

CIPFA Bulletin 17 – Closure of the 2023/24 Financial Statements

April 2024

CIPFA issues Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and the Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but they are not prescriptive and do not have the formal status of the Code, SeRCOP or the Prudential Code.

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Current issues

1. Joint statement on the local audit backlog in England

1. Organisations involved in the regulation and oversight of local body financial reporting and audit ('system partners') have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.
2. On 8 February 2024, the Department for Levelling Up, Housing and Communities (DLUHC), National Audit Office (NAO), Chartered Institute of Public Finance and Accountancy (CIPFA), Financial Reporting Council (FRC), Institute of Chartered Accountants in England and Wales (ICAEW) and Public Sector Audit Appointments (PSAA) issued a [Joint statement on update to proposals to clear the backlog and embed timely audit](#). The proposals maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)). The proposals consist of three stages:
 - **Phase 1:** Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
 - **Phase 2:** Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
 - **Phase 3:** Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The deadline of 31 May 2024 for the publication of unaudited accounts in England for the 2023/24 financial year is not under consideration.

3. Three system partners consulted on the various proposals during February and March.
4. DLUHC's [Addressing the local audit backlog in England: Consultation](#) ran until 7 March 2024. The proposals were to introduce statutory backstop dates for the publication of accounts up until 2027/28. Views were also sought on the deadline for the publication of unaudited accounts for financial years 2024/2025 to 2027/2028.
5. NAO's [Code of Audit Practice Consultation](#) ran until 7 March 2024. The proposals were to allow auditors to issue a single value for money (VfM) opinion for all unaudited accounts until 2022/23, amend the audit report to include status of work completed on the opinion and the type of opinion issued by the statutory deadline. The proposals make clear the only instances when an opinion does not have to be issued by the statutory deadline.
6. CIPFA/LASAAC's [Consultation on short-term England-only measures in the Code](#) ran until 28 March 2024. The proposals were to simplify measurement of operational property, plant and equipment using specified indexation, and to reduce disclosures for pensions reporting.

2. Consultation on short-term measures to reduce the local audit backlog

7. The CIPFA/LASAAC Local Authority Code Board issued a [consultation on short-term England-only measures in the Code of Practice on Local Authority Accounting in the United Kingdom \(the Code\)](#). The proposals are to aid the recovery of local authority reporting and audit as set out in a joint statement from DLUHC and other system partners issued in February 2024.
8. After considering a wide range of options CIPFA/LASAAC decided to explore two approaches. These would affect the 2023/24 and 2024/25 Codes, by providing:
 - an option to simplify measurement of operational property, plant and equipment using specified indexation, and
 - reduced disclosures for pensions reporting, by aligning that reporting with FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland
9. Interested parties were invited to provide responses to questions in the invitation to comment (ITC). Where CIPFA/LASAAC is interested in specific issues, consultation questions were included in the ITC.
10. The consultation closed at 23.00 on 28 March 2024.
11. Any updates to the Code agreed by CIPFA/LASAAC as a result of the consultation will be issued separately.

3. Annual governance statement

12. [CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement](#) applies to authorities with at least one set of unaudited financial statements for prior years in England.
13. The Accounts and Audit Regulations 2015 require the completion of an annual review of effectiveness of the system of internal control and publication of an annual governance statement (AGS). Regulation 6 (4) b states that the AGS should be prepared in accordance with proper practices in relation to accounts. The CIPFA Code of Practice confirms that the AGS of a local authority in England should be prepared in accordance with [Delivering Good Governance in Local Government: Framework](#) (2016) and the Code.
14. CIPFA Bulletin 16 clarifies when the AGS should be updated to take account of significant events or developments relating to the governance system after 31 March of the appropriate year. CIPFA is keen to ensure that the AGS provides accountability to stakeholders but that any updates are pertinent for the year to which the AGS relates. Bulletin 16 is consistent with the Code of Practice and the Framework.
15. Bulletin 16 includes examples of governance issues that should, and should not, be included in the final AGS for prior years. It helps authorities to achieve accountability

through the approval and publication of the AGS, without duplicating significant issues more relevant to the subsequent years' AGS.

4. Reinforced autoclaved aerated concrete (RAAC) Background¹

16. Reinforced autoclaved aerated concrete (RAAC) is a lightweight cheaper alternative to conventional concrete that was used mainly in flat roofs but also in floors and walls between the 1950s and 1990s. Where concrete uses coarse materials such as gravel, aerated concrete uses chemicals that create gas bubbles; it a relatively weak substance with a low capacity for developing bond with the embedded reinforcements. The resulting blocks are porous and susceptible to water damage.
17. A research paper by the Building Research Establishment (BRE) was published in 1996 that raised concerns about the use of RAAC. The paper noted issues with cracking and corrosion.
18. In May 2019 the Standing Committee on Structural Safety (SCOSS) issued an alert to emphasise the potential risks with RAAC noting that “although called concrete, it is very different from traditional concrete and, because of the way it was made, much weaker”.² The alert noted that the estimated useful life of RAAC planks was expected to be around 30 years. The alert followed the collapse of a roof containing RAAC in a primary school in Kent.
19. In September 2022 the Office of Government Property published a safety briefing notice on the dangers of RAAC. It said that “RAAC is now life-expired and liable to collapse”.³ In summer 2023 RAAC panels in three buildings judged to be non-critical collapsed. This caused the Department for Education (DfE) to advise the closure of spaces containing RAAC resulting in a number of schools closing or partially closing with little to no notice just before the start of the new school year.
20. The combination of the acknowledgement that RAAC is now life-expired and the closure of schools has prompted questions from practitioners around the impact on valuations and accounting treatment of such buildings.

