

Report

Paper CL 08A 11-19

Board	CIPFA/LASAAC
Venue	CIPFA, 160 Dundee Street, Edinburgh EH11 1DQ
Date	6 November 2019
Author	CIPFA Secretariat
Subject	20/21 Code Consultation Responses and Actions

Purpose

To provide a basis for discussion of the 20/21 Code invitation to comment (ITC) responses to inform CIPFA/LASAAC decisions on the 20/21 Code.

1 Responses Received

- 1.1 A total of 42 ITC responses were received. Appendix A provides an analysis.
- 1.2 Other comments were also received through other sources. These have not been counted as ITC responses, but where relevant are included in the responses to Question 33 (open feedback request).
- 1.3 The responses received to the ITC questions were analysed and summarised for CIPFA/LASAAC consideration.
- 1.4 A table providing an overview, at a highly summarised level, is included in this report. For ease of reference the responses to Question 33 (open feedback request) are provided in a separate table.
- 1.5 The provision of a summary is not intended to reduce transparency or CIPFA/LASAAC's scope to scrutinise and discuss the consultation responses and recommendations. Therefore this paper is accompanied by
 - Appendix B – Analysis of questions 1-32 with numerical analysis (where relevant), summary of responses, considerations for CIPFA/LASAAC, subjective indication of risk and more detail of recommended actions and options.
 - Appendix C – Analysis of comments received to Q33 (open feedback), with a similar approach to Appendix A

2 ITC Proposals and Questions

2.1 The following table is a summary which is intended to act as an index for oversight. Content is, of necessity, highly summarised. Indications of risk are subjective and open to interpretation and further scrutiny by the Board. Appendix B provides detailed analysis and discussion points (page ref shown in brackets in first column below).

Q [Appx Page]	Item	Brief Summary of Responses	Risk	Overview of Recommendation
1 [1]	Materiality: Definition of Materiality	Generally supported	MEDIUM	Implement with minor wording change
2 [1]	Materiality: Disclosure of Assessment	Some dissent regarding practical impact of implementation	HIGH	Implement but make the disclosure optional with extent of detail at discretion of the authority.
3 [2]	Materiality : Other Materiality Comments	Responses indicate different perceptions	MEDIUM	20/21: consider in relation to disclosure requirements 21/22: Consider as part of Code strategy feedback
4 [3]	Disclosure Assessment: FReM Questions	Some dissent and differences regarding role and application.	HIGH	20/21: Do not implement. 21/22: Develop protocol for CIPFA/LASAAC use.
5. [5]	Disclosure Assessment : Group Disclosures	Some significant differences regarding possible actions	MEDIUM	20/21: No amendment to Code 21/22: Consider as part of Code strategy feedback
6. [6]	Disclosure Assessment: Prior Period Disclosures	Responses indicate potentially significant implementation risks	HIGH	Options: <ul style="list-style-type: none"> • Withdraw • Clarity to more specifically limit applicability • Adaptation for specific disclosures (FRAB discussion required)
7-9 [8-11]	Capital Disclosures	Wide variety of comments, some fundamental	HIGH	<ul style="list-style-type: none"> • 20/21: Highlighting that some disclosures are expected to be made by exception or in summary • 20/21: Adaptation to permit, but not require, use of a Net Book Value disclosure table (subject to maintaining records for WGA compliance; FRAB discussion required) • 21/22: specific items for review

