**CIPFA/LASAAC**

**the 2019/20 code of practice on local authority accounting in the united kingdom**

**invitation to comment**

**response sheet**

This Invitation to Comment response sheet will be regarded as on the public record unless confidentiality is specifically requested. Copies of all correspondence and an analysis of responses will be provided to the Financial Reporting Advisory Board. Unless confidentiality is requested in the box below the responses will also be held on the CIPFA Website. Please note if you wish to provide additional commentary on separate sheets it would be helpful if you set out clearly the questions and/or parts of the Code to which your comments relate.

|  |  |
| --- | --- |
| Name | Peter Notley |
| Organisation | Society of District Council Treasurers |
| Do you wish this response to be considered as confidential? |  |

Responses are required by **8 October 2018** and may be sent to:

The Secretary

CIPFA/LASAAC Local Authority Accounting Code Board

Policy and Technical Directorate

CIPFA

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For ease of handling, e-mailed copies of this Response Form are preferred.

|  | **Response** |
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| ***Exposure Draft A: IFRS Amendments*** |
|  | **Amendments to IAS 19 *Employee Benefits*: Plan Amendment, Curtailment or Settlement** |
| 1 | Do you agree with the approach to adoption of the Amendments to IAS 19 *Employee Benefits*: Plan Amendment, Curtailment or Settlement? If not, why not? What alternatives do you suggest? |  |
|  | **Comments** (Please insert your comments in the box below)It is not clear what impact this change will have on District Councils |
| 2 | What do you consider the practical impact of the adoption of the Amendments to IAS 19 *Employee Benefits*: Plan Amendment, Curtailment or Settlement will be for you or your organisation? Please provide details.  |
|  | **Response** (Please insert your response in the box below)It is not clear what impact this change will have. Most Districts supply figures to the actuary for year end accounting purposes and generally have LGPS as the only material pension fund. This appears to be more of an issue for the actuary to prepare IAS19 compliant figures. |
|  | **Amendments to IFRS 9 *Financial Instruments*: Prepayment Features with Negative Compensation** |
| 3 | Do you agree with the approach to adoption of the Amendments to IFRS 9 *Financial Instruments*: Prepayment Features with Negative Compensation? If not, why not? What alternatives do you suggest? Please also comment on whether this may have any financial impact on local authority transactions.  |  |
|  | **Comments** (Please insert your comments in the box below)This appears to be a technical issue which might apply in a relatively small number of cases; direct reference to the standard seems appropriate. |
| 4 | Do you agree with CIPFA/LASAAC that the amendments in relation to modifications or exchanges of financial liabilities that do not result in derecognition do not require change to the Code? If not, why not? What alternatives do you suggest? Please also comment on whether this may impact on local authorities accounting policies in this area. |  |
|  | **Comments** (Please insert your comments in the box below)It appears that IFRS 9 is not being amended although this standard is only being fully adopted for 2018/19 and practitioners may not have fully worked through the impact. If this is likley to involve changes to recognition of gains/losses on debt restructuring, it would be useful if this could be flagged asap as well as how these fit with statutory provisions for deferral of premia/discounts.  |
|  | **Amendments to IAS 28 *Interests in Associates and Joint Ventures*: Long-term Interests in Associates and Joint Ventures** |
| 5 | Do you agree with the approach to adoption of the Amendments to IAS 28 *Interests in Associates and Joint Ventures*: Long-term Interests in Associates and Joint Ventures? If not, why not? What alternatives do you suggest? Where necessary please provide any commentary in relation to the practical aspects of the changes.  |  |
|  | **Comments** (Please insert your comments in the box below)This appears to be a helpful clarification of existing guidance in the underlying standard; although there is catch all scope exclusion comment, maybe it would be helpful to indicate the main instances where IFRS 9 would apply. |
|  | **Annual Improvements to IFRS Standards 2015 – 2017 Cycle** |
| 6 | Do you agree with the approach to adoption of the *Annual Improvements to IFRS Standards 2015-2017 Cycle*? If not, why not? What alternatives do you suggest? Please indicate whether the changes relating to IAS 23 *Borrowing Costs*: Borrowing Costs Eligible for Capitalisation will have an impact on the General Fund Balances of local authorities.  |  |
|  | **Comments** (Please insert your comments in the box below)This appears to be a helpful clarification of existing guidance. |
|  | **IFRIC 23 *Uncertainty over Income Tax Treatments*** |
| 7 | Do you agree with the approach to the adoption of IFRIC 23 *Uncertainty over Income Tax Treatments*? If not, why not? What alternatives do you suggest? |  |
|  | **Comments** (Please insert your comments in the box below)This appears to be a helpful clarification of existing guidance with limited application to local authority accounts. |
| ***Exposure Draft B: Legislative and Policy Changes***  |
