

report

Paper CL 12A 03_20

Board	CIPFA/LASAAC
Venue	CIPFA, Sowerby Room, 77 Mansell St, London E1 8AN
Date	6 March 2020
Author	CIPFA Secretariat
Subject	Code Development - 21/22 and Later

Purpose

To approve the issues that need to be considered for inclusion in the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom, and those affecting later years

1 Legislative Developments

England / Scotland / Wales / Northern Ireland - EU Withdrawal Legislation

- 1.1 Legislation relating to the UK adoption of accounting standards after EU Withdrawal is currently specified in [The International Accounting Standards and European Public Limited-Liability Company \(Amendment etc.\) \(EU Exit\) Regulations 2019 SI 2019/685](#)). Part 2 is a key focus.
- 1.2 An [FRC information page](#) provides a helpful summary of the position. It indicates, for those entities currently required to apply EU adopted standards, "During the Transition Period (11pm on 31 January 2020 to 11pm on 31 December 2020) entities will continue to apply EU-adopted IAS." It notes that for these entities UK adopted standards will apply for financial reporting periods starting after 31 December 2020 or later.

England - Legislative Developments

- 1.3 Regulations relating to Dedicated Schools Grant have been amended. [The School and Early Years Finance \(England\) Regulations 2020](#) have now been issued. Specific amendments include [Schedule 2 part 8](#) (expenditure not funded from the current year budget) and [regulations 8\(7\) and 8\(8\)](#) (how such expenditure must be treated).
- 1.4 Also relevant is reference to the [DfE response to the consultation feedback](#) and Section 8.1 of the [2019/20 DSG conditions of grant](#) which summarises the new requirements.
- 1.5 The new requirements are currently considered to require, in annual accounts, the mandatory earmarking of DSG deficits within the General Fund, especially after the effective date of 1 April 2020. The regulations may therefore result in a negative (deficit) General Fund balance being identified on the balance sheet.

- 1.6 The intention is considered to be that this mandatory negative earmarked balance should not adversely affect council tax setting (see [section 32 of the Local Government Finance Act 1992](#)) or [section 114 \(3\) requirements](#) (ie DSG deficits should not normally be considered when council tax is set or a CFO is assessing whether expenditure exceeds resources).
- 1.7 CIPFA/LASAAC consideration is anticipated to relate to the presentation of reserves. CIPFA's Local Authority Accounting Panel is co-ordinating stakeholder consideration of the implications for 2019/20 financial statements. Those discussions may inform CIPFA/LASAAC consideration for the 21/22 Code ITC.

Wales - Legislative Developments.

- 1.8 The [Local Authorities \(Capital Finance and Accounting\) \(Wales\) \(Amendment\) Regulations WSI 2020/110 W19](#) has been issued. It relates to the treatment of some pooled investment funds carried at fair value through profit or loss (FVPL). It generally aligns with the existing English Statutory requirements requiring such gains/losses to be charged to a separate and specific account. The regulation ceases to be effective at 31/03/23. [Note: Secretariat intends seeking to implement the issue of the instrument in the published 20/21 Code]

Scotland – Legislative Developments

- 1.8 No specific legislative changes identified.

Northern Ireland – Legislative Developments

- 1.9 No specific legislative changes identified, however the impact of resumption of devolved government may potentially be relevant.

Recommendations:

- **That CIPFA/LASAAC considers the implication of the revised DSG regulations in developing the 21/22 ITC**
- **That CIPFA/LASAAC is requested to notify the secretariat of legislative developments that will affect the 21/22 Code**

Items Arising from the 20/21 ITC Process (see Appendix 1)

- 2.1 As a consequence of responses to the 20/21 ITC process a number of items were noted as potentially arising for consideration in the 21/22 ITC. A table summary is provided in Appendix 1.
- 2.2 The following are key items for CIPFA/LASAAC consideration on whether inclusion in the 21/22 Code ITC is appropriate:

Item Identified	Proposed Approach
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Item Identified	Proposed Approach
HRA financial instruments presentation (especially impairments).	Develop potential consultation proposals for the 21/22 ITC. <i>Note: CIPFA/LASAAC may potentially wish to link to a wider review of HRA financial reporting within the current legislative requirements and considering stakeholder feedback.</i>
Cash & cash equivalents presentation of overdrafts on balance sheet	Develop potential consultation questions for the 21/22 ITC.
Review legislation re authority lump sum contributions to LGPS (may differ between administrations).	Develop potential consultation questions for the 21/22 ITC.