Subsequent measurement

21. The majority of non-specialised property, plant and equipment (PPE) assets in local authorities are revalued using existing use value (EUV), which “captures the present value of the existing assets remaining service potential for continuing delivery of the current actual business function being delivered from the property, rather than for other potential planning uses including those within the same planning uses.”⁴ The effect of

¹ Contains Parliamentary information licenced under the Open Parliament Licence v3.0.

² Standing Committee on Structural Safety (SCOSS), [Alert: failure of reinforced autoclaved aerated concrete \(RAAC\) planks](#) (May 2019).

³ UK Parliament, House of Commons Library, [Research briefing: RAAC in the UK: Concerns and government response](#) (January 2024).

⁴ RICS, [Existing use value \(EUV\) for UK public sector financial statements, 1st Edition](#) (July 2023).

RAAC on the ability to use the asset as intended to deliver services will be an important factor in the valuation of these assets, and authorities should be sure to inform the valuer of any impact that the presence of RAAC has on the assets' service delivery potential.

22. For those assets valued on a fair value basis, authorities may expect to see valuation movements affect assets where the market perception of the presence of RAAC means that the asset is viewed less favourably on the open market.
23. Many of the buildings affected will be assets with no market-based evidence of current value because the asset is of a specialist nature and/or rarely sold such as schools. Where this is the case, the asset is valued using a depreciated replacement cost (DRC) valuation approach per paragraph 4.1.2.31 of the Code. DRC is defined in the RICS Valuation – Global Standards 2017 (RB Global) Glossary as “The current cost of replacing an asset with its modern asset equivalent less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.”⁵ Adjustments will be made to the value of the asset for depreciation allowance (different from depreciation under accounting standards), which can be for:
 - physical deterioration
 - functional obsolescence (including legislative changes)
 - economic obsolescence.
24. Consequently, it is likely that buildings containing RAAC valued on a DRC basis will need adjusting to account for the structural and safety issues identified with the materials, and the fact that it is considered to be ‘life-expired’. However, as the risks associated with RAAC have been known for some time, valuers may have already accounted for the presence of RAAC in their prior DRC calculations, particularly where there has been visible deterioration. The impact of RAAC may be different for different assets and authorities depending on a number of factors including:
 - the extent of the issue
 - physical signs of deterioration
 - whether the RAAC had previously been assessed as critical or high risk
 - the information provided to the valuers in the past
 - the impact of the DfE and other government guidance.
25. It is therefore advisable for practitioners to have early conversations with their valuers to understand how RAAC has been accounted for in your DRC valued assets in the past and what impact the recent guidance is likely to have.
26. Regardless of the valuation approach used, it will be important to identify any assets containing RAAC and inform your valuers of the extent of the problem, the impact and any mitigations or planned remediations in order to ensure the valuations are based on the most accurate and up to date information available. Understanding the approach taken by the valuers will help practitioners answer audit questions and provide

⁵ RICS, [Depreciated replacement cost method of valuation for financial reporting, 1st Edition](#) (November 2018).

assurance that the presence of RAAC has been fully considered within the valuation process.

27. Additionally, authorities will need to consider whether additional revaluations are required outside the usual revaluation cycle. The Code allows for revaluations to be carried out on a rolling cycle once every five years⁶ providing that the requirements of paragraph 4.1.2.37 are met, which states that “revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the end of the reporting period”.⁷ It is therefore important that authorities consider the potential impact, both on an individual asset level and on an aggregate basis, of the presence of RAAC on the current values of those assets not due for revaluation, and whether the assets need additional valuations. The authority needs to be assured that in not carrying out a valuation on affected assets, the effect would not be so significant to cause a material misstatement; auditors may also seek assurances around the impact of RAAC on assets not revalued in year.

Depreciation and impairment

28. One of the major factors affecting the depreciation calculation is the asset’s useful life. The presence of RAAC, particularly when considering the safety briefing notice stating that RAAC is ‘life expired’ may require an authority to revisit their depreciation calculation for assets containing RAAC.
29. However, it is not just the effect on the physical life of the asset that authorities need to take into account but the useful life of the asset, defined in the Code as “the period for which an asset is expected to be available for use by an authority”.⁸ This means that asset management plans will be important, as the authority may not intend to use the asset for its full physical or economic life. If the presence of RAAC accelerates the authority’s plans to replace an asset or part of an asset then they may need to revisit their previous depreciation calculations and adjust for the revised estimate of the useful economic life. For this reason it will be important for practitioners to be engaged with operational management and have sight of the operational management plans so they are aware of any changes to asset replacement plans. When considering adjustments to the depreciation calculation, authorities will also need to assess whether the presence of RAAC has an effect on the estimated residual value of the asset.
30. Authorities will also need to give consideration to the requirement of the Code to depreciate separately each part of an item of PPE with a cost significant in relation to the total cost of the item.⁹ Where an authority has chosen not to componentise due to the effect of doing so being immaterial, they should assess whether any significant change in value or asset life would result in the effect of componentising having a material effect on depreciation even where it previously had not done so. Authorities will need to satisfy themselves that by not componentising, no material misstatements occur either on an individual asset level or on aggregate.

⁶ Paragraph 4.1.2.38 of the Code.

