

Notes

CL 03 04 24C

Board	CIPFA LASAAC Local Authority Accounting Code Board
Date	15 February 2024
Time	12:30-14:00
Venue	Microsoft Teams

Members	Conrad Hall (Chair)	<i>London Borough of Newham</i>
CIPFA Nominees	John Farrar	<i>Grant Thornton</i>
	Christine Golding	<i>Essex County Council</i>
	Mark Green	<i>Maidstone Borough Council</i>
	Joseph Holmes	<i>West Berkshire Council</i>
	Collette Kane	<i>Northern Ireland Audit Office</i>
	Alison Scott	<i>Three Rivers DC and Watford BC</i>
	JJ Tohill	<i>Mid-Ulster Council</i>
LASAAC Nominees	Nick Bennett	<i>Azets</i>
	Gary Devlin	<i>Azets (Vice Chair)</i>
	Paul O'Brien	<i>Audit Scotland</i>
Observers	Louise Armstrong	<i>HM Treasury</i>
	Jenny Carter	<i>FRC</i>
	Elanor Davies	<i>Scottish Government</i>
	Michael Brook	<i>DLUHC</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>
	Ben Matthews	<i>CIPFA, Secretariat</i>

	Agenda item	Action
1	<p>Welcome, introductions, and apologies for absence.</p> <p>Apologies were received from:</p> <p><u>Board members</u></p> <ul style="list-style-type: none"> • Kate Havard • Paul Mayers • Daniel Omisore • Joseph McLachlan <p><u>Observers</u></p> <ul style="list-style-type: none"> • Matt Hemsley • Emma Smith • Mohammed Sajid • Jeff Glass • Charlotte Goodrich <p>There are 15 full members excluding the LASAAC reserve. Attendance of 7 members is required to provide a quorum. Decisions on Code consultations require approval from at least 50% of the full membership so 8 votes provided in person, virtually or by email.</p>	
2	<p>Declarations of interest.</p> <p>None.</p>	
	Items for decision or review	
3	Post FRAB report on short term measures	
	<p>The Chair introduced the meeting - reconvening on the short term code measures sharing the constructive feedback received from the Financial Reporting Advisory Board (FRAB).</p> <p>The CIPFA Director of Public Financial Management then ran through key points from the FRAB meeting.</p> <ul style="list-style-type: none"> • FRAB were understanding of what CIPFA LASAAC were trying to do, working with other system partners in response to the significant local audit backlogs. FRAB had some useful comments which have been taken into account and noted in the revised Invitation to Comment (ITC) and Exposure Draft (ED). 	

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	<ul style="list-style-type: none"> • The key decisions for the board are clarity on the points FRAB made which are summarised at paragraph 2.3 in the report. • FRAB felt that mandating indexation was not something they would be able to support. They were concerned that it might hold some local authorities back if they are ahead and FRAB want to make sure the best available information is used to prepare accounts. • FRAB were keen to understand the starting point for indexation. They were concerned at using the last audited version as it could stretch back many years. • FRAB wanted to understand how indexation might apply to right of use assets. • FRAB wanted further clarification on impairment reviews to ensure it's clear that impairment reviews are still required where there are indications of impairment. • FRAB noted that the proposals are not that far away from the existing standards and therefore it may be worthwhile allowing other jurisdictions to make use of the proposals too. • There weren't any points of substance in relation to pensions and FRAB appeared to be broadly comfortable with the proposals. <p>The Chair asked for any general observations from the papers to start with.</p> <ul style="list-style-type: none"> • GD mentioned LASAAC have a meeting in late March where they will consider if the option to apply indexation should apply to Scotland too. • MG was concerned the proposals were too modest, especially compared to the other measures being announced by DLUHC in the recent cross system statement. MG also queried if the mention of a statutory instrument in the papers is still relevant. • CH acknowledged this is a piece of work to assist in the short term and the board will need to be clear on the aims for the reform stage. • IM agreed with Conrad and acknowledged there is a reform piece to complete as well. IM also noted that the audit proposals have been revised since the initial more radical suggestions were presented. The problem that system partners faced were red lines, where if certain changes were made it would be much harder to recover from them. • CH mentioned the importance of communicating that longer term reforms are going to be researched and that these are just short term recovery measures. 	<p>See summary of drafting amendments below</p> <p>Secretariat, Chair: to communicate that longer term reforms</p>