Recommendations:

- **That CIPFA/LASAAC approves, or amends, the proposed actions for matters arising from the 21/22 ITC process.**

3 Policy and Other Developments

3.1 The Code 20/21 consultation process is anticipated to include relevant strategic plan items, or requests for information, relating to the achievement of the Board's vision statement.

Policy Developments

3.2 The NAO is due to issue a new [Code of Audit Practice](#) for English local government audits.

3.3 Audit Scotland has issued a consultation on a new [Code of Audit Practice](#) for Scotland. The consultation closes on 27 March 2020.

3.4 Forthcoming legislation will establish Corporate Joint Committees (CJCs) in Wales to support regional working and collaboration. The CJCs created will be legal entities in their own right; they will be joint committees comprising Leaders of the constituent authorities. They will be able to receive money directly, raise revenue themselves through charging, employ staff, borrow capital funds, trade, own assets, enter into contracts and hold financial reserves.

3.5 Policy proposals to inform regulations regarding the funding and finance elements are to be developed. It is expected that CJCs will follow the requirements, including Code application, for existing Welsh local authorities. The target date for operational CJCs is April 2021.

- 3.6 The secretariat plan to liaise with governments and other stakeholders to ensure that relevant policy items are included in the ITC.

Recommendations:

- That CIPFA/LASAAC approves, or amends, the proposal to identify policy matters for inclusion in the Code 21/22 consultation

4 Financial Reporting Developments

New and amended IFRS effective during 2020-21 (see Appendix 2)

- 4.1 [Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform](#) was issued with an IFRS effective date of 1/1/20. It was [EU endorsed](#) on 15/1/20. It relates to hedging accounting requirements. It is not considered to require Code text change since the Code cross references to IFRS 9 for hedging treatment.
- 4.2 Proposed action: Note in 21/22 ITC that the amendment has been issued but that no Code text changes are envisaged.

New IFRS not yet effective, or not yet EU or UK adopted (see Appendix 3)

- 4.3 The following summarises the relevant standards and amendments which have not yet been EU or UK adopted; and the proposed approach for each item. Appendix 3 provides more details.

Standard / Amendment	Proposed approach
IFRS 17 Insurance Contracts	Develop early draft proposals for consultation as part of 21/22 ITC.
IFRS 3 amendments to clarify the definition of a business	Previously consulted on for 20/21 Code. Note in Code 21/22 ITC that subject to EU or UK adoption, implementation for 21/22 anticipated.
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Defer to 22/23 ITC.
IFRS 14 Regulatory Deferral Accounts	No action planned

IFRS standards and amendments under development / other projects (see Appendix 4)

- 4.4 The following summarises the relevant standards, amendments and other IFRS projects and the proposed approach for each item. Appendix 4 provides more details.

Project	Proposed approach
Amendments to IFRS 17 Insurance Contracts	Consider in drafting Code 21/22 ITC.
Accounting Policies and Accounting	Review when issued.

Project	Proposed approach
Estimates (Amendments to IAS 8)	
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	Review when issued
Availability of a Refund (Amendments to IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)	Review when issued.
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	Review when issued.
Management Commentary Practice Statement	Consider as part of narrative reporting plans for 21/22 ITC
Disclosure Initiative—Targeted Standards-level Review of Disclosures	Consider as part of 21/22 ITC development regarding disclosures
Primary Financial Statements	Consider as part of narrative reporting review in 21/22 Code ITC (eg key summary information)
Pension Benefits that Depend on Asset Returns	Note and review when / if more substantive amendments emerge.
Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9) <i>[Annual Improvements to IFRS Standards 2018-2020 ED.]</i>	Review when issued.
Lease Incentives (Amendment to Illustrative Example 13 accompanying IFRS 16) <i>[Annual Improvements to IFRS Standards 2018-2020 ED.]</i>	Review when issued.
Rate regulated activities	Review when issued.
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	Review when issued.
Disclosure Initiative—Accounting Policies	Note and review when / if more substantive amendments emerge.
Goodwill and impairment	Note and review when / if more substantive amendments emerge.
Business Combinations under Common Control	Note and review when / if more substantive amendments emerge.
Financial Instruments with Characteristics of Equity	Note and review when / if more substantive amendments emerge.
IFRS 10,11, 12 post implementation review	Note and review when / if more substantive amendments emerge.

