

# Draft Notes

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Board CIPFA LASAAC Local Authority Accounting Code Board

Date 7 July 2022

Time 14:30 to 15:30

Venue Microsoft Teams

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## Present

Chair	Conrad Hall (Chair)	<i>London Borough of Newham</i>
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CIPFA Nominees	Christine Golding	<i>Essex County Council</i>
	John Farrar	<i>Grant Thornton</i>
	Paul Mayers	<i>National Audit Office</i>
	Liz Thomas	<i>Flintshire County Council</i>

LASAAC Nominees	Nick Bennett	<i>Azets</i>
	Paul O'Brien	<i>Audit Scotland</i>

Observers	Jenny Carter	<i>FRC</i>
	Elanor Davies	<i>Scottish Government</i>
	Sudesh Chander	<i>HM Treasury</i>
	Matt Hemsley	<i>DLUHC</i>
	Emma Smith	<i>Welsh Government</i>
	Michael Sunderland	<i>HM Treasury</i>

In attendance	Alan Bermingham	<i>CIPFA Secretariat</i>
	Alison Bonathan	<i>CIPFA Secretariat</i>
	Steven Cain	<i>CIPFA Secretariat</i>
	Sarah Sheen	<i>CIPFA Secretariat Advisor</i>
	Karen Sanderson	<i>CIPFA Director, Public Financial Management</i>

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1	Apologies	
1.1	Apologies were received from Gillian Woolman <i>Audit Scotland (Vice Chair)</i> Jeff Glass <i>Department of Communities (NI)</i> Joseph McLachlan <i>East Ayrshire Council</i> Hugh Dunn <i>City of Edinburgh Council</i> Collette Kane <i>Northern Ireland Audit Office</i>	
2	Declarations of interest	
2.1	No declarations of interest were noted.	
3	Readout on CIPFA LASAAC items on FRAB agenda	
3.1	<p>Karen Sanderson provided an update on the Highways Network Asset discussions with FRAB.</p> <ul style="list-style-type: none"><li>CIPFA LASAAC had at its 27 June meeting previously discussed the response to the consultation on the potential adaptations to the Code for the removal of the need to disclose gross cost and accumulated depreciation and the adaptation such that the amount to be derecognised from replacement expenditure could be assumed to be a nil net amount because assets are rarely replaced before their economic potential and service potential are fully consumed.</li><li>Feedback from FRAB members and the FRAB Chair received before the meeting of FRAB was such that the details of the proposed adaptations to the Code were not taken to FRAB.</li><li>Rather, the FRAB meeting was used to provide more context behind the issue/seek FRAB's input.</li></ul> <p>Feedback from FRAB:</p> <ul style="list-style-type: none"><li>Support was shown for the temporary suspension of the disclosure requirements for gross historical cost and accumulated depreciation.</li><li>There was less support for an adaptation regarding carrying amount of assets that are derecognised as they are replaced. FRAB's advice was such that the highest standards of financial reporting should be sought; the Code should not risk codifying an assumption which was not supported by evidence.</li><li>There will be benefit in transparency about the information deficits that have led to the issues in financial reporting.</li></ul> <p>The Chair commented that there is an important reputational point, including CIPFA LASAAC's reputation with FRAB. FRAB is respectful of CIPFA LASAAC and allows sufficient time on the agenda and offers helpful suggestions. However, there is a need to present local government in the light in which CIPFA LASAAC would like to be seen. The Chair expressed the view that problems in the practical</p>	