|  | **Scottish Local Authorities: Presentation of Transfers to or from Other Statutory Reserves**  |
| 8 | Do you agree with the approach to the presentation of transfers to or from other statutory reserves? If not, why not? What alternatives do you suggest? |  |
|  | **Comments** (Please insert your comments in the box below)Not applicable. |
|  | **Scottish Local Authorities: Presentation of Statutory Adjustments for the Revaluation Element of Depreciation** |
| 9 | Do you agree with the proposed changes for the presentation for the revaluation elements of depreciation? If not why, not? What alternatives do you suggest? Are there significant practical or financial management implementation considerations in allowing a voluntary transfer between the Revaluation Reserve and the General Fund in Scotland? Do you have any views on the applicability of this voluntary transfer to local authorities across the UK where the legislation for the treatment of capital receipts and the legislative framework differs from Scottish local authorities? |  |
|  | **Response** (Please insert your response in the box below)Not applicable. |
|  | **Apprenticeship Levy** |
| 10 | Do you agree with the proposed specification of the treatment of the Apprenticeship Levy? If not, why not? What alternatives do you suggest? |  |
|  | **Comments** (Please insert your comments in the box below)It is helpful to have clarity over the treatment; the proposal to recognise the income to match the expense seems inconsistent with the recognition criteria in 2.3.2.1 of the code. It is proposed that 2.11.2.4 is enhanced to explain why the full balance in the DAS account would not be recognised. |
|  | **References to Legislation** |
| 11 | Do you agree with the proposed amendments to reflect the references in the Code to legislation which has been enacted or made since the development of the 2018/19 Code? If not, why not? What alternatives do you suggest? Are there other items of legislation which you consider could usefully be included in the Code? |  |
|  | **Comments** (Please insert your comments in the box below)It makes sense to keep these cross references up to date. |
| ***Exposure Draft C: IFRS Conceptual Framework for Financial Reporting (March 2018)*** |
| 12 | Do you agree with the proposals to amend section 2.1 (Concepts) of the Code which reflect the adoption of the *IFRS Conceptual Framework for Financial Reporting* (March 2018)? If not, why not? What alternatives would you suggest? |  |
|  | **Comments** (Please insert your comments in the box below)These appear to be changes with minor impact for practitioners but which help keep the fundamental accounting principles consistent with IFRS. |
| ***Exposure Draft D: Adaptation/Interpretation and Statutory Adjustments*** |
| 13 | Do you agree with the proposed clarification of adaptations and interpretations of IFRS and the description of the processes for statutory adjustments? If not, why not? What alternatives do you suggest? |  |
|  | **Comments** (Please insert your comments in the box below)These appear to be helpful clarifications over the relationship between accounting and legislative frameworks. |
| ***Post-implementation Reviews and Other Issues***  |
|  | **Group Accounts Presentation and Disclosures** |
| 14 | What are your views on the prominence of the Group Accounts in local authority Statements of Account? |
|  | **Response** (Please insert your response in the box below)Group accounts should be clearly identifiable so that interested readers can quickly locate the relevant statements and notes. Beyond that, it is judged that prominence of group accounts should not be overly prescribed given the variance of scale and complexity of group arrangements across authorities. |
| 15 | Do you think that the Code’s provisions on the presentation and the disclosures required by local authority group accounts provide adequate signals on the reporting requirements for local authorities? If yes, why? If not, why not? Please provide the reasoning behind your response. |  |
|  | **Response** (Please insert your response in the box below)There is a significant element of the Code, Code Disclosure Checklist and Code Guidance notes devoted to group accounts. |
|  | **Business/Public Sector Combinations** |
| 16 | Do you consider that the Code needs to include more specific guidance on the adoption of IFRS 3 *Business Combinations*? |  |
|  | **Response** (Please insert your response in the box below)If some Council's have requested this, it suggests there is a need. This could be achieved with greater cross references to the underlying standards rather than significantly increasing the Code or the Code Guidance.  |
| 17 | Do you agree that the Code’s provisions in section 2.5 (Local Government Reorganisations and Other Combinations) of the Code provide appropriate reporting requirements for local government public sector combinations. If not, why not? What alternatives do you suggest?  |  |
|  | **Comments** (Please insert your comments in the box below)Section 2.5 of the Code and the supporting sections of the guidance notes provide support for practitioners and appear to provide appropriate reporting requirements. The invitiation to comment document notes that the Code has been reviewed against IPSAS 40 but is not explicit about where there are any differences; it might be worth making this explicit in the Code (or maybe in the guidance notes) and justifying any departures between the Code and IPSAS 40. This would provide assurance over the basis of the reporting requirements. |