IPSAS Standards Issued (see Appendix 5)

4.5 The following summarises the relevant IPSAS standards not yet reflected in the Code; and the proposed approach for each item. Appendix 5 provides more details.

Pronouncement	Proposed approach
IPSAS 41, Financial Instruments	Review IPSAS 41 potential impact on Code. Where not significant defer consultation to 22/23 ITC. Where significant consider early questions in 21/22 ITC.
IPSAS 42, Social Benefits	Minor revision to drafting on social benefits for 21/22 ITC.
Amendments To IPSAS 36, Investments In Associates And Joint Ventures, And IPSAS 41, Financial Instruments	No action
IPSASB Handbook 2019	No specific action

IPSAS Work Plan Items (see Appendix 6)

4.6 The following summarises IPSAS work plan items and proposed actions. Appendix 6 provides more details.

Item	Proposed approach
Revenue <ul style="list-style-type: none"> • Exposure Draft 70, Revenue With Performance Obligations [Closes 15 Sept 2020] • Exposure Draft 71, Revenue without Performance Obligations [Closes 15 Sept 2020] 	No action for 21/22 ITC Review and consider for 22/23 Code
Leases	Review when issued.
Public Sector Specific Financial Instruments	Note and review when / if more substantive amendments emerge.
Non-Exchange Expenses <ul style="list-style-type: none"> • Exposure Draft 72, Transfer Expenses [Closes 15 Sept 2020] 	No action for 21/22 ITC Review and consider for 22/23 Code
Heritage	Note and review when / if more substantive amendments emerge.
Measurement	Note and review when / if more substantive amendments emerge.
Infrastructure Assets	Note and review when / if more substantive amendments emerge.

FRC Items

4.7 The following notes selected FRC items. No Code actions are currently proposed

Item	Timing / Status
Ethical and Auditing Standards	Position paper on development of standards
Consultation on revised auditing standard for identifying and assessing risks of material misstatement	Closes 3/4/20
Going Concern audit standard revised	Effective 15/12/19
FRED 73: Draft amendments to FRS 101 Reduced Disclosure Framework 2019/20 cycle	Closes 16/3/20
FRC moves to strengthen auditor independence and ban conflicts of interest	Ethical standards are mainly effective 15/3/20

Recommendations:

- That CIPFA/LASAAC approves, or amends, the proposed secretariat approach to reflecting financial reporting developments in the 21/22 Code ITC.

5 Consultation Process Improvements

- 5.1 CIPFA/LASAAC's strategic direction includes improvement in stakeholder engagement.
- 5.2 Improvement in the existing consultation process would be consistent with and support this direction. Potential actions for consideration include the following:

Issue	Potential Action
Increase stakeholder awareness of ITC	<ul style="list-style-type: none"> • More direct contact with stakeholder groups • Provision of powerpoint or pdf highlighting key issues (for website and for provision to key stakeholder groups eg treasurer societies, encouraging invitations for C/L representation to attend meetings)

Ease of making consultation responses	<ul style="list-style-type: none"> • Move to an on-line consultation process, to make completion of comments easier and potentially more focused • Concise summary for each question topic, with supporting details provided but de-emphasised. • Consider providing a discussion section on the consultation webpage for stakeholders to exchange comments during the consultation: Note this may have implications regarding <ul style="list-style-type: none"> ○ Anonymity of comments / privacy/ GDPR ○ Expectation of immediate responses from CIPFA/LASAAC ○ Discouraging actual submissions (eg if comments are made online, some parties may mistakenly consider they have submitted a response) ○ Potential online disagreements and/or negative behaviours requiring moderation ○ <i>[Note: It may be preferable for this to be a non CIPFA/LASAAC facility. Eg CIPFA may consider operating a separate on-line facility for this eg via TISonline or Finance Advisory Network].</i>
Ease of understanding of implications of proposals	<ul style="list-style-type: none"> • Identify relevant examples and reference materials where possible (eg private sector examples) • Encourage use of cipfalasaac@cipfa.org e-mail address during the consultation period to allow respondents to raise areas where clarification is required. • Seek CIPFA Local Authority Accounting Panel (LAAP) consideration and review of proposals (either before or after ITC issue) at a specific LAAP meeting.
Understanding the financial management implications (eg General Fund impact, impact on HRA rents)	<ul style="list-style-type: none"> • Specific questions regarding financial management implications eg fund balance changes • LAAP meeting discussions
Understanding legislative interactions arising from proposals	<ul style="list-style-type: none"> • Specific liaison with governments • Standard question regarding respondent awareness of legislative implications arising from the proposal • LAAP meeting discussions
Understanding the practical impact of implementation	<ul style="list-style-type: none"> • Specific questions regarding the practical implications (eg workload, ambiguities in treatment, public sector specific arrangements etc) • Query what impact on financial management and political decisions may be

