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1.2 LEGISLATIVE PROVISIONS FOR PROPER ACCOUNTING PRACTICES

1.2.7 The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on EU-adopted IFRS[2]. On the few occasions where the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) considers it appropriate to adapt or interpret IFRSs, the accounting treatment is based on the approach in the memorandum of understanding between the relevant authorities.

Footnote

[2] In the event of the UK withdrawing from the remit of the EU-endorsement framework, the Code will apply standards adopted for UK application under the terms of The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685).

2.1 CONCEPTS

2.1.2.5 Furthermore, preparers should be aware that some standards[6] referred to in the Code were initially developed using earlier frameworks and are not fully consistent with the 2018 Conceptual Framework included in this section of the Code. When preparers refer to an underlying~~these~~ standard~~s~~ to determine the treatment of a transaction, circumstance or event covered by the Conceptual Frameworks, they should refer to any relevant amendments[7] to determine ~~not construe references to~~ the appropriate application of the *Framework for the Preparation and Presentation of Financial Statements* (2001), the ~~and~~ *Conceptual Framework for Financial Reporting 2010* or the~~as referring to the~~ 2018 Conceptual Framework[8].

Footnote

~~[6] These include the following standards which are relevant to local authority financial reporting: IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IAS 38 *Intangible Assets*, IFRIC 12 *Service Concession Arrangements* and SIC-32 *Intangible Assets—Web Site Costs*.~~

[7] The IASB has issued a clarifying standard *Amendments to References to the Conceptual Framework in IFRS Standards* which is designed to remove any ambiguity.

~~[8] The IASB has issued a clarifying standard *Amendments to References to the Conceptual Framework in IFRS Standards* which is designed to remove any ambiguity. However, this standard has not yet been EU adopted and so these amendments have not taken effect for the purposes of the Code.~~

Recognition of revenue

Fees and charges for services under statutory requirements (exchange transactions)

2.1.2.51 Local authorities are required or permitted to charge for services or goods under numerous statutory provisions. These include charges for planning application fees, application fees for taxi licensing or alcohol and entertainment licensing, various inspection fees, housing rental income for the Housing Revenue Account etc. There is an implied contract for these transactions and therefore income is recognised in accordance with Section 2.7 of the Code.

6.4 POST-EMPLOYMENT BENEFITS

6.4.3.4 Actuarial assumptions shall be unbiased and mutually compatible. They are unbiased if they are neither imprudent nor excessively conservative. Financial assumptions shall normally be based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled.

6.4.3.4B Where, however, a plan amendment, curtailment or settlement occurs during the reporting period the amended assumptions, as used for the remeasurement of the net defined benefit liability (asset), will be applied in relation to the benefits for the remainder of the reporting period only where the treatment is material for the users of the accounts. The quantitative materiality of a plan amendment, curtailment or settlement during the reporting period should be initially assessed on a proxy basis by considering:

- The proportion of active scheme members currently employed by the authority affected by the change

and

- The extent to which the actuarial assumptions required are different from those which would apply if the assumptions were not amended

6.4.3.7 The rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds, unless paragraph 6.4.3.4B applies.~~,~~ The currency and term of the corporate bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

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6.4.3.13 ~~Before~~ When determining past service cost, or a gain or loss on settlement, an authority shall remeasure the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices) reflecting:

~~T~~a) the benefits offered under the plan before the plan amendment, curtailment or settlement

b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

6.4.3.14 A settlement occurs together with a plan amendment and curtailment if a plan is terminated with the result that the obligation is settled and the plan ceases to exist. However, the termination of a plan is not a settlement if the plan is replaced by a new plan that offers benefits that are, in substance, the same.

6.4.3.14B In measuring past service cost, or a gain or loss on settlement, as a result of a plan amendment, curtailment or settlement an authority shall not consider the effect of the asset ceiling. An authority shall determine the effect of the asset ceiling after the plan amendment, curtailment or settlement.