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	<ul style="list-style-type: none"> SC – another constraint was that system partners considered the requirement under legislation for local authority financial statements to provide a true and fair view, both in terms of the accounts presentation and the audit opinion. Some of the previous discussions were hoping to reduce the scope of application of auditing standards. <p>The Chair asked members to discuss the communication strategy and agree the detailed content in the ITC. The Chair asked for comments on the four points from FRAB at 2.3 in the report, the aim being for the board to be satisfied they have been addressed.</p> <ul style="list-style-type: none"> GD was interested in understanding the exit strategy when the short term measures expire. GD was keen for the communications to reference the timeline and when authorities would be expected to revert back to the original standard. CH – FRAB were concerned that short term measures could become elongated. CH requested that the end date of the proposals is made explicit at paragraph 17 in the ITC alongside being included at Annex C to emphasise the point. POB was pleased that FRAB were supportive of indexation being optional rather than mandatory. POB asked if it would be worthwhile referencing the HMT Thematic review in the ITC. POB also asked if the requirement for the carrying amount to not differ materially from current value still applies as part of the short term proposals. SC noted that the ITC does mention that CIPFA LASAAC is considering what it is doing to align with the HMT Thematic Review, although there were discussions about how much detail to include. SC noted that the ITC also includes reference to further work looking at accounting for pensions going forwards. CH requested that this be cross referenced in the consultation to be clear that medium proposals have regard to the HMT Thematic Review. SC also clarified that indexation is intended to be a form of current value which will still require professional judgement. IM – Indexation in the Code gives local authority preparers the opportunity to point to this as a reasonable basis for the measurement of assets. Although this will still be subject to local judgement and they will need to be able to justify that this results in a value for assets that is materially correct. POB – suggest being explicit in the ITC that even when applying indexation, practitioners will still need to ensure that 	<p>are going head at the ITC webinar.</p> <p>See summary of drafting amendments below</p> <p>See summary of drafting amendments below</p> <p>See summary of</p>

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	<ul style="list-style-type: none"> IM – noted that the indices used by the NAO wouldn't be able to be used, as need to maintain auditor independence from management. There is in house valuations capacity at CIPFA. However, IM agreed it needs to be a question in the ITC on who is the most appropriate body. The timing is clearly going to be a challenge and it is already later than would be ideal. IM also mentioned at FRAB a hierarchy for valuations was suggested eg most recent valuations would be the best information. However, if you have a valuation in previous financial statements then maybe you could use indexation. JJT – agreed that we don't need to resolve who will be issuing the centrally determined index right now. JJT suggested if we are going to have a multiple choice question for which body should be issuing the index. Then would it be beneficial to give some context on what DLUHC's responsibilities are in relation to local authorities. Furthermore, when would we need the index from i.e. is it at the start of the year, quarterly or at the end of the year. JJ would be in favour of giving practitioners an example of how it would work in practice. CH– it's probably best not to be specific on which body should be issuing the indices or including it as a multiple choice. The preferred method would be to leave the question open for respondents to suggest the appropriate authoritative body to issue the indices. CG – explained the approach at her authority. If they purchase a site or do work in the year, then it triggers a valuation. Depending on the level of spend would determine if it is a desktop valuation or a full valuation. CH – had concerns on issuing examples, as these can often be seen as authoritative guidance on all situations when there is usually more complexity. IM – we firstly need to ask the open question if indexation would be helpful for practitioners. Worked examples can be issued through bulletins if necessary. IM noted that indexation already occurs in the public sector – Central Government use indices, the NHS use indices and it is permissible in the Government Financial Reporting Manual (FRm). MB – Would need to defer to Matt on who would provide the index. Not sure it would be for DLUHC to provide the index and CIPFA would be better placed. CH mentioned that the ITC will leave the question open for respondents rather than suggesting a specific body. POB – HMT Treasury Thematic review consultation specifically rules out centrally determined indices and refers to using existing indices already available. POB questioned if it would be better to offer existing indices as an option in the short term code measures ITC. POB mentioned the questions are leading 	