Understanding accounts user needs	<ul style="list-style-type: none"> • Specific engagement with users' stakeholder group(s) • Identify what decisions / actions / behaviours would be changed as a result • Gathering evidence for FRAB discussion
Gathering a suitable evidence base for discussions with FRAB	<ul style="list-style-type: none"> • Assess the relevance of consultation questions (in advance of ITC issue) in informing discussions with FRAB • Consider the scope that exists to advance the consultation process (probably 22/23 ITC) to seek to finalise Code by 31 December in alignment with FReM.

Recommendations:

- That CIPFA/LASAAC approves, or amends, the proposal that the secretariat seek improvements in the consultation process.

6 Forward Work Plan

6.1 The following table indicates the anticipated forward work plan of key projects.

<i>Item</i>	<i>Target Code Year</i>
Capital Accounting	Code 22/23
Group Accounts	Code 22/23
Charities Consolidation	Code 22/23
Housing SORP and FRS 102 implementation of IFRS 16	Code 23/24
IFRS 13 Fair Value Measurement (Review)	Code 23/24
IFRS 9 Financial Instruments (Review)	Code 23/24
IFRS 15 Revenue From Contracts with Customers (Review)	Code 23/24
IPSAS 23 update - revenue – non exchange transactions (IPSAS 23 update)	Code 23/24
IPSASB – Revenue non exchange expenses (IPSASB project)	Code 24/25
IPSASB Heritage Asset (IPSASB Project)	Code 25/26

Recommendations:

- That CIPFA/LASAAC approves, or amends, the proposals for the forward work plan.

Items arising from the 20/21 Code ITC

Item Identified	Proposed Approach
Materiality: specific review	See separate paper
FReM disclosures checklist: develop framework for CIPFA/LASAAC implementation	See separate paper
Further disclosures review (especially capital, pensions, financial instruments, group); taking WGA requirements into consideration	See separate paper
<p>HRA financial instruments presentation (especially. impairments).</p> <p><i>The lack of clarity, and potential difference in presentation, between financial instrument impairments in the main CIES and rent impairments in the HRA statement was noted in the 20/21 ITC.</i></p> <p><i>Feedback received was mixed with divergent views expressed. Legislative requirements were cited by some as requiring the difference in presentation.</i></p>	<p>Develop potential consultation proposals for the 21/22 ITC.</p> <p><i>Note: CIPFA/LASAAC may potentially wish to link to a wider review of HRA financial reporting within the current legislative requirements and considering stakeholder feedback.</i></p>
<p>Cash & cash equivalents presentation of overdrafts on balance sheet</p> <p><i>Respondents indicated that local government differed from private sector practices. The cash & cash equivalents figure used for balance sheet purposes in the private sector was suggested to exclude bank overdrafts, which are shown as a liability. A reconciliation to the cash & cash equivalents figure provided in the Cash Flow Statement (which is different) is therefore normally provided in the private sector.</i></p>	<p>Develop potential consultation questions for the 21/22 ITC.</p>
Dedicated schools grant presentation	See legislation section of main paper. May include in 21/22 ITC.
Seek improvement in ITC/ Code consultation process re engagement, ease of response & indication of impact.	See section in main paper
<p>Review legislation re authority lump sum contributions to LGPS (may differ between administrations)</p> <p><i>A respondent noted that the treatment of pension lump sum payments made to the pension fund to reduce future liabilities had been subject to different interpretations by different auditors.</i></p>	<p>Develop potential consultation questions for the 21/22 ITC.</p>

