

## Draft Update to the 2023/24 and 2024/25 Codes

**Update to the 2023/24 and 2024/25 Codes – focused financial reporting following the local audit backlogs (*English local authorities only*)**

**Introductory comments – (This is not part of the 2023/24 or 2024/25 Codes or Update to the 2023/24 or 2024/25 Codes)**

The attached Update to the 2023/24 and 2024/25 *Codes of Practice on Local Authority Accounting in the United Kingdom* (the Code) has been produced as a response to the significant backlog in local financial reporting and audit in England.

This England-only update to the Codes for 2023/24 and 2024/25 reduces some of the detail of financial reporting requirements but does not reduce requirements for adequate financial management, financial controls and governance.

In summary this Update to the 2023/24 and 2024/25 Codes:

- reduces disclosure requirements for pensions reporting in line with FRS 102
- includes the option to simplify the measurement of operational property, plant and equipment by using indexation.

This Update to the 2023/24 and 2024/25 Codes is provided in two sections:

- Section 1: Reduced reporting requirements for the 2023/24 and 2024/25 financial years
- Section 2: Consequential amendments to the Code.

## UPDATE TO THE 2023/24 AND 2024/25 CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

### Section 1: Reporting requirements for the 2023/24 and 2024/25 financial year only

#### Revised measurement approach for property, plant and equipment – other land and buildings

- CU1** For measurement of property, plant and equipment (other land and buildings class of assets) as at 31 March 2024 and 2025, the Code permits indexation using centrally determined indices based on valuations carried out in previous reporting periods in periods ended 31 March 2018 or later. This option is only for operational assets measured at current value which are being used to provide services. Depreciation shall be charged in accordance with Section 4.1 (Property, Plant and Equipment).
- CU2** Revaluation gains and losses, and impairment losses and reversals of those losses shall be accounted for in accordance with Sections 4.1 and 4.7 (Impairment of assets). For assets without complete valuer information due to indexation, impairment review will focus on making reasonable attempts to identify factors which might result in changes to asset lives, condition or other factors affecting asset service potential that will either individually or collectively have a material impact on the accounts.

#### Reduced disclosure requirements for post-employment benefits

- CU3** All requirements for disclosures relating to post-employment benefits in the financial statements of employer bodies are reduced in line with FRS 102 requirements for the 2023/24 and 2024/25 reporting periods.
- CU4** An authority shall disclose information that:
- a) explains the characteristics of its defined benefit plans and risks associated with them (6.4.3.45 sub paragraph 5)
  - b) identifies and explains the amounts in its financial statements arising from its defined benefit plans (6.4.3.45 sub paragraphs 6–10), and
  - c) describes how its defined benefit plans may affect the amount and timing of the authority's future cash flows (6.43.45 sub paragraph 13).
- CU5** There is no requirement for an authority to describe how its defined benefit plans may affect the uncertainty of the authority's future cash flows (6.4.3.45 sub paragraphs 11–12).

**Section 2: Consequential list of impacts on the application of the 2023/24 and 2024/25 Codes to local authorities in England**

Code reference	Impact of the Update on the application of the 2023/24 and 2024/25 Codes to local authorities in England
<b>Chapter 4 Non-current assets</b>	
<b>Section 4.1 Property, plant and equipment</b>	
<b>Paragraph 4.1.2.4</b>	<p>The following paragraph is added to the end of 4.1.2.4.</p> <ul style="list-style-type: none"> <li>• Indexation using centrally determined indices as defined in paragraph CU.1 for measurement of property, plant and equipment (other land and buildings class of assets) as at 31 March 2024 and 2025.</li> </ul>
<b>Paragraph 4.1.2.46</b>	<p>The following paragraph has been amended, shown in tracked changes:</p> <p>The residual value, useful life and depreciation method shall be reviewed at least each financial year-end and, if expectations differ from previous estimates in relation to residual value and/or useful life and/or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the changes shall be accounted for as a change in an accounting estimate (as opposed to a change in accounting policy) in accordance with Chapter 3 of the Code (also see IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>). The requirement to review the residual value, useful life and depreciation method at least at each financial year shall be in addition to the valuations at intervals of no more than five years (see paragraphs 4.1.2.37 to 4.1.2.38). For assets without complete valuer information due to indexation, the focus shall be on making reasonable attempts to identify assets with changes to residual value, useful life and depreciation method that will either individually or collectively have a material impact on depreciation in the accounts.</p>
<b>Section 4.2 Leases and lease-type arrangements (under IAS 17)</b>	

Code reference	Impact of the Update on the application of the 2023/24 and 2024/25 Codes to local authorities in England
<b>Paragraph 4.2.2.19</b>	<p>The requirements for depreciation of assets held under finance leases as set out in paragraphs 4.1.2.41 to 4.1.2.47 are amended in accordance with changes set out for paragraph 4.1.2.46 above.</p> <p>Assets recognised under a finance lease are subject to revaluation in the same way as any other asset and therefore the changes set out for paragraphs 4.1.2.4 will also apply.</p> <p>[Note that requirements for IFRS 16 Leases will need to be considered separately.]</p>
<b>Section 4.2 Leases and lease-type arrangements (under IFRS 16)</b>	
<b>Paragraphs 4.2.1.5 and 4.2.2.52</b>	<p>The requirements for subsequent measurement of right-of-use assets where the underlying asset is an item of property, plant and equipment as set out in Section 4.1 of the Code are amended in accordance with changes set out for paragraphs 4.1.2.4 and 4.1.2.46 above.</p>
<b>Paragraph 4.2.4.8</b>	<p>If a lessee measures right-of-use assets at revalued amounts applying IAS 16 or paragraph CU.1, the lessee shall disclose, subject to the application of paragraphs 2.1.2.14 to 2.1.2.17 to ensure that material information is not obscured, the information required by paragraph 4.1.4.3 4) for those right-of-use assets.</p>
<b>Section 4.3 Service concession arrangements</b>	
<b>Paragraph 4.3.2.41</b>	<p>References in this paragraph to requirements for revaluation and depreciation of assets held under service concession arrangements are amended in accordance with changes set out for paragraphs 4.1.2.4 and 4.1.2.46 above.</p>
<b>Chapter 6 Employee benefits</b>	
<b>Section 6.4 Post-employment benefits</b>	
<b>Paragraph 6.4.3.45</b>	<p>The disclosure requirements for post-employment benefits in sub paragraph 1) have been replaced with the Update to the 2023/24 and 2024/25 Codes requirements at paragraph CU.4.</p>
<b>Paragraph 6.4.3.45</b>	<p>Sub paragraphs 3) and 11) to 12) do not apply.</p>

