

Draft Notes

CL 04 06 23B

Board	CIPFA/LASAAC Local Authority Accounting Code Board
Date	27 April 2023
Time	14:00-16:00
Venue	Microsoft Teams

Present

Chair	Conrad Hall (Chair)	<i>London Borough of Newham</i>
CIPFA Nominees	John Farrar	<i>Grant Thornton</i>
	Christine Golding	<i>Essex County Council</i>
	Joseph Holmes	<i>West Berkshire Council</i>
	Paul Mayers	<i>National Audit Office</i>
	Alison Scott	<i>Three Rivers DC and Watford BC</i>
LASAAC Nominees	Nick Bennett	<i>Azets</i>
	Gary Devlin	<i>Azets</i>

Observers	Jenny Carter	<i>FRC</i>
	Sudesh Chander	<i>HM Treasury</i>
	Elanor Davies	<i>Scottish Government</i>
	Sarah Geisman	<i>HM Treasury</i>
	Matthew Hemsley	<i>DLUHC</i>
	Steven Hill	<i>East Ayrshire</i>
	Derek Yule	<i>Task and Finish Group Chair</i>

In attendance	Iain Murray	<i>CIPFA, Director of Public Financial Management</i>
	Alan Bermingham	<i>CIPFA, Secretariat</i>
	Steven Cain	<i>CIPFA, Secretariat</i>
	Sarah Sheen	<i>CIPFA, Secretariat Advisor</i>

		Action
1	Welcome, introductions comments and apologies for absence.	
	Apologies were received from CIPFA LASAAC members as follows Jake Bacchus Hugh Dunn, Colette Kane (who also indicated that she supported Option 3) Jo McLaughlin (who sent Stephen Hill to attend as an observer) Apologies were also received from Alison Bonathan and Mohammed Sajid	
2	Declarations of interest	
2.1	No declarations of interest were noted.	
3	Report on Infrastructure Assets long term solution	
3.1	The Board received a readout on this report from Sarah Sheen, noting that DRC had been identified as the only realistic option to achieve acceptable reporting while avoiding issues around information deficits.	
3.2	Derek Yule, the Chair of the Task and Finish Group provided further commentary, including <ul style="list-style-type: none"> the survey which will seek to identify the costs, resource and time implications. Issues around information deficits / the quality of local records The prospects for simplification, and issues around using national v local rates. Issues around value for money, and the implications of improved information for budgets and financial management / asset management. 	

		Action
3.3	<ul style="list-style-type: none"> Issues around materiality Support from stakeholders <p>CH structured the conversation around</p> <ul style="list-style-type: none"> Whether any members disagree with the recommendation Assuming the recommendation is supported, how implementation might be made easier Communications aspects 	
3.4	CG noted that she was conflicted, expressing agreement that technically DRC was the only option that satisfied the required criteria, but also noted concerns about costs, resources, and readiness/timelines.	
3.5	NB noted the HMT Thematic Review and proposals for a move to Deemed Historic Cost approach for specialised assets, suggesting that if this were implemented it would be sensible to adopt a similar approach for infrastructure assets.(while noting that there would be high initial implementation costs). NB also noted that the HMT proposals for networked assets were to use DRC.	
3.6	GD similarly noted the potential benefits of a Deemed Historical Cost approach.	
3.7	JH echoed CG but indicated that a one-off approach would be beneficial. But if the timeline is not achievable this will derail any recovery of the audit and publication timetable. For that reason a review of the timeline may be appropriate.	
3.8	GD noted reluctant support for DRC from a technical perspective, but noted potential benefits from applying Deemed Historic Cost if this was legitimised by the HMT Thematic Review consultation . Also noted issues for infrastructure assets which are not highways	
3.9	AS noted risks attached to setting out CIPFA LASAAC proposals ahead of HMT Thematic Review. Also noted issues for infrastructure assets which are not highways. Reluctantly supporting Option 3.	
3.10	CH asked why infrastructure assets could not be treated as specialised assets in line with the HMT Thematic Review, rather than networked assets.	
3.11	SS not able to provide analysis for this due to disagreeing with the logic of the Thematic Review paper. SS also noted highways engineer arguments that it would be wasteful to adopt DHC by carrying out an initial DRC valuation, given that the majority of the costs were one-off, and maintenance of the dataset thereafter would be much less costly	
3.12	SG agreed with the analysis in the CIPFA LASAAC paper and provided some perspective on the HMT Thematic Review proposals.	
3.13	SS provided context on how simplifications might make implementation easier, and that if these were consistent with standards there would be no need for adaptation. Otherwise adaptation would be supportable. Perhaps around exclusion of land, or the use of national rates.	
3.14	CH noted that there might be scope for discussion with DLUHC on funding.	

		Action
3.15	AS noted that the costs of Deemed Historic Cost were very similar to DRC and this should be part of the communications.	Secretariat
3.16	CG noted the difference between the level of detail in valuation used by highways engineers compared to the greater precision required for accounting,	
3.17	CH suggested that it would be perverse if the data quality required for accounting is higher than that required for responsible asset management.	
3.18	SS noted that the HNA Code was specifically designed to make maximum use of highways management data. While some additional data may be required it may be because the auditor perceptions are no longer informed by the HNA Code.	
3.19	JH and IM discussed the reputational issues around specifying a date and not specifying a date, including the problems if the timeline was seen as unachievable.	
3.20	CH reflected on communication issues, including signposting the difficulty of budget allocation without info on the value that is probably ascribed to it. And that appropriate depreciation policies tie in with whether the road network is getting better or worse.	
3.21	GD noted the need to communicate outwardly to FRAB and other stakeholders, HMT etc about how this information is necessary for local government to comply with best practice and accounting standards and also and how the information will feed into important other national projects like WGA.	
3.22	CG noted the importance of communicating with and engaging with DfT.	
3.23	The need to produce a communications plan was noted, and to target appropriate messages at key stakeholders.	
3.24	Having regard to the discussions around Option 3, and the approach to specialised assets in the HMT Thematic Review, and the timelines, the Board agreed to proceed with an announcement that CIPFA LASAAC was developing a solution based on DRC but would review this in the light of the HMT Thematic Review. Implementation of the new requirements would not be actioned before 2025/26. (The meeting was not fully quorate but the required majority was achieved through email instructions provided with apologies for absence).	
4	Readout on CIPFA/LASAAC items on FRAB agenda	
4.1	The Board noted that the FRAB meeting agenda was very local government heavy, that Neil Harris spoke on their role, and also provided insight into FRC processes in the corporate sector which it might be appropriate to apply.	
5	Readout on other items on FRAB agenda	
5.1	The Board received a readout on other items, including reports of auditor difficulties in the NHS, and FReM proposals for IFRS 9 and IFRS 17 adaptations. There was an update on Sustainability and an update on a thematic review on performance reporting.	

		Action
5.2	IM noted that issues around Pension Triennial Revaluation were flagged to FRAB.	
6	AOB	
6.1	The Vice Chair vacancy was again noted. No board members had volunteered so the Secretariat may now be approaching individuals. CH encouraged members to apply	