**New and amended IFRS effective during 2020-21
(not considered to require specific UK adoption since EU endorsement applied
prior to EU Exit Day)**

Pronouncement	Comments on relevance	Proposed approach
Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform	<p>This has not been consulted on for Code implementation.</p> <p>It makes amendments to hedge accounting arrangements where reference is made to an interbank reference rate (IBOR), due to regulatory changes affecting IBOR arrangements.</p> <p>The Code does not detail hedge accounting requirements but cross references to IFRS 9. Code section 7.1.8 states "If an authority adopts hedge accounting, it shall do so in accordance with IFRS 9."</p> <p>Effective date 1/1/20.</p> <p>It was not EU endorsed by 31/12/19.</p> <p>EU Endorsed 15/1/20; EU effective 1/1/20</p>	<p>Note in Code 21/22 ITC that no changes to the Code text are envisaged to be necessary.</p> <p>Note that compliance expected where applicable.</p>

New IFRS not yet effective, or not yet EU or UK adopted

Standard / amendment	Comments on relevance	Proposed approach
IFRS 17 Insurance Contracts	<p>Not EU adopted, and not anticipated to be adopted unless amended. IASB are progressing amendments (see later) which may secure adoption.</p> <p>Co-operation and collaboration with a HM Treasury working group is continuing.</p> <p>IFRS effective date currently 1/1/21, but amendments may defer to 1/1/22.</p> <p>Implementation subject to UK adoption.</p>	Develop early draft proposals for consultation as part of 21/22 ITC.
IFRS 3 amendments to clarify the definition of a business	<p>The amendment was consulted on in the 20/21 Code ITC. No significant comment or feedback arose regarding implementation proposals.</p> <p>IFRS effective date 1/1/20.</p> <p>It was not EU endorsed by 31/12/19.</p> <p>Implementation subject to UK adoption.</p>	Note in Code 21/22 ITC that subject to EU or UK adoption, implementation for 21/22 anticipated.
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	<p>Will be relevant to classification of some liabilities.</p> <p>Amends phrasing in IAS 1 from 'unconditional right' to defer settlement to 'right at the end of the reporting period' to defer settlement. Introduces new / revise text to support application.</p> <p>Presentation only; but may affect perception or assessment (eg credit rating assessment) of an entity's financial liquidity / stability.</p> <p>Effective date is periods starting on or after 1/1/22.</p> <p>Implementation subject to UK adoption.</p>	Defer to 22/23 ITC.

Standard / amendment	Comments on relevance	Proposed approach
<u>IFRS 14 Regulatory Deferral Accounts</u>	<p>Not EU adopted and not on the EFRAG agenda until further revision is carried out to produce a substantive IASB standard.</p> <p>Not particularly relevant to public sector because the relevant reporting is with regulated bodies which are outside the public sector.</p> <p>The current standard mainly allows IFRS adopters who have local standards to apply these.</p> <p>The standard is not consistent with the IFRS conceptual framework.</p>	<p>No action planned</p>

IFRS standards and amendments under development / other projects
[All dependent on UK adoption]

Project	Next stage	Comments on relevance	Proposed approach
Amendments to IFRS 17 Insurance Contracts	Consideration of responses to continue (see January meeting for consideration to date).	IFRS 17 Insurance Contracts has been issued but is not effective until 1/1/21. Amendments to the issued standard are proposed. Potentially implementation of IFRS 17 may be deferred to 1/1/22.	Consider in drafting Code 21/22 ITC.
Accounting Policies and Accounting Estimates (Amendments to IAS 8)	IFRS amendment	The original ED proposed some clarifications of the difference & interaction between accounting policies and estimation techniques. Possible IFRS effective 1/1/22	Review when issued.
Onerous Contracts— Cost of Fulfilling a Contract (Amendments to IAS 37)	IFRS amendment Q2 2020	Potentially more relevant for guidance rather than Code text amendment. Clarification that “that when assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs and an allocation of other costs that relate directly to the contract.” Possible IFRS effective 1/1/22	Review when issued
Availability of a Refund (Amendments to IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)	IFRS amendment	Potentially relevant May require text in 2021-22 Code.	Review when issued.
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	IFRS amendment	This looks into accounting for any proceeds from selling items produced while bringing PPE to the operating condition. Potentially relevant but probably not of sufficient relevance to warrant text in the Code.	Review when issued.

