs on completed qualifying assets. ▪ IAS 12 *Income Taxes*: Accounting for income tax consequences of payments on, and issuing costs of, financial instruments that are classified as equity ▪ IFRS 9 *Financial Instruments* and IAS 28 *Investments in Associates and Joint Ventures*: Long-term interests in associates and joint ventures. This project is currently subject to consultation with the consultation period ending on 12 April 2017.
Proposed Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Distinction between a change in accounting policy and a change in accounting estimate)	The objective of the proposed amendment is to clarify the existing distinction between a change in accounting policy and a change in accounting estimate. It is anticipated that an Exposure Draft will be issued within six months.
IAS 19 *Employee Benefits* and IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactio*n - Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan	The IASB has issued an Exposure Draft on two sets of amendments relating to: ▪ availability of a refund from a defined benefit plan, and ▪ remeasurement on a plan amendment, curtailment or settlement.
IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - Definition of a Business and Accounting for Previously Held Interests	This project is intended to clarify: ▪ the definition of a business ▪ the accounting for previously held interests when an entity obtains control of a business that is a joint operation and when it obtains joint control of a business that is a joint

	operation
IFRS 8 *Operating Segments* Improvements	This project covers clarifications arising from the post-implementation review of IFRS 8. An Exposure Draft is anticipated in April 2017.
IAS 16 *Property, Plant and Equipment*	The project considers proceeds from selling items produced while bringing an item of property, plant and equipment (PPE) to the location and condition necessary for it to be capable of operating in the manner intended by management (ie while making an item of PPE available for use).
IASB Research Projects	
Primary Financial Statements – The Primary Financial Statements project is early stage research examining possible changes to the structure and content of the primary financial statements.	
Business Combinations under Common Control – This project will discuss Group restructurings and reorganisations including those related to preparations for initial public offerings that are excluded from the scope of IFRS 3 Business Combinations because the combining entities are controlled by the same party.	
Financial Instruments: Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging – The objective of this project is to develop an approach to better reflect entities' dynamic risk management activities in their financial statements and to enhance the usefulness of the financial information to help users of financial statements to better understand such activities.	
Financial Instruments with Characteristics of Equity – This project will consider: ▪ The classification of liabilities and equity in IAS 32 *Financial Instruments: Presentation* ▪ The presentation and disclosure requirements for financial instruments with characteristics of equity	
Goodwill and Impairment - the objective of this project is to consider: ▪ whether changes should be made to the existing impairment test for goodwill and other non-current, non-financial assets ▪ subsequent accounting for goodwill, and ▪ the extent to which other intangible assets should be separated from goodwill.	
Discount rates research – review of existing requirements - this project examines discount rate requirements in IFRS, and assesses whether there any inconsistencies that the IASB should address.	
Share based payments -the objective of the project was to identify the most common areas of complexity and their main causes.	
IPSASB Projects	
Social Benefits	The delivery of social benefits to the public is the primary objective of most governments and social benefits often account for a large proportion of a government's budget. There is an opportunity for the IPSASB to improve its suite of standards by developing an IPSAS on social

	benefits. The IPSASB is seeking constituents for their views on the different approaches identified. The objective of the consultation paper was to advance the discussion on accounting for social benefits. The consultation closed on 31 January. An Exposure Draft is anticipated in June 2017.
Public Sector Financial Instruments	The objective of this project is to develop accounting guidance for public sector specific financial instruments. An Exposure Draft is anticipated in December 2017.
Financial Instruments Update Project	The objective of this project is to issue a revised IPSAS 29 *Financial Instruments; Recognition and Measurement*. The project will also include IPSAS 28 *Financial Instruments: Presentation* and IPSAS 30 *Financial Instruments: Disclosures.* An Exposure Draft is anticipated in June 2017.
Revenue	The objective of the project is to develop one or more IPSASs covering revenue transactions (exchange and non-exchange) in IPSASs. An Exposure Draft is anticipated in September 2018.
Non-exchange expenses	The objective of the project is to develop a standard(s) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. An Exposure Draft is anticipated in September 2018.
Heritage Assets	The objective of this project is to develop accounting requirements for heritage. A consultation paper is being developed and issued in March that is expected to lead to an exposure draft of proposed revisions to IPSAS 17, *Property, Plant and Equipment* and/or other IPSASs. A Recommended Practice Guideline may also be issued.
Public Sector Measurement	A project on public sector measurement on the IASB Workplan.
Infrastructure Assets	A project on infrastructure assets on the IASB Workplan.
Leases	The objective of this project is to issue a new IPSAS on Leases which will be converged with IFRS 16, Leases, to the extent appropriate. The intermediate objective is to produce an Exposure Draft of proposed new IPSAS on Leases.
Impairment of Revalued Assets	This project proposes to bring property, plant and equipment, and intangible assets on the revaluation model, within the scope of the

	IPSASB's two standards on impairment—IPSAS 21 *Impairment of Non-Cash-Generating Assets*, and IPSAS 26 *Impairment of Cash-Generating Assets*. The consultation on this project closed on 15 January 2016.