

Minutes

CL 03 03 25A

Board	CIPFA LASAAC Local Authority Accounting Code Board
Date	6 November 2024
Time	10:00-14:00
Venue	CIPFA Mansell Street, London plus Microsoft Teams

Members	Conrad Hall (Chair)	<i>London Borough of Newham</i>
CIPFA Nominees	Sarah Edwards	<i>Pembrokeshire County Council</i>
	John Farrar	<i>Grant Thornton</i>
	Christine Golding	<i>Essex County Council</i>
	Mark Green	<i>Maidstone Borough Council</i>
	Kate Havard	<i>Audit Wales</i>
	Joseph Holmes	<i>West Berkshire Council</i>
	Paul Mayers	<i>National Audit Office</i>
	Daniel Omisore	<i>London Borough of Camden</i>
LASAAC Nominees	Alison Scott	<i>Three Rivers DC and Watford BC</i>
	Gary Devlin	<i>Azets</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>
	Jeff Glass	<i>Department for Communities (NI)</i>
	Kevin Pertaub	<i>HM Treasury</i>
	Matt Hemsley	<i>DLUHC</i>
	Emma Smith	<i>Welsh Government</i>
In attendance	Iain Murray	<i>CIPFA</i>
	Alan Bermingham	<i>CIPFA</i>
	Steven Cain	<i>CIPFA</i>
	Ben Matthews	<i>CIPFA</i>
	David Lyford-Tilley	<i>CIPFA</i>
	Hazel Watton	<i>CIPFA</i>

The Code of Conduct requires members to be honest and open with regard to conflicts of interest (either real or perceived). Members must not use their position for personal gain in either business, political or social relationships. Therefore, a member who has, or may be perceived to have, such a personal interest in a particular matter under consideration should declare that interest, withdraw from all discussions relating to it and take no part in any vote on such matter.

	Agenda item	Action Point
1	Welcome, introductions, and apologies for absence.	
	Apologies were received from: Colette Kane JJ Tohill Joseph McLachlan Mohammed Sajid	
2	Declarations of interest.	
	There were no declarations of interest except to the extent that all members have an interest in the preparation and audit of local authority accounts.	
3	Items for approval	
	The Board agreed the below documents which can be finalised: <ul style="list-style-type: none"> • Draft Minutes of 13 June 2024 meeting • Draft Note of 3 July 2024 post FRAB meeting 	Minor typo corrected in June minutes.
4	Action points	
	All actions complete apart from inviting a member from HM Treasury sustainability working group to provide an update to the Board at a future meeting. The Board thanked the Secretariat for the high standard of papers and effort put in to closing actions.	
	Items for decision or review	
5	Membership update	
	The Board welcomed Sarah Edwards who has been appointed as the Welsh preparer representative by CIPFA Cymru Wales. The LASAAC Secretariat provided an update on the two LASAAC nominee vacancies, noting that approaches have been made for volunteers who haven't served on LASAAC before. However, these haven't been successful so far, so future approaches may need to include those who have previously served on LASAAC. The Board noted the vacancy for a co-opted member.	
6	Wider context – a new government & moving into the future	
	The Board received a presentation from IM on the wider context of the Board's activities, discussing the new Government's plans to overhaul the current local audit system. This included proposals for how the board can ensure it is best placed to help shape the future, beginning with an independent effectiveness review.	

	Agenda item	Action Point
	<p>The Board were supportive of an independent effectiveness review and had some further thoughts:</p> <ul style="list-style-type: none"> • MG suggested the NAO would be best placed and agreed the perception of CIPFA LASAAC needs to improve. • DO noted with a new Government it's a great opportunity, especially to look at the purpose of Local Authority accounts. • AS would like to explore if annual Code development is necessary, or if there is flexibility on this, to provide capacity for other projects/discussions. • GD proposed the scope needs to be as wide as possible, covering membership, communications and capacity. • PM had concerns around timing, noting any review should be aligned with the Governments proposals for the local audit system. • IM noted the importance of keeping pace with other system developments and continuing to support the system, meaning the independent effectiveness review needs to happen soon, alongside Code development. • POB agreed that it's important to balance addressing immediate challenges whilst keeping an eye on the future, as an external review is likely to challenge why local government is behind other parts of the public sector such as with IFRS 16 and sustainability reporting. Although there are reasons for why previous decisions have been taken. • IM noted the aim is to scope the review as soon as possible. There may be the opportunity to tie in with the broader CIPFA governance review, but it would depend on timings. The review also needs to ensure it is considered through a UK wide lens, alongside the local audit backlogs in England. • The Chair requested a draft high level project plan and terms of reference, including indicative timelines be shared with the Board and a single-issue meeting scheduled. • GD noted LASAAC are also having strategy day and there may be opportunities to link together. • The Chair discussed recognising well known issues such as how the IFRS approach to accounting doesn't match up with everyday operational practice in local authorities. GD agreed. • MH reiterated that local audit and financial reporting is high on the new government's agenda. There is a vision document being progressed and due to be published before Christmas. • KP noted the reporting framework, resourcing and assurance need to work effectively together for financial reporting. The 	<p>Secretariat to share high level project plan with the Board and schedule single issue meeting to discuss.</p>