Project	Next stage	Comments on relevance	Proposed approach
Management Commentary Practice Statement	ED of practice statement H2 2020	Relevant to review of narrative reporting: "the revised Practice Statement is expected to provide guidance on explaining an entity's business model, strategy and its performance, position and progress, incorporating a discussion of the long-term drivers of the entity's success and of risks, trends and factors in the operating environment that can affect the entity."	Consider as part of narrative reporting plans for 21/22 ITC
Disclosure Initiative—Targeted Standards-level Review of Disclosures	ED in Q3 2020 re amendments to IAS 19 & IFRS 13	Relevant to CIPFA/LASAAC strategic direction See project update paper IAs 19 Employee Benefits and IFRS 13 Fair Value Measurement to be used to test guidance for the Board.	Consider as part of 21/22 ITC development regarding disclosures
Primary Financial Statements	Exposure Draft issued – closes 30/6/20	Relevant to CIPFA/LASAAC strategic direction regarding clarity of key messages "new requirements for presentation and disclosure in financial statements, with a focus on the statement of profit or loss....[.]....in response to concerns from investors about the comparability and transparency of companies' performance reporting."	Consider as part of narrative reporting review in 21/22 Code ITC (eg key summary information)
Pension Benefits that Depend on Asset Returns	IFRS Research work	Highly relevant in relation to the measurement of pension liabilities as a key message. It is noted that in some situations the specified discount rate is lower than the returns being achieved by the pension assets invested. Research is planned to consider whether " it would be feasible to eliminate this	Note and review when / if more substantive amendments emerge.

Project	Next stage	Comments on relevance	Proposed approach
		<p>measurement inconsistency by capping asset returns..... The asset returns used in those estimates would not exceed the discount rate used to determine the present value of those benefits."</p>	
<p>Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)</p> <p><i>[Annual Improvements to IFRS Standards 2018-2020 ED.]</i></p>	<p>Annual improvement amendments issue due Q2 2020</p>	<p>Potentially more relevant for guidance rather than Code text amendment.</p> <p>IFRS implementation and UK adoption by 31/12/20 not certain.</p> <p>"The Board proposes to clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability."</p>	<p>Review when issued.</p>
<p>Lease Incentives (Amendment to Illustrative Example 13 accompanying IFRS 16)</p> <p><i>[Annual Improvements to IFRS Standards 2018-2020 ED.]</i></p>	<p>Annual improvement amendments issue due Q2 2020</p>	<p>Potentially more relevant for guidance rather than Code text amendment.</p> <p>"it is unclear why, in Illustrative Example 13 based on the limited facts provided, the lessee does not consider the reimbursement relating to leasehold improvements to be a lease incentive as defined in IFRS 16."</p>	<p>Review when issued.</p>
<p>Rate regulated activities</p>	<p>ED H2 2020</p>	<p>Potentially relevant to fees and charges under statutory arrangements where charges are set or capped.</p> <p>The Board is "developing an accounting model that will require rate-regulated companies to provide information about their incremental rights to add amounts, and incremental obligations to deduct amounts, in determining the future rates to be charged to customers as a result of</p>	<p>Review when issued.</p>

Project	Next stage	Comments on relevance	Proposed approach
		<p>goods or services already supplied.”</p> <p>(see previous discussion paper)</p>	
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	IFRS amendment Q2 2020	<p>Little impact on Code text envisaged.</p> <p>To update a reference to a previous version of the conceptual framework to the 2018 version.</p>	Review when issued.
Disclosure Initiative—Accounting Policies	ED feedback to be considered	The exposure draft proposed that only material, not significant, accounting policies were required to be disclosed.	Note and review when / if more substantive amendments emerge.
Goodwill and impairment	Discussion paper issue March 2020	To address concerns regarding potential late recognition of impairment of goodwill; the cost and complexity of the impairment test; and to provide clearer information on whether an acquisition is performing as well as was envisaged on acquisition. An agenda paper provides more detail.	Note and review when / if more substantive amendments emerge.
Business Combinations under Common Control	Discussion paper to be issued Q2 2020	Discussion paper planned for issue on when a receiving entity in a business combination under common control reports on that combination by applying a predecessor approach.	Note and review when / if more substantive amendments emerge.
Financial Instruments with Characteristics of Equity	No decision.	“The Board met on 11 December 2019 to discuss potential clarifications to IAS 32 Financial Instruments: Presentation that would help address challenges in practice in classifying financial instruments that will or may be settled in the issuer’s own equity instruments.” A staff paper was considered.	Note and review when / if more substantive amendments emerge.
IFRS 10,11, 12 post implementation review	IFRS Research	Post implementation review of current group accounts standards.	Note and review when / if more substantive amendments

Project	Next stage	Comments on relevance	Proposed approach
			emerge.

