

Report

To: CIPFA LASAAC

From: Steven Cain, CIPFA/LASAAC Secretariat

Date: 5 March 2025

Subject: Anticipated content of the 2026/27 Code and ITC

Purpose

The purpose of this report is to note items which affect the development of the 2026/27 Code and seek the views of the Board on additional items which may need to be included.

Report

- 1.1 Notes of potentially relevant developments and potential effects are set out encompassing
- Legislative Developments
 - Financial Reporting Developments

Recommendations

The Board is invited to note these matters and also to provide information to the Secretariat on any other issues of which they are aware.

LEGISLATIVE DEVELOPMENTS

UK / England / Scotland / Wales / Northern Ireland	
Development	Implications for Code and ITC
England	
The submission date for draft (unaudited) accounts has been extended to 30 June for financial statements for financial years between 2024/25 and 2027/28	Relevant dates need to be reflected in the Code. There is no need to consult on this statutory matter.
It is anticipated that the IFRS 9 statutory override will be withdrawn, possibly subject to transitional arrangements	Relevant changes to statutory reporting would need to be reflected in the Code. While there is no need to consult, CIPFA LASAAC and CIPFA will seek to ensure that local authorities are kept informed. (Note that there is no similar override in Scotland or Northern Ireland)
It is anticipated that the infrastructure assets override will be extended	No change would be required, but this is subject to confirmation. Detailed date references will need to be updated.
Scotland	
No information on developments that would impact on the Code has been received from the Scottish Government	
The status of infrastructure assets reporting has yet to be determined	No change is required as the Scottish arrangements are made through Local Government Finance circulars outside the Code.
Wales	
The position on IFRS 9 statutory override has yet to be determined, but is expected to echo the position in England	Relevant changes would need to be reflected in the Code.
It is anticipated that the infrastructure assets override will be extended	No change would be required, but this is subject to confirmation. Detailed date references will need to be updated.
The 2023 Welsh ministerial direction on Flexible Use of Capital will be refreshed to extend the scheme to years 2025/26 to 2029/30	No change would be required. Detailed date references may need to be updated.
Consideration is being given to changing the submission date for draft (unaudited) accounts.	Relevant dates need to be reflected in the Code. There is no need to consult on this statutory matter.
Northern Ireland	
No information on developments that would impact on the Code has been received from Department for Communities (NI)	Not applicable

FINANCIAL REPORTING DEVELOPMENTS

Items already considered by C/L in previous years	
Development	Implications for Code and ITC
<p>IPSAS 43, <i>Leases</i></p> <p>Phase One of the leases project, covering commercial leases. Effective 2025</p>	<p>No direct impact. But see later comments on Phase Two of the project, encompassing public sector specific matters such as leases with a non-exchange element.</p>
<p>IPSAS 45, <i>PPE</i> IPSAS 46, <i>Measurement</i></p> <p>Issued May 2023 Effective January 2025</p>	<p>IPSAS 45 and IPSAS 46 add current operational value as a measurement basis and identifying the characteristics of heritage and infrastructure assets. Current operational value informed the non-investment asset amendments to the FReM and they will be reconsidered during the development of the 2026-27 Code.</p> <p>Code developments in this area are seeking to align with the FReM.</p>
<p>IPSAS 47, <i>Revenue</i></p> <p>Issued May 2023 Effective January 2026</p>	<p>IPSAS 47 presents two accounting models based on binding arrangements. Binding arrangements are analogous to contracts and allow an IFRS 15 five step model approach to be applied to exchange transactions and some non-exchange transactions. A different model is used where there is no binding arrangement.</p> <p>The Secretariat is mindful of the desirability of minimising inessential changes. However, IPSAS 23 <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> will be withdrawn, which will necessitate redrafting material in Section 2.3 of the Code (Government and Non-Government Grants) so that it cross-refers to the extant IPSAS.</p>
<p>IPSAS 48, <i>Transfer expenses</i></p> <p>Issued May 2023 Effective January 2026</p>	<p>IPSAS 48 provides accounting guidance for transfer expenses, which account for a significant portion of expenditures for many public sector entities. and may help articulate the Code requirements.</p> <p>However, this will be weighed against the desirability of minimising inessential changes</p>
<p>IPSAS 49, <i>Retirement Benefit Plans</i></p> <p>Issued November 2023 Effective January 2026</p>	<p>IPSAS 49 was adapted from IAS 26</p> <p>No changes to Code requirements</p>
Other IFRS not yet effective, or not yet UK endorsed	
<p>IFRS 18 <i>Presentation and Disclosure in Financial Statements</i></p> <p>Issued April 2024 Effective January 2027</p>	<p>Not relevant to 2026/27. Secretariat review suggests that the standard would not affect current Code requirements. However, IPSASB are undertaking a project based on IFRS 18 which might be relevant to the Code, and Secretariat will review developments.</p>

<p>IFRS 19 Subsidiaries without Public Accountability</p> <p>Issued May 2024 Effective January 2027</p>	<p>Not relevant to 2026/27. IFRS 19 works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19.</p> <p>No direct effect on Code. May affect entities in group consultations although these may mostly apply FRS 102 and thereby be out of scope.</p>
<p><i>Amendments to the Classification and Measurement of Financial Instruments</i> (Amendments to IFRS 9 and IFRS 7)</p> <p>Issued May 2024 Effective January 2026</p>	<p>These amendments are not expected to affect the substance of the Code but Secretariat will review the requirements in relation to assessing contractual cash flow characteristics of financial assets in case detailed text in Chapter 7 needs to be aligned.</p>
<p><i>Contracts Referencing Nature-dependent Electricity</i> (Amendments to IFRS 9 and IFRS 7)</p> <p>Issued December 2024 Effective January 2026</p>	<p>Potentially applicable to some local authorities engaging in power purchase agreements</p> <p>Not expected to affect the substance of the Code but Secretariat will review in case detailed text in Chapter 7 needs to be aligned.</p>
IPSAS	
<p><i>Concessionary Leases and Other Arrangements Conveying Rights over Assets</i> (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48)</p> <p>October 2024</p> <p>Amendments to IPSAS 43 and IPSAS 47 have an effective date of January 1, 2027. Earlier application is permitted.</p>	<p>New guidance addresses public sector issues specific to concessionary leases (i.e. leases at below-market terms) and other arrangements conveying rights over assets.</p> <p>To be reviewed when developing future Codes to determine whether the material is helpful, while also having regard to the desirability of minimising inessential changes.</p>
UK public sector developments	
<p>HMT Thematic Review</p> <p>Indexation and other changes to the measurement of non-investment assets</p>	<p>CIPFA LASAAC has been minded to align with the FReM development in this area.</p> <p>The 2026/27 Code will take forward any changes implemented in the 2025/26 Code, and will review further FReM discussions including the IPSAS 46 modification to Depreciated Replacement Cost (DRC) which is to value operational property, plant and equipment based on their current site and not consider alternative sites.</p>
Strategic Plan Developments	
<p>Better Reporting Group</p>	<p>The ITC may seek to gain information on issues being considered by the Better Reporting Group.</p>