Net interest on the net defined benefit liability (asset)

6.4.3.29 Net interest on the net defined benefit liability (asset) shall be determined by multiplying the net defined benefit liability (asset) by the discount rate specified in paragraph 6.4.3.7, both as determined at the start of the annual reporting period~~, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.~~. If, however, an authority has remeasured the net defined benefit liability (asset) as required by paragraph 6.4.3.13 it shall, in relation to the remainder of the reporting period:

a) use the net defined benefit liability (asset) determined in applying paragraph 6.4.3.13

b) use the discount rate used to remeasure the net defined liability (asset) in applying paragraph 6.4.3.13.

The authority shall also take account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

6.4.3.31 Interest income on plan assets is a component of the return on plan assets, and is determined by multiplying the fair value of the plan assets by the discount rate specified in paragraph 6.4.3.7, both as determined at the start of the annual reporting period. . An authority shall determine the fair value of the plan assets at the start of the annual reporting period. However, if an authority remeasures the net defined benefit liability (asset) in accordance with paragraph 6.4.3.14, the authority shall determine interest income for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the plan assets used to remeasure the net defined benefit liability (asset) in accordance with paragraph 6.4.3.13 b). In applying this paragraph the authority shall also take into account any changes in the plan assets held during the period resulting from contributions or benefit payments.~~, taking account of any changes in the plan assets held during the period as a result of contributions and benefit payments.~~ The difference between the interest income on plan assets and the return on plan assets is included in the remeasurement of the net defined benefit liability (asset).

6.5 ACCOUNTING AND REPORTING BY PENSION FUNDS

Defined benefit pension funds (excluding police and fire and rescue services pension funds)

6.5.3.6 The presentation and disclosure requirements for defined benefit pension funds (excluding police and fire and rescue services pension funds) are shown below.

Investment assets

- equities (including convertible shares)
- bonds
- pooled investment vehicles (analysed between equities, bonds, property, hedge funds, diversified growth funds, private equity funds, infrastructure funds and other)~~unit trusts, unitised insurance policies and other managed funds (including open-ended investment trusts, open-ended investment companies, and assets held in limited liability partnerships), showing separately those funds invested in property)~~
- derivative contracts (including futures, options, forward foreign exchange contracts and swaps)
- property
- insurance policies (unit linked policies, annuities and with-profits policies~~contracts, unitised with-profits contracts and annuity and deferred annuity contracts~~)

6.5.5.1 The financial statements of a defined benefit retirement benefit fund (excluding police and fire and rescue services pension funds) shall contain the following information, if applicable and if not disclosed on the face of the financial statements:

- i) ~~An analysis of investment assets between 'UK' and 'overseas' and between 'quoted' and 'unquoted'~~.

APPENDIX C

Changes in accounting policies: disclosures in the 2019/2020 and 2020/21 financial statements

C.2 DISCLOSURES REQUIRED IN THE 2019~~8~~/20~~19~~ AND 2020~~19~~/21~~0~~ FINANCIAL STATEMENTS

2019~~8~~/20~~19~~

C.2.1 An authority shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. An authority shall 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. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (ie on or before 1 January 2020~~19~~ for 20~~19~~/21~~0~~). For this disclosure the standards introduced by the 2020~~18~~/21~~19~~ Code include:

- a) IFRS 16 *Leases*
- b) Amendments to IAS 28 *Investments in Associates and Joint Ventures*: Long-term Interests in Associates and Joint Ventures
- c) *Annual Improvements to IFRS Standards 2015-2017 Cycle*
- d) Amendments to IAS 19 *Employee Benefits:* Plan Amendment, Curtailment or Settlement.
- e) Amendments to IFRS 3 Business Combinations: Definition of a Business
- f) Amendments to References to the Conceptual Framework in IFRS Standards
- ~~amendments to IAS 40 *Investment Property: Transfers of Investment Property*~~
- ~~b) *Annual Improvements to IFRS Standards 2014-2016 Cycle*~~
- ~~c) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*~~
- ~~d) IFRIC 23 *Uncertainty over Income Tax Treatments*~~
- ~~e) amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation.*~~

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2020~~19~~/21~~0~~

C2.3 The requirements of IFRS 16 *Leases* (C2.1a above) as adopted by the Code shall be applied prospectively in accordance with Section 4.2 of the Code and other relevant sections.

