

Report

To: CIPFA LASAAC

From: Sarah Sheen, CIPFA Secretariat Advisor

Date: 15 June 2022

Subject: CIPFA LASAAC's Strategic Plan

Purpose

This report provides an outline of the issues which were included in CIPFA LASAAC's strategic plan and considers the opportunity to revisit and reset the plan.

Report

1. Introduction and Background

- 1.1 CIPFA/LASAAC last considered its strategic plan in detail in June 2021.
- 1.2 CIPFA LASAAC's work on the Strategic Plan has been stalled due to the work on the two emergency consultations which have required significant amounts of the resources of the Secretariat from December to date. CIPFA LASAAC will be aware that the work on accounting for infrastructure assets is still ongoing.
- 1.3 CIPFA LASAAC's Vision Statement and Strategic Aims are included below for ease of reference and in Annex A to the Invitation to Comment (ITC) but the Secretariat is of the view that they remain relevant to the work of the Board.

Figure 1 CIPFA LASAAC's Vision Statement and Strategic Themes

Vision Statement

UK local authority annual accounts should be widely recognised as an exemplar for clear reporting of the financial performance and position of complex public sector bodies. Users of accounts should be able to access the information they want to help them to understand the finances of an authority and to take practical and informed decisions.

Vision Implementation

To deliver the above vision CIPFA/LASAAC has three strategic themes:

A. Ensuring that the annual accounts clearly articulate their key messages regarding their financial performance and position

B. Engaging with stakeholders to raise awareness and understanding

C. Reviewing its operations to ensure it is able to deliver its vision.

- 1.4 In June 2021 the Board had six projects on its strategic plan. These are itemised in the table below including relevant updates:

Table 1 CIPFA LASAAC's Updated Strategic Plan – 2021

Project	Commentary	Status
Project 1 – <i>Materiality</i>	<p>CIPFA LASAAC decided not to take this project forward (but see the amendments to IAS 1 <i>Presentation of Financial Statements</i> in the ITC).</p> <p>This work will be taken forward by CIPFA per comments made during the development of the emergency consultation.</p>	Remove from Strategic Plan but receive updates from Secretariat as relevant.
Project 2 – <i>Improving the Presentation of Local Authority Financial Statements</i>	<p>This covered numerous items including the presentation of statutory adjustments.</p> <p>This work could be subject to debate by the Financial Reporting Hub (FRHub) and be considered by representatives from treasurer's societies (see streamlining workshop commentary in section 3 of this report).</p>	Ongoing work of FRHub
Project 3 – <i>Annual Development Programme for the 2022/23 Code</i>	<p>This project is almost complete and was delayed by the mandatory deferral of IFRS 16</p>	Substantially complete

Project	Commentary	Status
Project 4 – <i>PFI/PPP Working Group: Impact of IFRS 16 Leases on the Measurement of the Liability</i>	This work is almost complete – see project 3. Note that specific Guidance on PFI/PPP will need to be developed by the Accounting and Financial Reporting Forum.	Substantially Complete
Project 5 – <i>Implementation of IFRS 17 Insurance Contracts</i>	See ITC and CL 07 06 22.	Ongoing
Project 6 – <i>Narrative Reporting</i>	Some work was commenced on research issue into local authority narrative reports, but resource issues have meant that that was put on hold.	On hold

1.5 Following consideration of the issues outlined in this report, a recommended updated version for 2022 is included in Appendix 1. Appendix 1 also includes indicative timescales for each project though this may change following CIPFA LASAAC commentary.

1.6 The Secretariat would note that resource commitment to the emergency and now the urgent consultation has had a significant impact on its capacity, though not included separately in Appendix 1 it is likely that the Secretariat will need to commit further resources to the infrastructure assets issue and possibly other issues arising from the significant difficulties in local audit and this may be for at least a period of the next 12 months.

CIPFA LASAAC is invited to consider table 1 and the status of each of the projects.

2. Sustainability Reporting – Reporting the Impact of the Environment in Local Authority Financial Statement and Accompanying Reports

2.1 CIPFA LASAAC has sustainability reporting as a standing item on its agenda. The impact of sustainability and environmental issues on the public sector is pervasive. CIPFA LASAAC Members will be aware that climate change is one of the top priorities for government and particularly for local authorities where most have declared climate emergencies.

