

2022/23 Code– Review of responses to Consultation Questions

Steven Cain
CIPFA LASAAC Secretariat

Responses to consultation

- 25 responses
- Similar numbers to 21/22 consultation which was lower than previous years
- Again, much of this is technical consultation where questions relate largely to transactions which have been discussed previously
- Also subject to continuing pressures due to the pandemic
- Appendix A details the respondents
- The breakdown of respondents by type is similar to previous years

A1 Service Concession Arrangements: Measurement of the Lease Liability

- 25 responses
- 13 (52%) agree with the proposed IFRS 16 based approach
- 5 (20%) agree reluctantly or conditionally or questioning cost-benefit
- 7 (28%) strongly disagree, in some case providing technical objections

A1 Service Concession Arrangements: Measurement of the Lease Liability

TECHNICAL OBJECTIONS OR COMMENTS

- IFRS 16 does not apply to arrangements covered by IFRIC 12
- Concerns over clarity of what is being represented in Appendix 1
- Suggestion that liability is not subject to indexation
- Suggestion that where changes to payments for assets are calculated as residuals in a calculation involving indexation of the unitary charge, this does not mean that the change to the asset payment *results from the change in the index*
- The revised section 4.3 is incomplete and needs to provide direction on related remeasurement of the SCA asset

A1 Service Concession Arrangements: Measurement of the Lease Liability

GUIDANCE REQUESTED

- In general terms
- Effect of transition on reserves
- Effect on asset
- Which components of payments relate to the asset and to service provision

A2 Clarification of status of housing tenancies in transitioning to IFRS 16

- 21 responses
- All responses agree with underlying principle
- 2 responses suggest clarifications to the drafting
- 1 response suggests some additional disclosure based on IFRS 16, and also suggests reorganizing so all material relevant to housing tenancies is in section 3.5

B1. Annual Improvements to IFRS Standards 2018–2020

- 21 responses
- All agree with adopting the Improvements
- 1 asks CIPFA to clarify the treatment of leasehold improvements. We expect they mean *lease incentives* which is the topic for which IASB has amended misleading text in an illustrative example.

B2 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

- 21 responses
- All agree with adopting the amendments
- 3 note an error in the ITC explanation that this amendment would not impact on local authorities, but agree that the amendment should be adopted

B3 IPSAS Standards: IPSAS 42 Social Benefits

- 21 responses
- All responses agree with the amendment
- 14 (67%) agree no further guidance required
- 7 (33%) suggest examples or brief explanation would be helpful

C1. Regulations on Corporate Joint Committees under the Local Government and Elections (Wales) Act 2021

- 18 responses
- 7 indicated that they had no view
- 8 agreed, subject to reviewing the position in due course
- 3 disagreed, one providing new information which indicates that this issue will become relevant soon and needs to be addressed for 2022/23

D1 IFRS 17 Insurance Contracts (Future Implementation)

- 21 responses overall (to Questions 1 to 7)
- 3 indicated that this was not relevant or found it difficult to comment
- Most of the substantive responses reinforced the view that IFRS 17 is seldom relevant to local authorities and that no detailed Code material is necessary
- Most of the detailed commentary was in relation to Question 1 and 2. A small number of comments were made on Questions 4 to 7

The information provided in commentary seems to helpfully inform the development of the 2023/24 Code

D1 IFRS 17 Insurance Contracts (Future Implementation)

QUESTION 1 ON INSURANCE GENERALLY

- 18 substantive responses
- 15 (83%) did not support inclusion of material in the Code
- 3 (17%) supported the inclusion of detailed requirements, or signposting through scenarios when IFRS 17 is applicable

3 of the respondents who did not support inclusion of material in the Code noted that the main (and difficult to implement) requirements of IFRS 17 relate to accounting for groups of insurance contracts, and such groups would rarely occur in local authorities.

D1 IFRS 17 Insurance Contracts (Future Implementation)

QUESTION 2 ON PENSION GUARANTEES

- 18 substantive responses
- 12 (67%) did not support inclusion of material in the Code
- 6 (17%) supported the provision of guidance

3 of the respondents who did not support inclusion in the Code provided plausible justification for why certain arrangements which appear to carry insurance risk might in reality carry financial risk.

D1 IFRS 17 Insurance Contracts (Future Implementation)

QUESTIONS 4 TO 7

A small number of responses (1 per question) indicated that there are or may be instances of the various types. One such type may be other than rare (environmental warranties on property transfers) although the measures taken by authorities to mitigate exposure may mean that the accounting is not complex.

D2 Review of Capital Financing Requirement Disclosures

- 20 responses
- 16 (80%) straightforwardly agree including all the preparers
- 4 (20%) either disagree and provide alternative proposals (1), or suggest greater or lesser additional requirements (3)

Next steps

- Agree changes to the 2022/23 Code
- Report to FRAB 18 November 2021 meeting