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	<p>and it might be better to ask for preferences on centralised or locally determined indices.</p> <ul style="list-style-type: none"> • MB & GD had to leave the meeting due to other commitments. • CH noted that although the questions don't specifically ask that, there is the opportunity for respondents to say that it's not practical to use centrally determined indices. • JJT – Preparers will need the information early on, so they are able to start indexation on assets earlier on in the financial year rather than waiting until the end of the financial year. • NB – it would be better if DLUHC introduced legislation prescribing the use of indices to free up audit resource and help reduce the audit backlog. • CH mentioned that FRAB have been explicit that they would not endorse that as a proposal. It would also be for DLUHC to decide and not CIPFA LASAAC. • JF had concerns around the timing, such as the timetable for responses to the ITC, then getting an updated code to FRAB and issuing a code update for the 23/24 financial year. • IM noted the timing is already tight and late for 23/24 as a result of not being able to do everything the system were hoping to be able to do. For example, we were not able to disapply International Standards on Auditing (ISA) to solve valuations. This is going to be a difficult two-to-three-year period with modified and disclaimed opinions, these measures are designed to help the system recover over that period of time. DLUHC are not likely to provide the indices and there would be concerns if they have sufficient expertise to be able to provide the indices. If looking to government might look at the Valuation Office Agency (VOA). <p>In summary, the board requested the following amendments to the ITC.</p> <ul style="list-style-type: none"> • Include cross reference to the HMT Thematic review in the description of medium term changes being developed • Make the end date of the short term proposals explicit in the ITC. • Be clear on requirement to get a form of current value subject to materiality considerations with indexation. • Indices will have a regional element. • Add question asking when index information will be required. • Add question in the ITC along the lines of "who should be the appropriate authoritative body to issue the indices." 	<p>Secretariat to revise draft in accordance with Board instructions</p>

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	<ul style="list-style-type: none"> Remove the mention of a statutory instrument in the revised ITC <p>Additionally JJT raise a point on timing e.g. quarterly indices. JJT was happy to accept that this didn't need to be asked in the consultation that we would need to reflect on the practicalities of applying indexation. IM confirmed CIPFA will be looking into this in the meantime whilst the ITC is in progress.</p> <p>JC suggested in the meeting chat looking again at the drafting on impairment reviews and the associated mark up in the ED. In the ED it's about reviewing asset lives and residual values, which might be more appropriate than the link to impairment in the ITC.</p> <p>The Board agreed the draft ITC and ED subject to the requested drafting amendments being made. The Board agreed to delegate final approval of the revised draft ITC and ED to the Chair</p> <p>The timeline for making changes to the Code was discussed:</p> <ul style="list-style-type: none"> FRAB need to see the revised ITC and ED, they have committed to a 3 working day turnaround. It also needs to be approved by PFMB on CIPFA's side and by LASAAC. Send to FRAB, PFMB and LASAAC at the same time. Aim is to issue the consultation by 26th Feb to run for 4 weeks and end 22nd March. 14th March CIPFA LASAAC meeting will need moving back slightly to accommodate reviewing the consultation responses. Will then need to get approval from FRAB, PFMB and LASAAC for changes to the Code Realistically looking at the middle of April for Code changes. <p>Conrad mentioned scheduling a webinar to increase engagement with the ITC. IM mentioned doing a CIPFA webinar would be standard practice.</p> <p>IM also noted the FRC as shadow system leader are conducting roundtables over the next 6-8 weeks.</p> <p>CH noted the importance of working together with system partners.</p>	<p>Secretariat to progress practical examples for the application of indexation.</p> <p>Secretariat to review impairments drafting in the ITC and ED.</p> <p>Chair to approve revised draft</p> <p>Secretariat to reschedule 14th March CIPFA LASAAC meeting</p> <p>Secretariat to schedule a webinar</p>
4	Any Other Business	
	None.	