C2.3B The following amendments to the Code shall be made prospectively, unless otherwise required by ~~may be made retrospectively by prior period restatement, only in specified cases if that is possible without the benefit of hindsight, or through the adjustment of opening balances as at 1 April 2019, in accordance with~~ the requirements of the relevant amendments to standards:

- C.2.1c~~a~~) – Annual Improvements to IFRS Standards 2015-2017 Cycle affecting:
    - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Previously Held Interest in a Joint Operation
    - IAS 23 Borrowing Costs – Borrowing Costs Eligible for Capitalisation
    - ~~amendments to IAS 40 *Investment Property: Transfers of Investment Property*~~
- C.2.1d~~e~~) ~~–~~Amendments to IAS 19 *Employee Benefits*: Plan Amendment, Curtailment or Settlement.
- C.2.1 e) Amendments to IFRS 3 Business Combinations: Definition of a Business
- C.2.1 f) Amendments to References to the Conceptual Framework in IFRS Standards
- ~~IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (note that the amendments also allow for prospective application)~~
- ~~C.2.1d) – IFRIC 23 *Uncertainty over Income Tax Treatments*, and~~
- ~~C.2.1 e) – amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation.*~~

C2.4 The adoption of amendments to the following items noted in C.2.1 above is made retrospectively in accordance with Section 3.3 of the Code, unless the transition provisions of the amendments permits otherwise:

- C.2.1 b) Amendments to IAS 28 *Investments in Associates and Joint Ventures*: Long-term Interests in Associates and Joint Ventures
- C2.1 c) A~~A~~nnual Improvements to IFRS Standards 2015~~4~~-2017~~6~~ Cycle affecting IAS 12 Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- ~~above is made retrospectively in accordance with Section 3.3 of the Code.~~

~~C2.5 The following amendments to IFRS Standards were not provided with EU endorsement by 1 January 2019 and are therefore not implemented in the 2019/20 Code:~~

- ~~a) amendments to IAS 28 *Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*~~
- ~~b) *Annual Improvements to IFRS Standards 2015-17 Cycle.*~~
- ~~c) amendments to IAS 19 *Employee Benefits: Plan Amendment, Curtailment or Settlement.*~~

APPENDIX D

New or amended standards introduced to the 2020/21 Code

D.1.1 IFRS 16 *Leases*

~~Amendments to IAS 40 *Investment Property: Transfers of Investment Property* (issued December 2016).~~

D.1.2 Amendments to IAS 28 *Investments in Associates and Joint Ventures*: Long-term Interests in Associates and Joint Ventures

~~*Annual Improvements to IFRS Standards 2014–2016 Cycle* (December 2016). The amendments that may apply to local authorities include:~~

- ~~IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard*~~
- ~~IAS 28 *Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value.*~~

D.1.3 *Annual Improvements to IFRS Standards 2015-2017 Cycle*~~IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued December 2016)~~. The amendments affect:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - Previously Held Interest in a Joint Operation
- IAS 12 Income Taxes – *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- IAS 23 *Borrowing Costs* – Borrowing Costs Eligible for Capitalisation

D.1.4 Amendments to IAS 19 *Employee Benefits*: Plan Amendment, Curtailment or Settlement.

D.1.5 Amendments to IFRS 3 *Business Combinations*: Definition of a Business

D.1.6 Amendments to References to the Conceptual Framework in IFRS Standards

~~IFRIC 23 *Uncertainty over Income Tax Treatments* (issued June 2017).~~

~~D.1.5 Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation* (issued October 2017).~~