

Code of practice on local authority accounting

in the United Kingdom 2022/23

Update affecting only authorities voluntarily implementing IFRS 16
Leases

Deferral of PFI/PPP requirements under IFRS 16

April 2023

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Foreword

The 2022/23 Code of Practice is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2022. This is with the exception of IFRS 16 *Leases*, where mandatory implementation has been deferred to the 2024/25 Code.

The key accounting change in this Update to the Code is in relation to the treatment of service concession liability by authorities which choose to voluntarily adopt IFRS 16 *Leases* in 2022/23. While section 4.3 of the Code and Appendix F require that the liability is valued by reference to IFRS 16, this update provides an option for these local authorities to defer implementation of this change until 2023/24.

Under the oversight of the Financial Reporting Advisory Board, the CIPFA/LASAAC Code Board is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances.

In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003. In Scotland, the Code constitutes proper accounting practice under Section 12 of the Local Government in Scotland Act 2003. In Northern Ireland, the status and authority of the Code derives from Regulation 2 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 and through the relevant accounts direction issued by the Department for Communities (Northern Ireland).

AMENDMENTS TO CHAPTER 4 OF THE CODE

Amendment to paragraph 4.3.1.1

43.11 The Code has not yet adopted IFRS 16 *Leases* and the requirements of this section are framed in terms of IAS 17 *Leases*. However, in contrast to previous years the Code allows individual local authorities to choose to adopt IFRS 16 on a voluntary basis. Where they exercise this option, they must apply amended requirements for subsequent measurement of the service concession arrangement liability as set out in Appendix F. [Local authorities voluntarily implementing IFRS 16 in 2022/23 may, however, choose to defer implementation of the change to service concession liability reporting \(under IFRS 16\) until 2023/24.](#)

Amendment to paragraph 4.3.6.1 of the Code

43.61 There have been no changes to the Service Concession Arrangements: Local Authority as Grantor section of the Code since the 2021/22 Code which continues to reflect the principles of IAS 17 *Leases*. However, where local authorities choose to adopt IFRS 16 *Leases* on a voluntary basis they are required to follow the amended approach to subsequent measurement of the service concession arrangement liability set out in Appendix F. [Local authorities voluntarily implementing IFRS 16 in 2022/23 may, however, choose to defer implementation of the change to service concession liability reporting \(under IFRS 16\) until 2023/24.](#)

AMENDMENTS TO APPENDIX C – disclosures around application of new standards

C.2 DISCLOSURES REQUIRED IN THE 2021/22 AND 2022/23 FINANCIAL STATEMENTS

2021/22

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C23 An authority that chooses to adopt IFRS 16 *Leases* in 2022/23 shall disclose information relating to the impact of that accounting change in its 2021/22 statements of accounts. Only in these circumstances shall an authority be required to provide known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the authority's financial statements including the group statements in the period of initial application. [If the authority is choosing to defer implementation of IFRS 16 changes to service concession liabilities until 2023/24, information on these shall not be provided.](#)

C24 In complying with paragraph C2.3, an authority considers disclosing:

- a) the title of the new standard ('IFRS 16 *Leases*'), indicating that it will be adopted by the authority on a voluntary basis
- b) the nature of the impending change or changes in accounting policy; [if IFRS 16 is not being applied to service concession liabilities in 2022/23, this should be explained](#)
- c) the date as at which the authority will adopt the IFRS initially (ie 1 April 2022), and
- d) either:
 - i) a discussion of the impact that initial application of IFRS 16 is expected to have on the authority's financial statements, or
 - ii) if that impact is not known or reasonably estimable, a statement to that effect.

2022/23

C26 An authority that chooses to adopt IFRS 16 *Leases* in 2022/23 shall apply the detailed requirements of the standard having regard to the transitional arrangements specified in Appendix F, Section 4.2.1.5. [If the authority is choosing to defer implementation of changes to service concession liabilities under IFRS 16 until 2023/24, transitional reporting in relation to the service concession arrangement reporting will also be deferred until 2023/24.](#)

AMENDMENTS TO APPENDIX F – explaining the option to defer application to PFI PPP

Amendment to paragraph 4.3.2.45

4.3.2.45 Editions of the Code for periods prior to 2022/23 included a different approach to remeasurement of the service concession arrangement liability based on IAS 17 *Leases* rather than IFRS 16 *Leases*. Where Transport for London has utilised the option allowed for early adoption of IFRS 16 in 2019/20 and subsequent periods Transport for London will apply Section 4.3 for annual reporting periods beginning on or after 1 April 2022, using a transition date of 1 April 2022. [However, local authorities may choose to defer implementation of the change to service concession liability reporting under IFRS 16 until 2023/24. If this option is taken, the requirements in Section 4.3 of Chapter 4 of the Code shall be followed, rather than the amendments to Section 4.3 set out in Appendix F.](#)