⁷ Paragraph 4.1.2.37 of the Code.

⁸ Paragraph 4.1.2.16 of the Code.

⁹ Paragraph 4.1.2.43 of the Code.

31. The presence of RAAC in an item of PPE may also be an indication of impairment. If the carrying amount of an asset exceeds the recoverable amount (defined as the higher of fair value less cost of disposal and its value in use¹⁰) then the asset will need to be impaired by the excess per paragraph 4.7.2.1 of the Code.
32. As the presence of RAAC can affect both the fair value and the service potential (value in use) of an asset, the presence of RAAC may indicate an impairment is required. The Code requires authorities to assess at the end of each reporting period whether there is an indication that an asset may be impaired, if such an indication exists then the authority must estimate the recoverable amount.¹¹ This assessment should take place regardless of whether the assessment results in an impairment loss being recognised, and authorities should demonstrate the assessment has taken place in their working papers. An important judgement for authorities therefore will be whether, or to what extent, the presence of RAAC would constitute an indication of impairment.
33. The Code gives the following examples of events that indicate an impairment (though the list is not exhaustive):
- a significant decline (ie more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period that is specific to the asset
 - evidence of obsolescence or physical damage of an asset
 - a significant adverse change in the statutory or other regulatory environment in which the authority operates.¹²

¹⁰ Paragraph 4.7.2.3 of the Code.

¹¹ Paragraph 4.7.2.9 of the Code.

¹² Paragraph 4.7.2.11 of the Code.

Writing out replaced components

34. Regardless of whether an asset is componentised for the purposes of depreciation, the Code requires that:
- “Where a component is replaced, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out in paragraph 4.1.2.18 being met.”¹³
35. As such, any remediation plans that involve replacing components of assets that contain RAAC panels will require the authority to estimate the carrying amount of the RAAC component being disposed of and replaced. Where it isn't practicable to determine the carrying amount of the replaced part, the Code allows authorities to use the cost of the new part as an indication of what the cost of the replaced part was at the time it was acquired or constructed (adjusted for depreciation and impairment, if required).¹⁴ It will be important therefore for practitioners to be aware of plans to replace components, for the purposes of estimating the written out amount, and this will include first carrying out any adjustments to the depreciation and impairments as outlined above.

Assets held for sale

36. Where an asset containing RAAC is classified as held for sale, an authority should assure themselves that the relevant factors have been taken into account when making this classification determination.
37. In order for an asset to be classified as held for sale, the asset must be available for immediate sale in its 'present condition.'¹⁵ If the authority needs to carry out any works to an asset to mitigate or remedy the potential danger associated with the presence of RAAC before the asset sale can take place then the asset would not meet the criteria to be held for sale.
38. If the asset containing RAAC is intended to be sold without any remedial works taking place, the authority will also need to consider the potential effect of the presence of RAAC on the sale of the asset. This is because the Code also sets out the criteria that to be held for sale, an asset sale must be 'highly probable'. Among other things, this means that the “sale should be expected to qualify for recognition as a completed sale within one year from the date of classification”.¹⁶
39. Any expected impact on the proposed sale that means either criteria is not met may require the authority to reclassify an asset held for sale if it no longer meets this criteria.

¹³ Paragraph 4.1.2.21 of the Code.

¹⁴ Paragraph 4.1.2.52 of the Code.

¹⁵ Paragraph 4.9.2.13 of the Code.

¹⁶ Paragraph 4.9.2.13 of the Code.

Associated revenue costs

40. While many of the effects of RAAC may impact on capital, it is also likely that there are revenue implications. One of the main potential impacts on revenue that may have arisen from the DfE advice on closures for buildings containing RAAC such as schools is the rental of alternative accommodation such as classrooms.
41. The table in the Code guidance notes (Module 4 paragraph B35) highlights the costs of renting alternative accommodation and states that:

“Any incremental costs of carrying on an authority’s day-to-day business while a capital project is under way will never be capable of capitalisation because they are not directly attributable to bringing the asset to the condition necessary for it to be capable of operating. For instance, if alternative accommodation has to be found for officers displaced by capital works, the rent paid for these offices will be an additional revenue cost. This will apply equally to specialised assets (such as temporary classrooms) that are required for the continued running of the authority’s existing business.”¹⁷
42. It is important that practitioners are aware what costs are being incurred as a result of buildings containing RAAC in order to ensure they are correctly classified as revenue and capital and ensure that the works taking place to the RAAC containing building are not overstated on the Balance Sheet and that the consequent revenue costs are correctly identified as such in the Comprehensive Income and Expenditure Statement (CIES).

5. Reporting of pensions surpluses and IFRIC 14

43. CIPFA Bulletin 15 covers the reporting of pension surpluses and IFRIC 14 and was issued in November 2023. This bulletin looks at the reporting of a net defined benefit asset position in the authority’s pension fund and whether there is an asset ceiling that would limit the authority’s ability to recognise it.
44. The bulletin relates to only scheduled bodies under the pension fund regulations in England, Scotland and Wales. [CIPFA Bulletin 15 Reporting of pensions surpluses and IFRIC 14](#) considers the key elements.

Application to local authorities in LGPS schemes

45. In all cases, the net defined benefit asset will be measured at the lower of:
 - the surplus in the defined benefit plan, and
 - the asset ceiling.
46. Local authority LGPS plans will not generally have any access to refunds. The asset ceiling will in such cases reflect only the economic benefit that may be achieved through reductions in future contributions. However, each employer organisation should review

¹⁷ CIPFA, *Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2023/24*, Module 4 paragraph B35 (table).

the position regarding the specific terms and conditions of the LGPS scheme. If appropriate, the asset ceiling should be calculated as the maximum economic benefit available from refunds, reductions in future contributions or a combination of both.