2.2 HM Treasury has a working group on sustainability reporting and CIPFA is currently updating its pan public sector publication on sustainability reporting. CIPFA LASAAC may also be aware of the work of the International Sustainability Standards Board (ISSB) and its two consultations issued on 31 March 2022¹, the consultations close on 29 July 2022. In addition, IPSASB is consulting on a sustainability framework for the public sector, the consultation will

¹ One sets out [general sustainability-related disclosure requirements](#) and the other specifies [climate-related disclosure requirements](#).

close on 9 September 2022. CIPFA will respond to these consultations and will request CIPFA LASAAC commentary on its responses.

- 2.3 CIPFA LASAAC Members will be aware that local authorities do not have an explicit requirement to produce a sustainability report. Sustainability reporting issues could, however, be addressed under most of the elements of local authorities' narrative reports. This could be addressed via augmentations to the guidance in the Code Guidance Notes and via CIPFA's publication on sustainability reporting.
- 2.4 This does not, however, address the reporting of the impact that the environment and other climate related matters have on the financial statements themselves. This is being considered by the HM Treasury Sustainability Reporting Group. Examples of the impacts are included in [Guidance on how to reflect the effects of climate related matters in financial statements](#), issued by the New South Wales Government.
- 2.5 Due to the overwhelming impact of climate and sustainability issues on local authority operational activities and thus on their financial statements and accompanying reports the Secretariat would recommend that sustainability reporting should be added to the CIPFA LASAAC Strategic Plan. The Secretariat has therefore addressed this in the ITC ie by describing the potential ways in which these reports could be effected. This is so that stakeholders can comment on the inclusion of sustainability reporting in CIPFA LASAAC's strategic plan but also to raise awareness of the issues that finance teams are likely to need to start considering.

CIPFA LASAAC is invited to consider the approach in the ITC and the inclusion of Sustainably Reporting in its strategic plan

3. Work of the Financial Reporting Hub

- 3.1 CIPFA LASAAC members have discussed the establishment of the Financial Reporting Hub. The FRHub was to be created as a permanent working group with members of CIPFA LASAAC and other members of stakeholder groups that have expressed an interest in local authority accounts presentation and financial reporting standards. The key purpose of FRHub is to support and advise CIPFA/LASAAC, CIPFA's Public Finance and Management Board and the Accounting and Financial Reporting Forum on practical aspects of technical accounting and financial reporting matters impacting local authority financial statements and related wider public sector financial reporting and to seek best practice, the FRHub though has not yet been formally established.
- 3.2 However, a workshop which included representatives from treasurers' societies did take place on 19 November 2021, this workshop, the Streamlining Workshop, considered the priorities for streamlining. The Streamlining Workshop noted the potential for separation of key areas of reporting such as, Pension Funds, Collection Fund and the Housing Revenue Account. The Secretariat would highlight that CIPFA is concerned that the Collection Fund Statement is becoming an unwieldy and a complex Statement which also interacts with statutory provision. CIPFA therefore considers that this should be prioritised for review.
- 3.3 The Streamlining Workshop concluded that action points to assess were:
 - Group Accounts (note that this was raised in the Emergency consultation deliberations)
 - Disclosures and assumptions – note that the critical judgements and estimation uncertainty assumptions was covered in detail in [CIPFA Bulletin 10: Closure of the 2021/22 financial statements](#), and

- A statement of intent on narrative reporting (it is suggested that this work is put on hold until there is more clarity about the direction of the standardised statement of service information and costs is taken forward).
- 3.4 The Secretariat would suggest that it would now be worthwhile to formally establish the FRHub and that CIPFA LASAAC may wish to consider making further recommendations, for example guidance on Sustainability Reporting.
- 3.5 To rationalise the work of the priorities already established by the Streamlining Workshop the work programme for FRHub would be:
- Group Accounts
 - Separation of the Pension Fund (note this was also identified as an issue in the Emergency Consultation)
 - Collection Fund Reporting.