Q <i>[Appx Page]</i>	Item	Brief Summary of Responses	Risk	Overview of Recommendation
10 - 12 <i>[11-13]</i>	Pensions Disclosures	Wide variety of comments, some fundamental	HIGH	<ul style="list-style-type: none"> 20/21: Highlighting that some disclosures are expected to be made by exception or in summary 21/22: specific review to ensure numerical disclosures align with WGA requirements
13 - 15 <i>[14-17]</i>	Financial Instrument Disclosures	Wide variety of comments, some fundamental	HIGH	<ul style="list-style-type: none"> 20/21: Highlighting that some disclosures are expected to be made by exception or in summary 21/22: specific review to ensure numerical disclosures aligned with WGA requirements
16-18 <i>[17-18]</i>	Cash Flow Disclosures	Generally low priority given to cash flow information.	LOW	20/21: No amendments
19 <i>[18]</i>	IAS 19 Amendments: Plan Curtailments etc	General support, some dissent	MEDIUM	Implement as proposed
20 <i>[19]</i>	IFRS 3 Definition of a Business	No dissent	LOW	Implement as proposed
21 <i>[19]</i>	Amendments to Conceptual Framework	No dissent	LOW	Implement as proposed
22 <i>[20]</i>	Provisions for UK withdrawal from the EU	Wording amendment suggested	LOW	Implement with minor wording change
23 <i>[20]</i>	IPSAS 41 and 42	No dissent	LOW	As proposed: No Code amendment
24 <i>[21]</i>	Pension Fund Accounts: Pensions SORP Alignment	Some dissent regarding whether disaggregation required	LOW	Implement as proposed
25 <i>[21]</i>	Legislation Amendments	Some amendments suggested (re England, Scotland, Wales)	MEDIUM	Implement with some, but not all, of the suggested amendments incorporated.

Q <i>[Appx Page]</i>	Item	Brief Summary of Responses	Risk	Overview of Recommendation
26-27 <i>[23-26]</i>	Service Concession Arrangements – 3rd Party Income	Different views expressed. Some technical aspects arising. Some requests for specification in the Code.	HIGH	As proposed: No Code amendment.
28 <i>[26-31]</i>	Service Concession Arrangements – Liability Measurement	Supported by most respondents indicating a view; but with some significant dissent expressed. HM Treasury have indicated that central government's measurement practices for liabilities arising from SCA (PPP/PFI) is not anticipated to change.	MEDIUM	Do not implement. Specify that the requirements of IAS 17 as previously existing, will continue to apply. FRAB confirmation required.
29 <i>[31]</i>	HRA Financial Instruments Impairment	Supported by most respondents but with some significant dissent expressed.	HIGH	20/21: No Code amendment 21/22: Include in financial instruments wider review
30 <i>[32]</i>	Financial Instruments – Specification of FVPL entries in CIES	Supported by most respondents but some dissent noted.	MEDIUM	20/21: Amend Code to provide specification.
31 <i>[33]</i>	Minor Code Updates	No dissent.	LOW	Implement as proposed
32 <i>[33]</i>	IFRS 17 Insurance Contracts – Potential Application Scenarios	Potential application scenarios noted	LOW	Ongoing liaison with HMT working group to support pragmatic implementation.

3 ITC Q33 – Open Feedback and Comment

3.1 The following table is a summary which is intended to act as an index for oversight. Content is, of necessity, highly summarised. Indications of risk are subjective and open to interpretation and further scrutiny by the Board. Appendix C provides detailed analysis and discussion points (page ref shown in brackets in first column below) .

Q <i>[Appx Page]</i>	Item	Responses	Risk	Overview of Recommendation
33A <i>[1]</i>	Other: LOBO Clauses	Clarification suggested	HIGH	Code amendment to clarify that adaptation does not extend to compound embedded derivatives.
33B <i>[2]</i>	Other: Loan Modifications	Request to correct Code following IASB clarification.	HIGH	Code amendment to reflect IASB clarification.
33C <i>[3]</i>	Other: Equity instruments	Basis for excluding some instruments from FVOCI designation challenged	HIGH	No Code amendment
33D <i>[4]</i>	Other: Soft loans	Request to correct Code for low interest rate environments	LOW	Amend Code
33E <i>[4]</i>	Other: Impairment requirement exemptions	Request to clarify application of the exemption relating to central government.	MEDIUM	Amend Code to align with FReM
33F <i>[5]</i>	Other: Complexity	Comments on complexity	MEDIUM	Consider whether 20/21 Code appropriately addresses complexity eg in implementation of IFRS 16 disclosures.
33G <i>[6]</i>	Other: Code format	Suggestion to use Code to highlight adaptations / interpretations (not repeat IFRS)	LOW	CIPFA/LASAAC continues with proposed review of code format
33H <i>[6]</i>	Other: Pension Guarantees	Request for specification of treatment	HIGH	No Code amendment
33I <i>[7]</i>	Other: Going concern	Request for clarification	MEDIUM	No Code amendment
33J <i>[7]</i>	Other: Audit Fees	Request to specify FRC example layout	LOW	No Code amendment
33K <i>[7]</i>	Other: Local Government Reorganisations	Request to amend Code	MEDIUM	No Code amendment
33L <i>[8]</i>	Other: Cash & Cash Equivalents	Request to clarify that balance sheet presentation will not normally include overdrafts	HIGH	Consult on for 21/22 Code