Reporting of any limitation on the net defined benefit asset

47. Paragraph 3.4.2.91 of the Code states that:

“A local authority shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.”

For the net defined benefit asset this is likely to include disclosure of any restrictions on the current realisability of the surplus or disclosure of the basis used to determine the amount of the economic benefit available.

48. Where an asset ceiling is applied, the Code requires the effect of the asset ceiling to be disclosed (see Code paragraph 6.4.3.45 6) a) iii) and 7) c) iv)). CIPFA is of the view that the reporting of any limitation on the net defined benefit asset should clearly explain why the pension surplus reported under IAS 19 is not fully realisable by the authority in the form of either refunds or reductions in employer’s contributions so that the users of the accounts and other stakeholders can understand why the net defined pension benefit asset (if any) is limited to the economic benefits realisable by the authority and what ‘realisable’ might mean in this context.

49. If the asset ceiling was applied in 2022/23 and either the IAS 19 surplus reduced, or additional liability recognised, it will affect the 2023/24 calculation. Practitioners will need to ensure that actuaries are aware if any ceiling was applied in 2022/23.

6. Business rates green plant and machinery exemption compensation

50. The government announced [compensation payments covering 2022/23 and 2023/24 for green plant and machinery](#) on 5 February 2024. For authorities who have unaudited 2022/23 accounts, practitioners will need to judge whether to recognise the 2022/23 element in those accounts.

51. The scheme was announced at the 2021 Autumn statement, which confirmed that (per para 5.44 of the Autumn 2021 budget book):

“English Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs. The block grants of the Devolved Administrations will be increased in the usual way.”

The scheme was amended to include 2022/23 by [Business rates information letter 3/22](#) issued in March 2022. It is therefore arguable there was an indication for 2022/23 that the compensation grant would be due even though the final sum payable was not announced until 2023/24 as part of the 2024/25 Local Government Financial Settlement.

52. Authorities will need to consider in which financial period the 2022/23 element of the compensation payment should be recognised.

53. Paragraph of 2.3.2.8 of the Code states:

“Grants and contributions, including donated assets, shall not be recognised until there is reasonable assurance that:

- the authority will comply with the conditions attached to them, and
- the grants or contributions will be received.”

Where there are no conditions attached to the s.31 grant, practitioners would need to assess if authorities had reasonable assurance the grant would be received for 2022/23.

54. CIPFA understands that the Valuation Office Agency (VOA) issues exemption certificates to businesses, reducing the amount payable to local authorities as part of the business rates process. The s.31 grant is to compensate authorities for this lost revenue and there are no performance obligations imposed by this scheme on the local authority. This characteristic is indicative of a non-exchange transaction.

55. If practitioners deem the transaction to be a non-exchange transaction, then paragraph 2.1.2.45 of the Code should apply.

“...revenue shall be recognised when the event that triggers the payment to the authority has taken place and:

- it is probable that the economic benefits associated with the transaction will flow to the authority, and
- the amount of the revenue can be measured reliably.”

56. CIPFA understands that the amounts paid are not directly linked to the actual rateable value exempted but rather are based on an estimate of the national loss if income resulting from the introduction of green plant and machinery exemptions, using a proportionate share methodology to calculate compensation for each authority.

57. This means that every authority will receive some compensation; however, this may not be reflective of the level of income lost. Accordingly, the date at which the 2022/23 revenue element could be measured reliability appears to be February 2024 when the allocations were published by DLUHC. This would then imply both the 2022/23 and 2023/24 elements would be recognised as 2023/24 income.

58. If practitioners judge that Code paragraph 2.1.2.45 does not apply, then the next step, where the accounts remain open, is to consider the general recognition criteria for grants in the Code (paragraph 2.3.2.8) and the ‘events after the reporting period’ provisions (paragraph 3.8.2.12). Where necessary, a judgement may be needed as to whether it is material to amend the 2022/23 accounts for the green plant and machinery compensation due for that year.

Accounts production

7. Materiality

59. The 2023/24 Code has been updated to reflect a shift in emphasis from significant accounting policies to material accounting policies. Paragraph 3.4.2.90 of the Code sets out factors to consider when determining if an accounting policy is material to the authority.

“Accounting policy information is expected to be material if users of an authority’s financial statements would need it to understand other material information in the financial statements. For example, an authority is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:

- a) the authority changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements
- b) the authority chose the accounting policy from one or more options permitted by the Code and IFRSs
- c) the accounting policy was developed in accordance with Section 3.3 in the absence of a section of the Code or IFRS that specifically applies
- d) the accounting policy relates to an area for which an authority is required to make significant judgements or assumptions in applying an accounting policy, and the authority discloses those judgements or assumptions in accordance with paragraphs 3.4.2.94 of the Code and 122 of IAS 1, or
- e) the accounting required for them is complex and users of the authority’s financial statements would otherwise not understand those material transactions, other events or conditions (such a situation could arise if an authority applies more than one section of the Code or IFRS to a class of material transactions).”

60. The Code Guidance Notes have been updated to reflect this change and further information to support practitioners can be found in Module 3 paragraphs I3 to I9.