CIPFA LASAAC is invited to consider the list of issues for the FRHub and whether any further could be added to the list

4. Review of the Format and Structure of the Code

- 4.1 CIPFA LASAAC will be aware that the list of projects under CIPFA LASAAC's last update of the Strategic Plan did not contain the review of the format and structure of the Code. CIPFA is undertaking significant work on an electronic platform to deliver its services, and this will include the Code so the format and structure of the Code will helpfully coincide with that exercise. However, to follow the stable platform the outcomes of the review will not bring about changes to the 2023/24 Code.
- 4.2 As with any review exercise it is important to set objectives for the outcomes of the review including the Code. The Secretariat would recommend the following objectives:
- prioritises CIPFA LASAAC's objective to promote high quality financial reporting and specifically its vision statement and strategic themes (see Annex A of the ITC)
 - ensures that its users are able to understand how local authorities can achieve the reporting of a true and fair view of its financial position, performance and cash flows
 - supports local authorities in ensuring that they are able to communicate the key messages of the financial statements to their users
 - is the principal source of local government financial and narrative reporting
 - is structured so that its provisions are readily accessible to its users
 - clearly sets out where local government circumstances and therefore reporting differ from both the private sector and in some cases the rest of the public sector, so ensuring that the adaptations and interpretations are clearly understood, and
 - identifies all of the reporting requirements for local authorities across the UK (including separate statutory reporting requirements for each of the devolved administrations and England).
- 4.3 CIPFA LASAAC may wish to refine these objectives, but the Secretariat is also of the view that it would be vital to get the feedback from the users of the Code and what they consider they would like the Code to deliver.

CIPFA LASAAC's views are sought on the review of the format and the structure of the Code and the objectives for the review and the production of future codes.

5. Commentary in the Invitation to Comment on the Strategic Plan

- 5.1 The Secretariat has included an outline of the issues that CIPFA LASAAC might want to communicate to stakeholders with regard to its strategic plan and how this might impact on future reporting. This is an early draft, and it is likely that this will need to be updated for CIPFA LASAAC's deliberations on this report.
- 5.2 In addition, the Secretariat has raised the issue that there needs to be a separate discussion with auditors, and a wider horizon scanning exercise to avoid future urgent consultations. This will be monitored by the Accounting and Financial Reporting Forum but is also addressed in the final section of the ITC (though this has been a traditional element of the annual consultation process).

CIPFA LASAAC is invited to comment on the approach in the ITC with regard to its strategic plan.

6. Recommendations

CIPFA LASAAC is also invited to comment on:

- **the updated strategic plan in Appendix 1 to this report**
- **what items it considers should be updated**
- **whether it agrees with the approach in the ITC**

Table 2 CIPFA LASAAC's Updated Strategic Plan – 2022

Project	Commentary	Status	Time period
Project 1 – <i>Sustainability Reporting</i>	<p>CIPFA LASAAC to consider impact of international changes to sustainability reporting frameworks and their potential impact on the Code.</p> <p>CIPFA LASAAC to review the consultation responses to the ISSB and IPSASB consultations.</p> <p>CIPFA LASAAC to receive updates guidance to be produced on this issue by Accounting and Financial Reporting and Sustainability Forums.</p>	Commencing	Likely to be medium to long-term.
Project 2 – <i>Improving the Presentation of Local Authority Financial Statements</i>	<p>This covered numerous items including the presentation of statutory adjustments.</p> <p>This work could be subject to debate by the Financial Reporting Hub (FRHub) and be considered by representatives from treasurer's societies (see streamlining workshop commentary in section 3 of this report).</p>	Ongoing work of FRHub?	Standing Committee
Project 3 – <i>Annual Development Programme for the 2023/24 Code</i>	See agenda item CL 07 06 22	Early draft of ITC being reviewed by the Board	By February 2024
Project 4 – <i>Implementation of IFRS 17 Insurance Contracts</i>	See ITC and CL 07 06 22.	Ongoing	By February 2026
Project 5 – <i>Horizon Scanning</i>	CIPFA Secretariat has raised the issue of having discussions with auditors to avoid urgent/emergency consultations	Ongoing	Likely to be medium term

Project	Commentary	Status	Time period
	<p>– see also last section of the ITC CL 07 06 22</p> <p>This work will principally be carried out by the Accounting and Financial Reporting Forum</p>		
Project 6 – <i>Narrative Reporting</i>	Some work was commenced on research issue into local authority narrative reports, but resource issues have meant that that was put on hold.	On hold but will recommence in third quarter of 2022	Initial Report – March 2023