IPSAS standards issued

Pronouncement	Effective Date	Comments on relevance	Proposed approach
IPSAS 41, Financial Instruments	01.01.2022	<p>Relevant.</p> <p>Main Code treatment is based on IFRS 9, with which IPSAS 41 is consistent.</p> <p>Treatment for soft loans is informed by IPSAS considerations.</p> <p>20/21 Code did not implement any changes.</p>	<p>Review IPSAS 41 potential impact on Code. Where not significant defer consultation to 22/23 ITC. Where significant consider early questions in 21/22 ITC.</p>
IPSAS 42, Social Benefits	01.01.2022	<p>Relevant</p> <p>IPSAS 42 is not mandatory, and in any case, reinforces the acceptability of the 'due and payable' approach used in the UK.</p> <p>Other than signposting the new IPSAS, no changes are necessary to accommodate the new standard.</p> <p>However, when reviewing this, the drafting relating to social benefits was not fully clear. The current text implies that the Code has no accounting policies for accruing social benefits, when it would be more accurate to explain that the accounting policy is extremely simple.</p>	<p>Minor revision to drafting on social benefits for 21/22 ITC.</p>
Amendments To IPSAS 36, Investments In Associates And Joint Ventures, And IPSAS 41, Financial Instruments	01.01.2022	<p>Generally implements amendments to IFRS standards already implemented in the Code</p>	<p>No action</p>
IPSASB Handbook 2019	Issued Feb 2020	<p>2019 IPSAS , see also Improvements to IPSAS 2019</p>	

IPSAS work plan items

IPSASB Work Plan (see also IPSAS Standards Pronouncements)			
Item	Stage	Comments on relevance	Proposed approach
Revenue <ul style="list-style-type: none"> • Exposure Draft 70, Revenue With Performance Obligations • Exposure Draft 71, Revenue without Performance Obligations 	Exposure Drafts open until 15 September 2020	“To develop new standards-level requirements and guidance on revenue to amend or supersede guidance that is currently located in IPSAS 9, Revenue from Exchange Transactions; IPSAS 11, Construction Contracts; and IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)”	No action for 21/22 ITC Review and consider for 22/23 Code
Leases	Exposure Draft Feedback	Generally the Code has implemented IFRS 16. Public sector specific specifications may inform application guidance. “a new IPSAS on Leases which will be converged with IFRS 16, Leases, to the extent appropriate.” Exposure draft closed.	Review when issued.
Public Sector Specific Financial Instruments	Exposure Draft - Out For Comment / Feedback review	Exposure Draft closed.	Note and review when / if more substantive amendments emerge.
Non-Exchange Expenses <ul style="list-style-type: none"> • Exposure Draft 72, Transfer Expenses 	Exposure Draft open until 15 September 2020	“To develop a standard(s) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.”	No action for 21/22 ITC Review and consider for 22/23 Code
Heritage	Exposure Draft Development	May be relevant for Code. Code currently refers to FRS 102 Section 41 for tangible heritage assets. A consultation paper was issued.	Note and review when / if more substantive amendments emerge.
Measurement	Consultation	Relevant re materiality of	Note and review

	responses received by IPSAB	<p>measurement and communication of key messages.</p> <p>Consultation was issued. Objectives include to “(a) issue amended IPSASs with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (b) provide more detailed guidance on the implementation of replacement cost and cost of fulfillment and the circumstances under which these measurement bases will be used; and (c) address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs.”</p> <p>Consultation closed</p>	when / if more substantive amendments emerge.
Infrastructure Assets	Exposure Draft Development	To identify and address issues in applying IPSAS 17 (PPE).	Note and review when / if more substantive amendments emerge.