8. Accounts closure processes

Although this was first produced in [CIPFA Bulletin 14: Closure of the 2022/23 Financial Statements](#), the information contained is still relevant to assist practitioners in achieving smoother accounts production and subsequent audit.

High-quality financial statements

61. CIPFA is of the view that high-quality financial statements are key to accountability and transparency. CIPFA is aware that the delays in the publication of audited financial statements are not assisting this process and have resultant impacts on financial management and finance teams in local authorities. CIPFA is, however, of the view that it is incumbent on all stakeholders in the local audit system that all efforts are taken to reduce the delays.
62. CIPFA considers that the current delays support the need for faster closing and for high-quality financial reporting. The sooner that outturn balances are confirmed via local

authority production of the unaudited accounts the sooner that any errors or misstatements can be corrected and fed into the authority's financial management process.

Effective processes

63. The production of high-quality financial statements and clear working documentation will ease timeliness issues. CIPFA considers that the following are key to effective accounts closure processes:
- thorough planning and timetabling of stages of the process, with stringent deadlines
 - clear communication with everyone involved of what is needed and by when
 - strict formats for the information to be submitted for inclusion or consolidation into the final accounts
 - follow-up and strict monitoring of progress
 - management of staff resources during closure
 - viewing as a serious matter any failure by staff to deliver to deadlines
 - robust financial management through the year – information is reported and followed up internally on a regular basis, meaning that most issues have been resolved by the year-end
 - quarterly closure procedures and monitoring, eg Balance Sheets prepared quarterly for internal purposes
 - closure of accounts payable and accounts receivable systems as soon as possible.

CIPFA appreciates that this may be difficult with the effects of cumulative delays in audit timetables, but if procedures and processes are clearly established then any deviations for whatever reasons can be managed more effectively.

Confirmation or certification of the accounts by the CFO

64. CIPFA would note that review and control processes are vital to produce the unaudited accounts and to improve the audit process itself. Effective working papers are necessary but those working papers should be supported by clear evidence of assumptions, judgements and decisions taken by local authority management. Analytical review of balances and trial balances will assist with the CFO's ability to review and certify/confirm year-end information but traditional tools such as disclosure checklists are also vital in ensuring that information is accurate, complete and fully documented. Although working papers are essential to the audit process, they are the authority's tool to ensure that the information required to produce the financial statements has been properly prepared. This allows the CFO to certify or confirm they are content that they present a 'true and fair' view.
65. Note that the [Streamlining the Accounts \(CIPFA, 2019\)](#) publication, which is available to download from the CIPFA website, includes various appendices to assist with the closedown review process and planning.

Working papers

66. It is vital that local authorities ensure that they produce working papers and establish clear standards so that their contents can be relied on. Excellent working papers will also facilitate the closedown process where the papers will be used by someone other than the person who prepared them or where that person needs to return to a working paper to revise the figures on it. A clear record of the source of the original information and the treatments that have been applied to it will allow the confident use of the working paper and avoid any situation where work might have to be re-performed. Proper documentation is also easier to review with confidence.
67. Each line of the core financial statements and each disclosure note should be cross-referenced to a working paper linking back to:
- the general ledger or trial balance; there should be a clear understanding of what the working paper is intended to evidence, ie the purpose of the paper
 - Code financial reporting and disclosure requirements
 - relevant journals, feeder system reconciliations or other supporting information – invoices, contracts, valuations etc.
68. Effective working papers will have the following features:
- a clear title that accurately describes the working paper or electronic file thereof
 - a brief statement of the purpose of the working paper, including reference to the balance, figure item or disclosure in the statement of accounts that the paper supports
 - a clear, unique reference number for its location in the overall documentation
 - for a document that has been prepared from data that might be subject to regular change (eg a report generated from the ledger), identification of the particular time and date the document was prepared
 - clear cross-references to any supporting documents, reports or ledger codes, with sufficient detail for the sources to be retrieved without unreasonable effort
 - contact details including names and designations of others who provided information recorded on the working paper
 - a statement of any decisions, judgements or assumptions made in the paper eg decisions taken and assumptions used to establish and measure a provision or amount to be recognised as a contingent liability
 - evidence to support decisions, assumptions or estimations made
 - record of completion of the preparer and date
 - record and evidence of review by appropriate staff

- a record (including the date) of any substantial changes made to the document after it was first prepared including documentation of any backing documentation.

9. Statutory dates for the 2023/24 accounts production

69. The following table sets out the current regulatory position in respect of the publication of financial statements for 2023/24.
70. As noted below, the audited accounts deadlines for England are subject to DLUHC consultation and may therefore change. However, at the time of publishing this bulletin the table reflects the current dates set out in regulation.
71. For Wales, CIPFA understands that Welsh Government are considering a change to the audited accounts date for 2023/24 to 30 November 2024; however, the regulations remain unaltered at the date of issuing this bulletin. Any changes to expectations are usually communicated directly to CFOs.
72. For Scotland the regulations require the audited accounts to be approved for signature no later than 30 September as per the table, however the regulatory date for publication of the audited accounts is 31 October (Regulation 11(3)).

Jurisdiction	Legislation	Unaudited Accounts Deadline	Audited Accounts Deadline
England	The Accounts and Audit Regulations 2015 as amended by The Accounts and Audit (Amendment) Regulations 2022	31 May 2024	30 September 2024*
Wales	The Accounts and Audit (Wales) Regulations 2014 as amended by The Accounts and Audit (Wales) (Amendment) Regulations 2018	31 May 2024	31 July 2024
Scotland	The Local Authority Accounts (Scotland) Regulations 2014	30 June 2024	30 September 2024
Northern Ireland	The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015	30 June 2024	30 September 2024

*DLUHC's [Addressing the local audit backlog in England: Consultation](#) is considering changing this date to 31 May 2025.

