

Statement from the CIPFA/LASAAC Local Authority Accounting Code Board

Implementation of IFRS 16 Leases to be deferred until 1 April 2020

The CIPFA/LASAAC local authority accounting Code Board (CIPFA/LASAAC) has considered the effective date of implementation of IFRS 16 *Leases* in local authority financial statements. CIPFA/LASAAC has been encouraged by the progress being made by local authorities to prepare for implementation. However, following decisions taken at the meeting of the government's Financial Reporting Advisory Board (FRAB) on 22 November 2018 to defer implementation for the majority of rest of the public sector, CIPFA/LASAAC has agreed to delay implementation until **1 April 2020** to avoid additional work load from Whole of Government Accounts data collection processes.

CIPFA/LASAAC would encourage local authorities to continue to progress with their plans for implementation and ensure that they have the information, processes and systems in place. Local authorities will also want to ensure that they understand the impact on their capital financing arrangements including, for example, their prudential indicators. CIPFA/LASAAC agrees with FRAB that the deferral of IFRS 16 will be strictly limited to one year and implementation of IFRS 16 will be in the 2020/21 financial year.

The majority of the decisions on the approach to adoption of IFRS 16 have been agreed by both CIPFA/LASAAC and FRAB and a Local Authority Leases Briefing 4 will provide an overview of CIPFA/LASAAC's agreed provisions.

The substantial area of change that remains to be finalised is that relating to the approach to subsequent measurement of the right-of-use asset, where support was received as a result of the consultation and subsequent approval processes for the overall aims of the current value measurement approach outlined in the [consultation papers](#) (referred to as Option 1). However, the proposals for using the lease term to determine the point at which current value measurement is used was a more rules based approach than CIPFA/LASAAC would normally use and did not align with the proposals in the government's financial reporting manual (the FReM). CIPFA/LASAAC supports FRAB's desire for alignment, where possible, across the public sector on implementation of IFRS 16. HM Treasury and CIPFA/LASAAC staff will therefore work together to arrive at an approach regarding subsequent measurement of the right-of-use asset. More details on the approach to subsequent measurement of the right-of-use asset will be issued in the early part of 2019.

CIPFA/LASAAC understands that CIPFA will issue a project plan and application guidance to assist local authorities with implementation for 1 April 2020 in due course.

CIPFA/LASAAC

December 2018