



Exceptional consultation on time-limited changes to the Code

CIPFA LASAAC

The Chartered Institute of
Public Finance & Accountancy

Agenda



Background



Next Steps



Long list of options (NB a number are not within the terms of reference of the Board)



Questions and your views



Options explored

Why explore changing the Code?

- In December 2021 the government announced a package of measures to improve the local audit position in England
- DLUHC wrote to CIPFA LASAAC asking the Board to consider if it could develop time-limited measures to ameliorate the situation
- 91% of audited financial statements for 2020/21 not published by 30 September (70 sets of 2019/20 accounts also still outstanding). Has improved since then but backlogs are likely to impact on future years
- Emergency situation where all stakeholders should try and look for resolution

CIPFA LASAAC's Deliberations

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) has been developed under rigorous due process. It is not the problem but could be a part of a temporary solution

The issue around publication of audited financial statements primarily relates to England. It is not a UK-wide issue

DLUHC suggested approaches in relation to the valuation of operational property plant and equipment

CIPFA LASAAC undertook rigorous deliberations and considered this and a number of other options (see later)

Looking for time limited solutions – decisions will be pragmatic but seek not to lose high quality financial information to support accountability

Approach to options

Difficult and not typical process for making changes to the Code – concern about diluting high quality financial reporting but willing to consider a pragmatic approach

Different views of the Board – unusually not unanimous

Long list of options to enable the widest deliberations

There was sufficient support **to explore** two main options that appear to have the most potential to alleviate resource issues relating to the preparation and/or audit of local authority accounts

Considered 'do nothing' option (supported by some members)

Because not a normal process it is vital that we have the views of local authority accounts preparers, auditors and all other stakeholders to ensure that this is the best way forward (it will help with resource issues) but also that there are no unintended consequences

Long List of Options

Make no changes to the Code

Changes to valuation approach (encompassing materiality considerations)

Suspending the requirement for group financial statements

Decoupling pension fund reporting from administering authority financial statements

Delaying the implementation of IFRS 16 (voluntary or mandatory)

Reducing disclosure requirements for pension fund assets in authority financial statements

Suspending or abating local government input to WGA

Non-publication of 2021/22 financial statements

Options to be explored

- Two main options:
 - 1 Allowing local authorities to ‘pause’ valuations (and whether indexation should also be used) – *note that this change would have to be issued before 31 March 2022*
 - 2 Deferral of IFRS 16 Leases



‘Pausing’ Valuation

- Explored as a temporary expedient for operational property, plant and equipment measured at current value.
- Would **not** apply to
 - investment properties,
 - any property, plant and equipment measured at fair value or
 - property, plant and equipment which uses depreciated historical cost as a proxy
- Pausing may not be too different from current valuation in the short term as much of a local authority’s asset base could be materially accurate over the period
- Indexation would seek to mitigate the risk that ‘paused’ valuations are sufficiently different from the IAS 16 figure to affect decisions made by the users of the accounts

Pausing Valuation: What is being explored?

Pause plus indexation option - the measurement for these assets would be declared to reflect the indexation adjusted calculation, rather than being an estimate of the IAS 16 revaluation basis figure.

Either of the pause options would need to be declared as an accounting policy (note that the proposals also include an adaptation of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*)

Current value important to reflect stewardship and accountability but short-term changes perhaps not immediately relevant to the economic decisions taken by the users of local authority accounts.

CIPFA LASAAC's Considerations

- Proposals will need to be discussed with auditors
- Liaison with RICS
- Discussing statutory provisions
- Jurisdictional application
- Important to consider that this would be a temporary expedient and there would need to be a mechanism to revert to the current provisions in the Code



IFRS 16 Leases Deferral

CIPFA LASAAC extremely reluctant to propose this change

IFRS 16 provides better financial information to users of the accounts

Rest of public sector will apply IFRS 16 in 2022/23

Further deferral for local authorities

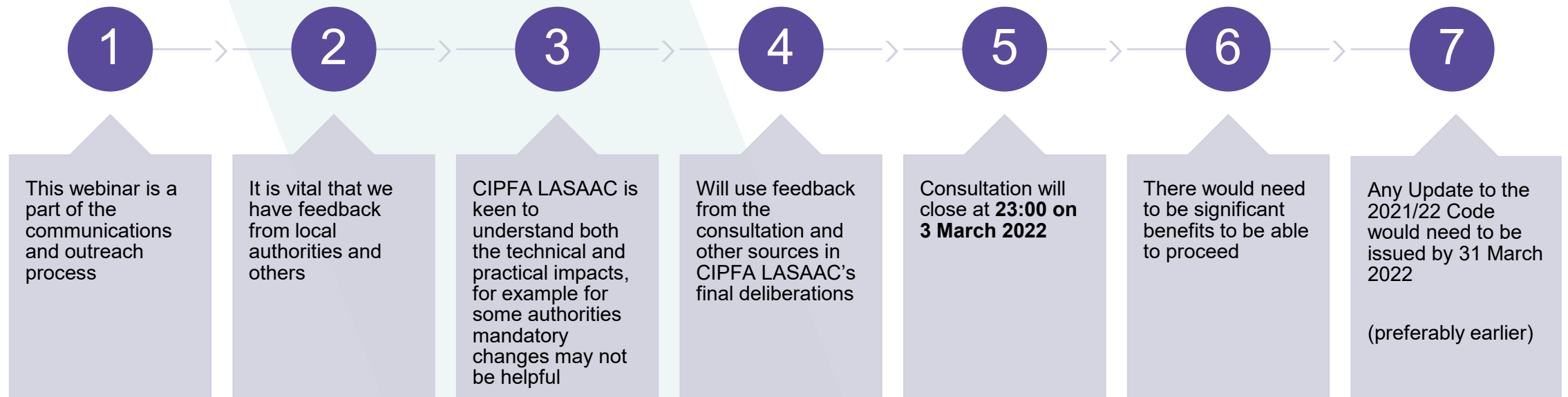
Issues for WGA and government financial statistics

If this option is taken:

CIPFA LASAAC would prefer to take a consistent approach across the UK but has asked a question on jurisdictional application

No changes would be made to the 2021/22 Code. IFRS 16 provisions would not be included in the 2022/23 Code

Next Steps



Please respond to cipfalasaac@cipfa.org

Questions



Any Feedback for
CIPFA LASAAC?