10. Accounting standards that have been issued but not yet adopted

73. Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to 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 by the Code for the relevant financial year.
74. Paragraph 3.3.4.3 and Appendix C of the Code adapt IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* on an annual basis to limit the impact of standards that have been issued but not yet adopted to those listed in Appendix C of the Code in the relevant year of account (in this case the 2024/25 Code). This means that only the standards listed in paragraph 75 below are included in the requirements for IAS 8 for standards that have been issued and not yet adopted.
75. The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:
- a) **IFRS 16 Leases** issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year).
 - b) **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)** issued in January 2020. The amendments:
 - specify that an entity's right to defer settlement must exist at the end of the reporting period
 - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - clarify how lending conditions affect classification, and
 - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
 - c) **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)** issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
 - d) **Non-current Liabilities with Covenants (Amendments to IAS 1)** issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
 - e) **International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)** issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:

- a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
- targeted disclosure requirements for affected entities.

f) **Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)** issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

- assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
- understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

76. Note that a) will only be applicable to local authorities that have not voluntarily implemented IFRS 16 in 2023/24. It is likely that though they provide clarifications, items b), c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. There will be limited application of items e) and f).

Future issues

11. New pension fund annual report guidance

77. Revised Statutory Annual Reporting Guidance for LGPS Funds has been approved by CIPFA's PFMB and is due for ministerial approval imminently. The new guidance was produced by a working group of the joint CIPFA/SAB Compliance and Reporting Committee, with significant input from a number of funds and other stakeholders. It will be made available free of charge on the SAB website. Here is a brief summary of the changes from the 2019 version:

- report progress in pooling assets via an asset table and a supplementary table – linked to the DLUHC consultation response released in November 2023
- revised admin KPIs – 2019 guidance list expanded and tightened definitions added
- further information required on pension committee and board training
- fund policies can be referred to, rather than included in the main body of report.
- a paragraph clarifying the arrangements on publishing when the audit opinion on the fund accounts is delayed.

78. This guidance will apply for 2023/24 on a best endeavours basis, recognising that the data collection for some of the KPIs may be difficult at this point. Full implementation will be expected from 2024/25 onwards.

12. IFRS 16 *Leases* mandatory implementation as of 1 April 2024 (and other IFRS 16 issues)

79. The CIPFA/LASAAC Board confirmed in a [statement](#) that mandatory implementation of IFRS 16 *Leases* will go ahead as planned, and the standard will be implemented in the Code for 2024/25. The Board continued to strongly recommend voluntary adoption of the standard in 2023/24.
80. CIPFA has issued its publication *IFRS 16 Leases: A Guide for Local Authority Practitioners* alongside the Code Guidance Notes for 2023/24 accounts as separate guidance for those authorities implementing as of 1 April 2023. Its specifications will provide suitable guidance for any authorities deciding to apply as of 1 April 2023 or the mandatory implementation date of 1 April 2024 (though any plans would need to be amended for the date of initial application of the standard).
81. IFRS 16 was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the Balance Sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as 'pay as you go' arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset. IFRS 16 is therefore an important new standard though the work required to implement it will be subject to the number and complexity of leases held by local authorities and local authorities will need to adjust their resources accordingly.
82. The changes are more than an accounting technicality. They have the potential to impact procurement processes as more information becomes available on the real cost of leases. However, some work may be necessary to secure this added information. Local authorities therefore need the earliest possible understanding of the effects of IFRS 16, including the adaptations that will be made to maximise its effectiveness for local government.
83. One of the areas of focus for local authorities is the adaptation for the definition of a lease. For the UK public sector this includes leases with nil consideration or peppercorn rents, which will widen the definition of a lease. This will require careful application when identifying a lease and particularly in considering when a contract includes or is a lease. An example of this for local authorities is provided in [CIPFA Bulletin 11 Accounting for Assets Owned by Religious Bodies and Used by Schools](#), though the final accounting treatment will require individual decisions on each asset by the authority to allow for local circumstances.
84. Note that when IFRS 16 is fully implemented in 2024/25, and for authorities implementing IFRS 16 voluntarily in 2023/24, it will also apply to the measurement of the lease liability for PFI/PPP arrangements. Authorities who chose to implement IFRS 16 in 2022/23 and deferred application to PFI/PPP liabilities will need to now implement this in the 2023/24 financial year. Separate guidance on the application of IFRS 16 requirements to PFI/PPP arrangements is provided in [Draft Guidance on Applying the Requirements of IFRS 16 Leases to Service Concession Arrangements \(PFI-PPP-Contracts\)](#).

85. To assist with local authority preparations to implement the standard, Appendix 1 to this publication includes a project plan that will be able to be used for IFRS 16 implementation.

Appendix 1: Project plan for implementing IFRS 16 *Leases*

This timetable was first published in [CIPFA Bulletin 14: Closure of the 2022/23 Financial Statements](#). It has been reproduced in its entirety so that practitioners can review progress and plan future activities to ensure a successful implementation.

