CCAB - LLP SORP
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25 October 2023

Dear Sir / Madam

We are pleased to respond to your invitation to comment on the draft August 2023 LLP SORP on behalf of PricewaterhouseCoopers LLP. We have considered each of the questions raised in the consultation and our specific responses are contained within the Appendix to this letter.

Overall, we welcome the additional clarifications and guidance provided in the draft SORP which should lead to greater consistency in interpretation of the guidance. In some instances we feel the draft SORP could provide clearer guidance, and we have raised specific comments and suggestions on the language used in our response to the questions in the Appendix to this letter.

If you have any questions in relation to this letter please do not hesitate to contact Peter Hogarth on peter.hogarth@pwc.com or 07770 917593.

Yours faithfully

PricewaterhouseCoopers LLP

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Appendix 1

Question 1: *Do you agree with the updates made to the SORP to reflect the new requirements for certain LLPs to provide climate-related financial disclosures in either the strategic report, if one is prepared, or in the energy and carbon report otherwise? The key relevant draft paragraph is 25D.*

We agree with the proposed updates to reflect the new requirements for certain LLPs to provide climate-related financial disclosures. We recommend footnote 11 to be updated to include specific scope paragraphs in the legislation so that a user could easily find the requirements on whether the LLP needs to provide the climate-related disclosures. We also recommend that footnote 11 include references to The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, Regulation 12A (SI 2008/1911).

Question 2: *Do you agree that guidance is needed in the SORP to address certain narrow scenarios when section 26 of FRS 102 might apply? Do you agree with the proposed changes?*

We have reviewed the proposed changes and have no comments on the updates. However, during our review we noted that paragraph 80A states that annuities fall within the scope of FRS 103, unless they are conditional on future services. We note that this follows the logic in the flowchart in 76B. Section 21 applies only where FRS 103 does not. There is a question about whether FRS 103 applies where there is still a requirement to provide a service, as appears to be the case because the amount recognised as a provision, following the guidance in 79B, might include significant insurance risk (for example where there is mortality risk).

In practice, this will have no impact, as the liability adequacy test under FRS 103 para 2.16 is based on the measurement requirements of Section 21 of FRS 102. When FRS 103 is reconsidered for the impacts of IFRS 17, we recommend that paragraphs 76B and 80A be reconsidered in light of any changes.

Question 3: *Do you agree that guidance on the appropriate treatment of members' debt and equity interests in the subsidiary LLP for the purposes of determining whether a non-controlling interest in the net assets of the group is recognised is needed in the SORP? Do you agree with the proposed changes?*

We agree with the proposed guidance on the treatment of interests in subsidiary LLPs.

We note that paragraph 119E highlights that, in practice, there will be a spectrum of fact patterns with some being less obvious in the analysis and requiring more judgment. Therefore, it may be helpful to include illustrative examples on either end of the spectrum, to illustrate the accounting for non-controlling interest in the situations described in paragraph 119A - 119G.

Question 4: *Do you agree that guidance is needed for situations where there is an automatic division of profits to members who do not provide any substantive services to the LLP? Do you agree with the proposed changes?*

We agree with the proposed changes set out in paragraph 34D.

In example 11 of appendix 2, we note that the third journal entry, with a debit of £280 to “Members’ remuneration (P&L)”, represents the amount allocated for the year (£200) as adjusted by the remeasurement of the liability for future years (£1,080 – £1,000 = £80).

It may be clearer to the readers of the SORP to separate this journal entry into two separate elements - one showing the total amount automatically divided and allocated to the members in the year of £200, with the debit to “Members’ remuneration (P&L)”, and the other illustrating the remeasurement of the liability by £80 to the total value of the liability at the reporting date of £1,190, with the debit to “Remeasurement of liability” or “Fair value gain / loss”.

Question 5: *Do you agree that the proposed changes outlined in this document should come into effect for periods commencing on or after 1 January 2024, with early adoption permitted? [Paragraph 133]*

We agree that the proposed changes should come into effect for periods commencing on or after 1 January 2024.

Question 6: *Do you have any other comments on the draft LLP SORP?*

We have no further comments on the draft SORP.