

Report

To: CIPFA LASAAC

From: Steven Cain, CIPFA/LASAAC Secretary

Date: 9 March 2023

Subject: Update to the 2022/23 Code of Practice on Local Authority Accounting and consequential amendment to the 2023/24 Code

Purpose

The purpose of this report is to note the agreed Update to the 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and to approve a consequential amendment to the 2023/24 Code

Report

1.1 This report

- Notes the decision of the Board to follow Option A which permits but does not require local authorities which are implementing IFRS 16 *Leases* to (per se) leases to defer implementation of the IFRS 16 aligned approach to PFI PPP liabilities.
- Provides the anticipated minor redraft of consequential amendments to the 2023/24 Code to reflect the transition requirements for bodies which opt to defer implementation of the IFRS 16 aligned approach to PFI PPP liabilities.

Recommendations

The Board is invited to:

- **note the Update to the 2022/23 Code**
- **approve the consequential amendments to the 2023/24 Code**

2. Update to the 2022/23 Code

- 2.1 CIPFA LASAAC considered this matter at the December post FRAB meeting, reflecting on FRAB's approval of mandating deferral of PFI PPP changes. Because the 2022/23 Code has already been published, any changes would need to be progressed through an update.
- 2.2 The discussion in December did not appear to conclude. The Chair asked the Board whether there was consensus for supporting the full HM Treasury approach and it became clear that there was no such consensus. Some members initial preference was that no deferral be pursued. Others noted that allowing deferral might be beneficial for some authorities who were able to implement for leases but had not yet completed work on PFI PPP arrangements. After further discussion around whole of government accounts (WGA) and the Financial Reporting Manual (FReM) alignment, consensus emerged for allowing non-adoption, but there was no agreement on whether non-adoption should be mandated
- 2.3 CIPFA LASAAC therefore made a request for further information and a letter was sent to Treasurer's societies about the implications for those authorities which would be affected. After considering the responses to this request (electronically), CIPFA/LASAAC decided that local authorities implementing IFRS 16 in 2022/23 would be allowed to defer application of IFRS 16 to PFI PPP until 2023/24 but would not be required to defer application.
- 9 votes were received in support of allowing but not mandating deferral of the IFRS 16 aligned treatment of PFI PPP arrangements
 - 1 vote was received in support of mandating deferral of the IFRS 16 aligned treatment of PFI PPP arrangements
- 2.4 It should be noted that this was a difficult decision, with some of those voting noting that, except for concerns around FRAB approval, they would have preferred that no deferral be allowed.
- 2.5 CIPFA LASAAC has therefore already agreed the content of the Update, which is being passed to PFMB and LASAAC for their approval.

3. Consequential amendments to the 2023/24 Code

- 3.1 As noted in earlier communications on the Update, either of the options considered by the Board would give rise to amendments to the transitional arrangements for 2023/24, which would need to set out requirements for a previously unanticipated situation where IFRS 16 is implemented for leases in 2022/23, but implementation for PFI PPP arrangements is deferred until 2023/24.
- 3.2 A revised draft of the 2023/24 Code is provided at CL 09 03 23B. This sets out minimal changes which only impact on Appendix C (see paragraph C.2.3). The proposed changes are shown as tracked changes. Changes to the 2022/23 Code already agreed by CIPFA LASAAC are not shown.