Q <i>[Appx Page]</i>	Item	Responses	Risk	Overview of Recommendation
33M [9]	Other: Dedicated Schools Grant	[England] – request for specification	MEDIUM	No Code amendment
33N [9]	Other: Capital Receipts	[England] Request to change statutory limits	N/A	No Code amendment
33O [9]	Other: Code Strategy	Comments on CIPFA/LASAAC direction	HIGH	Include as stakeholder feedback related to discussion papers
33P [10]	Other: Consultation process	Improvement to consultation process	MEDIUM	Review arrangements for 21/22 Code ITC
33Q [11]	Other: Code Format	Comments on format	MEDIUM	Include as stakeholder feedback related to discussion papers
33R [11]	Other: Code Format	Comments on Format	MEDIUM	Include as stakeholder feedback related to discussion papers
33S [11]	Other: Group Accounts	Request for specification of how different statutory frameworks should be combined in group accounts.	MEDIUM	Include as stakeholder feedback related to discussion papers
33T [12]	Other: Lump sum contributions to LGPS	Request for specification due to inconsistency of auditor views.	HIGH	Consult on for 21/22 Code
33U [12]	Other: Group accounts	Request to remove or reduce requirement; replace with disclosures.	MEDIUM	Include as stakeholder feedback related to discussion papers
33V [12]	Other: CIES Total Line Presentation	Lack of clarity on use of signage in the total CIES line	LOW	Amend Code to indicate that use of signage should be explained
33W [13]	Other: RICS references need updated	Requirement to update noted	MEDIUM	Amend Code to refer to current RICS requirements
33X, Y [13-14]	Other: Text Corrections	Code text corrections suggested	LOW	Amend Code for editorial corrections, inclusion or cross referencing to IFRS 16 etc. To be provided to CIPFA/LASAAC as tracked changes.

4 Requested CIPFA/LASAAC Action

4.1 CIPFA/LASAAC is requested to review and discuss the ITC responses and:

- **Approve or amend the recommended actions**

Appendix A – Consultation Respondents

List of Respondents	
Arlingclose	Arun District Council
Audit Scotland	Birmingham City Council
Calderdale MBC	Cardiff (City of) Council
Chelmsford City Council	Devon County Council
East Ayrshire Council	EY
Glasgow City Council	Grant Thornton
Hampshire County Council	Hampshire Fire and Rescue
Hampshire Constabulary and PCC	Horsham District Council
Ichabod's Industries	Inverclyde Council
Islington London Borough	Kent County Council
Kent Fire and Rescue	Kettering Borough Council
Leeds City Council	Link Asset Servies
Moray Council	Neath Port Talbot Council
Newcastle City Council	Norfolk Constabulary & Suffolk Constabulary
Orbis Shared Services	Rhonda Cynon Taf County Borough Council
Rushmoor Borough Council	Sheffield City Council
Society of County District Treasurers	Somerset County Council
South Gloucestershire Council	<Confidentiality Requested>
Stoke on Trent City Council	Suffolk County Council
Torfaen County Borough Council	Wales Audit Office
West Dunbartonshire Council	Westminster City Council

Different Types of Organisation Responding	
Accountancy Consultant	English Unitary Authority
Audit Body	Fire and Rescue Authority
Audit Firm	London Borough
Constabulary	Metropolitan District
Constabulary and Police & Crime Commissioner	Scottish Unitary
Council Partnership	Treasurer Society
County Council	Treasury Advisor
District Council	Welsh Unitary

Geographical Analysis			
UK	5	Scotland	7
England	24	Wales	5
England & Wales	1		