	Agenda item	Action Point
	<p>overall objective is that financial reporting and assurance serves public trust.</p> <ul style="list-style-type: none"> ES noted the level of information in local authority accounts is overwhelming and efforts to reduce this would be helpful. ED agreed. 	
7	Society of District Council Treasurers paper – Seven requests	
	<p>AS introduced the Society of District Council Treasurers (SDCT) paper outlining seven requests to improve district council reporting and help streamline the accounts and audit process. The paper is based on the premise that moving from International Financial Reporting Standards (IFRS) based accounts is not possible, although it does pose the question if the additional burden IFRS based accounts place on smaller authorities is proportionate.</p> <p>The Board were generally supportive of the paper and included below are additional thoughts from the Board:</p> <ul style="list-style-type: none"> DO would like to see standardisation of accounts. CK noted that dual materiality is used for the Department of Infrastructure in Northern Ireland where the magnitude of balance sheet items is an order greater than that of the income and expenditure statement. CK also noted that any changes to pensions would need to be across the public sector and not just for LA's. IM noted that the point on pensions has also been made at FRAB and they are open to hearing a public sector wide discussion focused on users of accounts. GD queried if smaller authorities should prepare accounts based on the FRS 102 accounting standard. POB suggested it would be helpful to discuss the use of adaptations to IFRS with FRAB. POB also suggested adapting the UK auditing standards for the public sector could be helpful, although there is no mechanism for this currently. MH noted the relationship between the accounting Code and audit. Auditors are required to audit against the requirements in the accounting Code. AS queried if some of the SDCT requests could be addressed through MHCLG statutory guidance. JC noted a key consideration for a different accounting approach is if the economics of a transaction are different. KP suggested the Board should also be open to adding information to the accounts if it makes them more useful for users. 	

	Agenda item	Action Point
	<ul style="list-style-type: none"> PM noted that LAs primarily hold assets for service delivery, and also have significant non-asset related expenditure, which between them require an expenditure basis for materiality. A convincing basis for using an additional asset based materiality would be needed, perhaps arguing that the balance sheet is also important. DO suggested reserves should be considered alongside the comprehensive income and expenditure statement as these make up the overall revenue position. CG noted the logistical challenges for County Councils collating information for the collection fund. <p>The Board noted that the paper was helpful, and each idea has some merit. The Board agreed that even though most of the asks are outside the Board's remit that they would look to influence system partners and look at if changes to the Code might assist.</p> <p>The Secretariat were asked to identify where the seven tasks are aligned with current workstreams and for those that aren't, provide an assessment of what might be possible and the impact of those suggestions.</p>	Secretariat to produce feedback paper on SDCT seven requests.
8	Better Reporting Group update	
	<p>DLT has been standing in as interim chair of the Better Reporting Group until a permanent chair is appointed and therefore introduced the papers by providing a brief overview to the Board.</p> <p>MG expressed concerns regarding progress and engagement. MG suggested the Board request a programme timetable from the BRG and external stakeholders have visibility of the groups work.</p> <p>CG expressed similar concerns regarding progress.</p> <p>KH had similar concerns and noted that there have been discussions on IFRS or non-IFRS accounting, which is repeating previous Board discussions. A clear view is needed from the Board and wider stakeholders on what they are looking for from the BRG.</p> <p>ED was concerned that some momentum had been lost, so clarity and direction from the Board would be helpful.</p> <p>The Secretariat agreed that building momentum has been difficult, and communication could be improved. For example, a meeting convened by BRG members without the Secretariat overlapped with planning for the following meeting. Additional resource is being allocated from within the team for project management and work is already progressing on external stakeholder engagement.</p> <p>The Chair reiterated the need for communication and keeping external stakeholders informed. The Chair also queried progress on appointing a chair of the BRG.</p>	