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	<p>implementation of the Code should not necessarily lead to a change in the Code, and that CIPFA LASAAC should keep this in mind when deliberating its proposals in this area. There is a need to balance all perspectives.</p> <p>Matt Hemsley noted that the government may be able to consider statutory provisions to alleviate the reporting issues in place and invited views on exploring this option.</p> <p>Michael Sutherland reflected on other activity from the FRAB meeting, including finalising the FRAB report for the year. The Chair's foreword reflects on the Code delaying the implementation of IFRS 16 <i>Leases</i> and indicating FRAB's regret in this delay as IFRS 16 is considered to result in high quality financial information. The discussion of (highways) infrastructure assets falls in this context, as FRAB is keen to avoid weakening the reporting framework.</p> <p>Jake Bacchus expressed the view that there is now a need to support preparers in taking practical steps forward. This may require careful communications to local authorities.</p> <p>Sarah Sheen made clear that the adaptation would not have been proposed if there were no economic rationale behind it, which would have supported high quality financial reporting.</p> <p>Christine Golding noted some authorities and audit committees are considering accepting a qualified audit opinion and expressed the view that a delay in finding a solution will increase pressure in this respect.</p> <p>Paul O'Brien commented that the assumption that replaced assets have a nil carrying value still seems reasonable, therefore queried what the nature of FRAB's lack of support for the proposed adaptation was. Karen Sanderson responded that if a nil value is the best estimate, there would be no issues. However, FRAB wanted assurance that where a nil value is used, it is because it is the best estimate, rather than because of an assumption in the Code. The preparer should have sound basis for the assumption.</p> <p>The Chair summarised that there is no solution in the Code at present for the derecognition assumption. The possibility of an amendment to the Code has not been ruled out; Task and Finish Group group might want to look again at options. CIPFA LASAAC may be in a position to produce guidance to help local authorities and their auditors. The Chair expressed the view that thought should be given to CIPFA LASAAC's communications on the matter, including progress to date and what will happen next. The Chair requested that the Secretariat produce an update before the summer break.</p> <p>Sarah Sheen noted that PSAA has asked to understand CIPFA LASAAC's views for an upcoming meeting, and that practitioners have asked for clarity at the CIPFA Local Authority Accounting Conference, confirming the need for an update to be provided to the sector.</p> <p>Paul Mayers emphasised the need to continue consideration of the long term solution.</p>	Secretariat

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<b>4</b>	<b>Readout on other items on FRAB agenda</b>	
4.1	<p>Other items on the FRAB agenda included:</p> <ul style="list-style-type: none"> <li>• IPSASB, IASB and ISSB updates</li> <li>• Updates from health and the devolved administrations</li> <li>• Update on the government finance review</li> <li>• The annual FRAB report</li> <li>• Verbal updates from the national audit bodies</li> <li>• Update on the BEIS consultation <a href="#">Restoring trust in audit and corporate governance</a></li> <li>• Wording on the treatment of social benefits, including timing of the recognition of social benefits in financial statements</li> <li>• IFRS 9; noted that the adaptation in place for central government is not expected to be relevant to local authorities</li> <li>• PPP arrangements and transition arrangements under IFRS16. This may have implications for local authority accounting, but will be returned to at the November FRAB meeting</li> <li>• Consideration of the need for a thematic review of discount rates. This is likely to be added to the work programme, although possibly not as a high priority</li> <li>• Update on WGA. Karen raised concerns around the completion rates of local authority audit with respect to inclusion in WGA</li> </ul>	
4.2	Sustainability reporting is expected to have particular relevance to local authorities. It is expected that the Task Force on Climate-related Financial Disclosures (TCFD) framework will be the basis of thinking for central government.	
4.3	<p>An update on the thematic review on operational property, plant and equipment was provided. This is considered of particular importance to local authority financial reporting and will particularly need to be considered for future solutions relating to the reporting of highways infrastructure assets.</p> <p>Michael Sutherland summarised broad conclusions. Michael noted a perception of disproportionate cost and burden, and that this perception differs between central and local government. The next stage of the thematic review will be to obtain quantitative data, for example on the cost of the current reporting regime, to inform next steps. It is considered unlikely that this will lead to a change in the 2022/23 Code.</p>	
<b>5</b>	<b>Any other business</b>	
5.1	None noted	