	Action	Description	Dates
1	Establish a project team	<p>Establish a project team to implement IFRS 16 reporting to the CFO and other relevant groupings (eg the Audit Committee) on progress on the plan. This should include:</p> <ul style="list-style-type: none"> • relevant members of the finance team (including capital finance and those preparing the financial statements) • property managers within the authority, including the assistance from experts in measurement of property, plant and equipment • IT managers to assist with systems assessment • key services holding major leases prioritising contract managers. <p>Note that there may need to be a sub-group of the project team dealing with the financial reporting implications.</p>	April 2023
2	Establish the governance for the project team	Ensure that the governance for the project team is clearly established with appropriate reporting arrangements to the CFO and as necessary to local authority management (Cabinet) and the Audit Committee.	April 2023
3	Undertake a readiness assessment for implementation of IFRS 16	<p>Project team to undertake a readiness assessment for implementing IFRS 16. This might require revisiting an earlier project plan. Key questions the readiness assessment might undertake are:</p> <ol style="list-style-type: none"> 1. Is the authority able to locate all its leases or contract documentation that might contain leases? 2. What systems will it need to manage the leases and the information contained therein to implement the standard? (This will include contract management systems, asset management systems and changes to the financial reporting systems.) 	Complete by end of April 2023

	Action	Description	Dates
		<ol style="list-style-type: none"> 3. An assessment of the accounting requirements, what this will mean for the financial statements and the prudential framework including the capital strategy. Note that this will not just include finance staff but should be considered across directorates. 4. Decide whether the authority will do the minimum required for compliance with the Code's implementation of the standards or seek to achieve wider benefits such as a single comprehensive lease register, integration in procurement decisions 5. What impact will this have on a local authority's operational plans including the relevant financial management plans and procurement plans (ie including asset acquisitions)? 6. How will the authority manage the change in accounting policies? 7. What approach will the authority take to the transitional arrangements? 8. How will the authority measure the right-of-use assets? 	
4	Understand the financial reporting provisions of the standard	<p>IFRS 16 is a complex standard to implement. Local authority finance teams will need to be fully versed in the implications for its leases, and contracts that might contain leases. An authority will need to make various decisions in preparation for the standard (including having appropriate systems in place) this may include:</p> <ol style="list-style-type: none"> 1. Its approach to the accounting policies including the right-of-use assets and their subsequent measurement. 2. The impact on service concession arrangements (PFI/PPP) contracts and their accounting policies. 3. Contracts that will meet the definition of short-term leases to be identified. 4. Which leases will meet the exemption for short-term leases? 5. The approach to the initial measurement of lease assets and liabilities (in accordance with the provisions in the Code). 	Complete by end of April 2023

	Action	Description	Dates
		<p>6. The approach to presentation of the financial statements including the Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement (in accordance with the provisions in the Code).</p> <p>7. The impact on the disclosures including the statement of material accounting policies (in accordance with the provisions in the Code).</p> <p>8. The interaction with the capital finance system including the MRP, prudential indicators and capital strategy.</p> <p>9. Whether finance and other staff and members need training and what form the training might take.</p>	
5	Establish a communications strategy for the implementation of IFRS 16	It will be important that all key stakeholders understand the impact that IFRS 16 will have on the financial statements and the importance of the information that departments might hold on leases. It is suggested that a communications strategy is developed to increase this understanding across the authority and for relevant members.	Complete by end of June 2023
6	Review current leases or contracts that might contain leases	<p>Ensure that all existing leases or contracts that contain leases can be identified and that there are processes in place to identify and manage any new contracts.</p> <p>The Code includes a requirement to use the 'grandfathering' provisions of IFRS 16 <i>Leases</i>. Therefore, any contracts containing a lease under IAS 17 <i>Leases</i> and IFRIC 4 <i>Determining Whether an Arrangement Contains a Lease</i> will continue to be assessed as such (or where these assessments decided that no leases existed). However, this assumes that previous contract assessment procedures were robust. Auditors are likely to require evidence that this was the case. Where this is not the case this may need to be revisited.</p>	Complete by end of June 2023
7	Review for any leases or contracts	The grandfathering provisions will not be able to include contracts where leases are for nil consideration as the public sector in the UK	Complete by end of June 2023

	Action	Description	Dates
	containing a lease with leases for nil consideration	has changed the definition of leases to include leases at nil consideration or 'peppercorn' amounts. So local authorities are advised to identify the accounting treatment of leases at nil consideration.	
8	Project review point 1	It is recommended that there are regular review processes for the preparations for implementation and this is the first suggested review point.	Completed by end of June 2023
9	Undertake initial assurance assessment on lease data – identify any gaps	<p>Where local authorities have significant leases, this will be a significant data management task both for implementation and future information management. Local authorities are advised to ensure that their systems meet the requirements of data management and undertake frequent assurance testing on the data.</p> <ol style="list-style-type: none"> 1. Are there any gaps in the information (including information on leases and sub-leases)? 2. Can the systems produce the relevant outputs on timely basis? 3. Are there appropriate controls and tests in place? 4. Is information accurate and up to date? 5. Are there any system duplications? Where necessary, can information systems be streamlined (ideally the number of separate systems used should be minimised)? <p>It is suggested that there are relevant reviews by an authority's internal audit function.</p>	Complete by end of October 2023
10	Ensure that systems and information are available to be calculated for existing and future leases	<p>For current and future leases (including leases at nil consideration) can all the information required for the accounting requirements of the Code's implementation of IFRS 16 be provided. This will include (but is not likely to be limited to):</p> <ul style="list-style-type: none"> • lease terms/remaining lease terms • information to measure the lease liability and right-of-use asset (including 	Complete by end of September 2023