	Agenda item	Action Point
	<p>IM acknowledged the challenges, noting that the process took time due to feedback on proposals.</p> <p>IM suggested running an open exercise to recruit a chair of BRG.</p> <p>The Board agreed that the BRG is an ideas factory to improve financial reporting. It needs to be a safe space and enable a broad spectrum of ideas. The BRG can make suggestions for guidance and changes to the Code.</p> <p>The Board also expressed the importance of ongoing communication with the sector to keep them engaged and informed.</p> <p>POB was keen to ensure that there was appropriate representation across the UK and noted recent developments in sustainability reporting.</p> <p>The Chair was also keen to have broader representation where possible, including members with an academic or private sector background to bring a different perspective.</p> <p>MG suggested MHCLG be involved in the statutory adjustment project.</p> <p>GD noted the requirement for a permanent solution to infrastructure accounting.</p> <p>The Board agreed for an open advert and the selection process to be progressed by the Secretariat and the Chair.</p> <p>The Board were content with the projects suggested in the papers and requested projects set up with clear reporting lines for decisions and a programme timetable covering the next 12 months.</p>	<p>The Secretariat to advertise for chair of BRG.</p> <p>Secretariat to establish programme timetable for BRG and clear reporting lines in place for each project.</p>
9	Sustainability standing item	
	<p>The Secretariat informed the Board of two recent developments:</p> <ul style="list-style-type: none"> • The IPSASB sustainability standard consultation which was launched at the end of October 2024; and • CIPFA's sustainability forum is back up and running again, with a meeting scheduled for the end of November 2024. <p>It was agreed any CIPFA response to the IPSASB consultation would be shared with the Board for the opportunity to comment.</p> <p>The Board discussed the latest developments in sustainability reporting for Central Government and noted the TCFD phased implementation approach might also work for local government.</p>	<p>Secretariat to share CIPFA response to the IPSASB consultation with the Board.</p>

	Agenda item	Action Point
	Still to be determined is how sustainability reporting would be mandated i.e. is it within the remit of CIPFA LASAAC or is legislation required from MHCLG.	
10	Local Authority Accounting Conference	
	The Chair and Secretariat provided feedback to the Board on how the Local Authority Accounting Conference went. Noting that overall, the event went well and provided helpful information, including covering wider issues in the sector alongside technical content.	
11	Feedback Statement on the 2023/24 Code	
	<p>AS suggested including reference to the Better Reporting Group in the feedback statement to acknowledge the Board are looking at wider financial reporting.</p> <p>The Secretariat acknowledged publication of this feedback statement had been delayed, as it usually coincides with publication of the Code and this should be the case going forward.</p> <p>The Board agreed for changes to the feedback statement to be approved by the Chair.</p>	Amendments to be made to the 2023/24 Code feedback statement and agreed with the Chair.
12	Development of the Consultation on the 2025/26 Code (Including strategic work plan items)	
	<p>The Chair set the scene for the Board to consider the consultation in line with the wider context discussed earlier in the agenda.</p> <p>The Secretariat introduced the papers by providing a brief overview to the Board, noting the Board previously committed to implement the HMT Thematic Review in 2025/26. The Secretariat felt that there would be benefits from implementing the proposals and make things easier for practitioners primarily through the use of indexation. There is also guidance that has been produced for HMT, which can hopefully be repurposed for local authorities</p> <p>The Board discussed whether to implement changes from the HMT Thematic Review in 2025/26, points raised during the discussion were:</p> <ul style="list-style-type: none"> • JC suggested including more information on the benefits in the ITC. • JF supported implementation of the HMT Thematic Review but sought assurances on guidance being in place. • IM acknowledged it is a lot of work, but achievable. Guidance would be dependent on the proposals being implemented in the FReM and there was an item still being discussed regarding alternative sites. However, the VOA guidance is well progressed with HMT and would be largely applicable to local authorities. However, it stops short of prescribing indices, which is something that would need to be worked through. 	