|  | **Recognition of Income for Third Party Payments for Service Concession Arrangements** |
| 18 | Do you consider that CIPFA/LASAAC should be specific about the treatment of third party income (known in IPSAS 32 *Service Concession Arrangements: Grantor* as the grant of the right to the operator model)? If yes, please set out the treatment you consider best fits with the local government circumstances. If no, why not? Please set out the reasoning for your response.  |  |
|  | **Comments** (Please insert your comments in the box below)As a general principal, where it is possible to be specific about accouting treatments, this is judged to be a beneficial in terms of preparers having certainty. FRS102 notes that the two options for accounting are 'grant of right' vs a finance lease model, although FRS 102 does not recommend the grant of right model, IPSAS 32 is clear when each case would apply. It may be difficult to prescribe how to account for these arrangements as contractual terms and conditions may differ significantly; where the impact is material these could be disclosed as critical accounting judgements for each authority to agree with their auditors.  |
|  | **Reporting of Trading Operations in Local Authority Financial Statements** |
| 19 | Do you consider that the disclosure requirements in paragraph 3.4.4.2 2) for trading operations are useful to the users of local authority financial statements (other than for Scottish local authorities)? If yes, please provide the reasoning for your response. If no, why not? Please set out the reasoning for your response.  |  |
|  | **Comments** (Please insert your comments in the box below)Although the requirements of 3.4.4.1 para 2 are not onerous any initiative to reduce the burden on preparers is welcome. Where authorites felt that trading operations were significant they would still have discretion to make disclosures.  |
|  | **IASB Materiality Practice Statement** |
| 20 | Do you agree that the IASB Materiality Practice Statement should not be referred to in the Code? If not, why not? Are there other materiality requirements or guidance that you consider should be included in the Code? |  |
|  | **Comments** (Please insert your comments in the box below)Although materiality is a fundamental characteristic of financial statements i. it is difficult to evidence what would influence decisions by readers of the accounts and ii. audit firms have their own methods of quantifying this as part of their audit approach. On that basis, there is probably little value adding extra text in to the Code where it is not mandetory or would significantly change i or ii.  |
|  | **Complex Financial Instruments** |
| 21 | Do you consider that there are complex financial instruments requiring specific provisions in the Code? If yes, please set out the nature of the financial instruments and the accounting requirements you consider need specification in the Code.  |  |
|  | **Response** (Please insert your response in the box below) The underlying standards should allow pracitioners to correctly account for financial instruments, complex or otherwise, in partnership with their auditors. Where there are particular areas of interpretation these could be clarified through LAAP bulletins. Alternatively, where it is not clear that preparers of the accounts have mis-applied the underlying standards but where alternative treatments are permissable and which would lead to materially different outcomes, these could be addressed through disclosure of critical accounting judgements. |
|  | **English Local Authorities: Accounting for Non-domestic Rates for the 100 Percent Rate Retention Pilot Authorities** |
| 22 | Do you agree that the pilot arrangements for non-domestic rates do not require any changes to the accounting requirements in the Code? If not, why not? What alternatives do you suggest? |  |
|  | **Comments** (Please insert your comments in the box below)It appears that the underlying accounting principles are the same albeit the shares and levy calculations will change. The experts at CIPFA FAN (particularly Caroline White) would be best placed to form this judgement. |
|  | **Further Guidance** |
| 23 | Are there any areas within the Code where additional guidance or improvements to the Code would be helpful? Please support your answer by giving details of the difficulties being experienced. |  |
|  | **Comments** (Please insert your comments in the box below)Much time is spent each year around non-current asset valuation. Although the values are large, due to the statutory over-rides, the impact is relatively modest on local authorities. The five year limit on asset revals is irrelevant as each year authorities are being asked to demonstrate that carrying values are not materially different from current/fair value. The ensuing to/fro is not adding much value for valuers, auditors or the reporting authorities. It would be helpful if there was some relaxation around materiality that better reflected the relevance of non-current asset accounting to the sector. Similarly, if there was scope to review materiality issues around IAS 19 disclosures this could be helpful; although these are large values, some assessment of their meaning to readers of the accounts could help discussions with audit around how appropriate a late year estimate is vs the need to use actuals post 31 March.  |