

## Financial Reporting Advisory Board Paper

### Code of Practice on Local Authority Accounting

<b>Issue:</b>	Update on CIPFA/LASAAC development of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i> (the Code)
<b>Impact on guidance:</b>	This report outlines the approach to the consultation for the 2022/23 Code.
<b>IAS/IFRS adaptation?</b>	<p>A) IFRS 16 <i>Leases</i> – The changes to the 2022/23 Code include the adaptations already agreed with FRAB</p> <p>B) no new adaptations are anticipated for other changes to standards in the 2022/23 Code</p>
<b>Impact on WGA?</b>	-
<b>IPSAS compliant?</b>	<p>A) IFRS 16: The adoption of IFRS 16 will create a misalignment with IPSAS which are based on IAS 17. The IPSASB has consulted on a revised standard aligned with IFRS 16.</p> <p>B) Development of 2022/23 Code consultation: New and amended IPSAS standards will be considered and liaison maintained with FRAB secretariat / HM Treasury staff on proposals.</p>
<b>Impact on budgetary regime?</b>	None – local authorities only.
<b>Alignment with National Accounts</b>	
<b>Impact on Estimates?</b>	None – local authorities only.
<b>Recommendation:</b>	<p>This report requests:</p> <p>Board comment on the proposals affecting the development of future editions of the Code.</p>
<b>Timing:</b>	2022/23

## DETAIL

### **Background**

1. CIPFA/LASAAC met on 3 March, 29 March and 10 June 2021. These meetings considered issues around the update to the 2020/21 Code, and finalisation of the 2021/22 Code which were reported to FRAB in March and April 2021. CIPFA LASAAC also approved an update to its Strategic Plan, received an update on the Redmond Review, and took forward the development programme for the 2022/23 Code.
2. CIPFA/LASAAC will have a further discussion of the content of the Invitation To Comment and Exposure Draft for the 2022/23 Code at a meeting on 28 June 2021.

### *Consultation Process for the 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom*

3. Following the deferral of IFRS 16 Leases in successive years, the most substantial change to the 2022/23 Code will be the adoption of the standard. Other standards developments being consulted on in the 2022/23 Code will include:
  - a) Annual Improvements to IFRS Standards 2018–2020. No changes to the Code are anticipated
  - b) Service Concession Arrangements – treatment of the liability. CIPFA LASAAC will determine the approach at the next CIPFA LASAAC meeting. This will be informed by advice provided by a working group. Membership of the working group included representatives from local authority preparers, auditors and other stakeholders, together with HM Treasury, DHSC and NHS England/NHS Improvement.
  - c) IFRS 17 *Insurance Contracts*. this will not be adopted in the 2022/23 Code, but CIPFA/LASAAC is of the view that further consultation is required. The Code content on IFRS 4 *Insurance Contracts* is minimal, and the small number of responses to the 2021/22 consultation might be seen as supporting continuation of this approach. However, because of concerns that the lack of response may reflect lack of capacity or lack of understanding, CIPFA LASAAC is carrying out more targeted consultation and follow up.
  - d) IPSAS 42 *Social Benefits*. It is anticipated that a minor revision will be proposed for the text in the 2022/23 Code which refers to social benefits (these are referred to in section 8.2 Provisions, Contingent Liabilities and Contingent Assets).
4. Although not noted on the cover sheet, CIPFA LASAAC will be reviewing whether the IFRS 9 adaptation for financial guarantees issued at below fair value being considered at the 24 June 2021 FRAB meeting reflects issues which are relevant to local government. This review might result in a similar adaptation being adopted in the Code
5. The consultative process for the Code usually commences in July prior to the year in question. This was delayed until August 2020 due to the impact of the pandemic, but CIPFA

LASAAC is hoping to return to a July consultation while also having regard to resource availability of finance professionals in local government.

#### *CIPFA/LASAAC Strategic Plan*

6. At its March meeting CIPFA/LASAAC considered an update on the strategic plan. Three of these projects feed directly into the Invitation to Comment on the 2022/23 Code as described above. Work on the following projects will feed into later editions of the Code or into other guidance:

- Project 1: Materiality
- Project 2: Improving the Presentation of Local Authority Accounts (formerly Streamlining the Accounts)
- Project 6: Narrative Reporting

#### ***Accounting in the United Kingdom***

7. The Board is invited to comment on the proposals affecting the development of future editions of the Code.

**CIPFA/LASAAC**  
**June 2020**