	Agenda item	Action Point
	<ul style="list-style-type: none"> CG expressed concerns regarding the changes to DRC valuations as there may be quite a few local authorities that have valuations based on alternative sites. AS was keen to ensure that the debate between auditors and preparers doesn't move from specific asset valuations to indices. However, the changes would show a real direction of travel in trying to simplify reporting for the sector. Discussions on the auditing of indices concluded some authorities are already using indices, so including it in the Code would normalise this existing practice and provide a framework for practitioners to point to. JC queried if there were any issues with timings i.e. the Code being issued a bit later than usual in June. IM suggested this could be addressed by communicating changes as early as possible to give practitioners time to prepare. DO expressed support for implementing changes from the HMT Thematic Review as it signals intent and has potential to really move the dial. DO was also keen for guidance to assist practitioners with implementation. POB was supportive of implementing changes from the HMT Thematic Review noting the expected time savings and thorough process HMT have undertaken to identify a suitable solution for the non-investment asset valuation regime, which included involvement from the NAO. There's likely to be some transitional challenges, such as discussions on indices in year 1. However, guidance could assist practitioners with these challenges. AB noted indices are already used in Northern Ireland and the government issue an accounts direction. A non-departmental body use centrally collected information to publish indices for authorities to use, to enable a level of uniformity. IM noted this was another part of the system prescribing indices i.e. statutory guidance, which could be another option to consider. AS noted discussions regarding indices used are likely to occur in the first year, but this will then provide a basis for future years. AS & GD noted the need to bring out more of the practicalities of indexation and ask in the consultation what guidance/support would assist practitioners. The ITC should acknowledge guidance will be produced in due course. <p>The Board agreed that the ITC should propose implementing changes aligned with the HMT Thematic Review by a majority of nine to two. The Board were content with the Chair to approve the final version.</p>	

	Agenda item	Action Point
	<p>The Board requested context of the debate re: change and no change to be included as an executive summary to the consultation to help the reader understand what the Board are trying to achieve.</p> <p>Some board members had to leave before discussion of the remaining items. These items were supported by all members present but were one vote short of being able to proceed with the other items in the ITC.</p> <p>Members who weren't present for the full discussion were therefore asked to indicate via email whether or not they support the other proposals for content in the draft ITC, in relation to the following issues:</p> <ul style="list-style-type: none"> • Changes to standards for 2025/26 • Legislative changes • CIPFA LASAAC's strategic plan • The Better Reporting Group • Other financial reporting or emerging issues • Further Guidance <p>Members were also asked to confirm whether they supported the inclusion of material on the following item, subject to drafting amendments requested at the 6 November meeting.</p> <ul style="list-style-type: none"> • The purpose of Local Authority accounts – Financial Reporting and Audit in Local Authorities inquiry. <p>The board members at the meeting directed that they supported the inclusion of material on this in the ITC, acknowledging that this is a live debate and the board intends to come back to it. However, they did not support including questions on this matter, so these should be removed from the ITC text.</p> <p>Following email correspondence with members who were not present for the full discussion, sufficient votes were received to proceed with these other items in the ITC in line with what was agreed by members present at the meeting.</p> <p>There were some further overall comments at the meeting regarding the 2025/26 Code consultation:</p> <ul style="list-style-type: none"> • CG expressed capacity concerns for practitioners to respond to the consultation. IM noted there would be other ways to engage, such as through a webinar. • GD noted how well written the papers were. 	<p>The Secretariat to make changes to the ITC and ED that have been suggested and finalise with the Chair.</p>
13	Board to consider whether there are any matters they consider should be referred to FRAB.	
	None.	
14	Standard Setting Horizon Scanning	

	Agenda item	Action Point
	The Secretariat noted that key topics in the Horizon Scanning paper had already been considered throughout the meeting.	
15	Any Other Business	
	Joseph Holmes notified the Board this would be his last meeting as after many years he was resigning from his role on the board and thanked colleagues. The Chair thanked Joseph for his contributions to the Board too.	
16	Dates of next Board meetings: <ul style="list-style-type: none"> • 28 November 2024 (post FRAB) <p>Meeting dates for 2025 are in the process of being determined. Outlook schedulers will be sent once dates have been confirmed. Meetings are usually held in:</p> <ul style="list-style-type: none"> • March • June • November face to face 	