	Action	Description	Dates
		<p>information on current and future rents, lease costs and rent reviews)</p> <ul style="list-style-type: none"> • implicit interest rates inherent in the lease/or incremental cost of borrowing • lease options (including possible lease-term extensions or other options relating to the lease term, termination clauses and penalties and purchase options) • transitional reporting and decisions. 	
11	Take decisions on how right-of-use assets will be measured and whether external valuers will be required	The subsequent measurement of the right-of-use asset includes a practical expedient allowing right-of-use assets to be carried at historical cost. However, local authorities will need to decide whether it is appropriate. Where it is not appropriate, subsequent measurement of the right-of-use asset will be at current value. Local authorities should assess how many assets will need to be measured by valuers and decide processes and timings for this.	Complete by end of October 2023
12	Project review point 2	It is recommended that there are regular review processes for the preparations for implementation. This is the second review point.	Complete by end of October 2023
13	Undertake modelling of lease and service concession arrangement lease calculations and consider the processes for how this information will be able to be updated for new leases, new information and rent reviews	Local authorities will need to ensure that they have the information available to undertake the calculations/estimates for lease liabilities and initial measurement of the right-of-use asset as of 1 April 2024 and maintain this for subsequent years in accordance with the provisions in the Code. This will include the information required for transition (see step 27). The information systems will need to be able to be updated for new leases, new information and rent reviews.	Complete by end of November 2023
14	Decide implications for operational strategic and	Budgetary implications for 2024/25 should be assessed and these included in the medium-term financial plan, an authority's prudential indicators and capital strategies. Although the capital finance systems should ensure that	Complete by end of November 2023

	Action	Description	Dates
	report to relevant groups	this does not have an impact on what is charged to council tax, it is recommended that local authorities undertake a review of their leases to ensure that this is the case. Separate consideration will be needed for the impact on the Housing Revenue Account in England. Note that local authorities in Scotland may need to consider the implications of the Scottish Government Capital Accounting Review.	
15	Understand any remaining information gaps	Following steps 1 to 14, assess whether there are any remaining information gaps and how they will be resolved using the provisions of the Code's implementation of IFRS 16.	Complete by end of December 2023
16	Commission any external assessments for the right-of-use asset	Make decisions on the measurement of the right-of-use asset for leases where an authority decides it cannot use the cost model or where it decides not to use the practical expedient.	Complete by end of December 2023
17	Project review point 3	It is recommended that there are regular review processes for the preparations for implementation. This is the third review point.	Complete by end of December 2023
18	Produce draft accounting policies for 2023/24 (note this is to test the ability to produce the 2024/25 information)	Produce draft accounting policies including changes to the financial statements and disclosures to test information systems and the ability to produce the information in the 2024/25 financial statements – note that comparative information changes will not be required on transition. It will assist with the preparation of step 21.	Complete by end of January 2024
19	Engage with local auditors	Review progress with external auditors and particularly the draft accounting policies and impact on the financial statements.	Complete by end of January 2024
20	Prudential indicators/capital strategy	Set prudential indicators and capital strategy to include the impact of right-of-use assets on the capital financing requirement and lease liabilities on borrowing limits.	Complete by end of January 2024
21	2023/24 financial statements – prepare IFRS 16	The 2024/25 Code will specify the IAS 8 reporting requirements for the 2023/24 accounts. This will include the requirements	By 31 May 2024

	Action	Description	Dates
	information for IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> disclosures for standards issued and not yet adopted	due to the mandatory implementation of IFRS 16 in 2024/25.	
22	Project review point 4	It is recommended that there are regular review processes for the preparations for implementation. This is the fourth review point.	Complete by end of June 2024
23	Engage with local auditors as a part of the audit of the 2023/24 financial statements	It is suggested that additional time is allowed in the assurance of the 2023/24 financial statements to consider the outcomes of the IAS 8 disclosures on IFRS 16 and other progress towards proper implementation of the standard.	June to end of September 2024
24	2024/25 implementation	Entries should be made in the accounts for lease liabilities in accordance with the standard and updates made as necessary.	As necessary throughout 2024/25
25	Engage with local auditors	It is suggested that a follow up review is undertaken with local auditors to discuss progress towards the information required in the financial statements.	October/November 2024
26	Project review point 5	It is recommended that there are regular review processes for the preparations for implementation. This is the fifth review point.	Complete by end of November 2024
27	Produce draft disclosures for the 2024/25 accounts	Produced estimated information and draft disclosures and changes to the financial statements for the 2024/25 accounts to test for final information gaps, system and data assurance and accuracy.	January 2025
28	Finalise decisions to be taken on the transitional	Chapter 9 of the guidance on IFRS 16 includes both detailed guidance on application of the transitional specifications of	January 2025

	Action	Description	Dates
	reporting requirements	the Code but also includes description of what an authority needs to consider. Local authorities will need to finalise the decisions taken on transitional reporting requirements. Note that some on the interpretations in the Code have reduced the decisions required. Step 27 should be taken alongside step 28.	
29	Engage with local auditors	Test draft information with local auditors (ie both steps 27 and 28).	February 2025
30	Final accounts 2024/25 information	Produce final accounts information for 2024/25	31 May 2025
31	Post implementation review – IFRS 16	Using audit feedback and project team review undertake post implementation review (project review point 6.	October/November 2025