

# Draft Minutes

CL 03 11 21A

Board	CIPFA LASAAC Local Authority Accounting Code Board
Date	6 <sup>th</sup> June 2021
Time	14:00 – 16:00
Venue	Microsoft Teams

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## Present

Chair	Conrad Hall (Chair)	<i>London Borough of Newham</i>
CIPFA Nominees	Deryck Evans	<i>Audit Wales</i>
	John Farrar	<i>Grant Thornton</i>
	Christine Golding	<i>Essex County Council</i>
	Joseph Holmes	<i>West Berkshire Council</i>
	Lucy Hume	<i>North Norfolk District 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	Hugh Dunn	<i>City of Edinburgh Council</i>
	Joseph McLachlan	<i>East Ayrshire Council</i>
	Paul O'Brien	<i>Audit Scotland</i>
	Gillian Woolman	<i>Audit Scotland (Vice Chair)</i>
Co-optee		<i>Position vacant</i>
Observers	Jenny Carter	<i>FRC</i>
	Vikki Lewis	<i>HM Treasury</i>
	Jeff Glass	<i>Department of Communities (NI)</i>
	Matt Hemsley	<i>MHCLG</i>
	Michael Sunderland	<i>HM Treasury</i>



		Action
	<p><i>Items taken to CIPFA LASAAC agenda</i></p> <ul style="list-style-type: none"> <li>• A10-A11 on filling Board vacancies (Item 5)</li> <li>• A14 on Strategic Plan (ongoing)</li> <li>• A25 on Wider Role of Board Members (Item 11)</li> </ul> <p><i>Other actions to be progressed soon</i></p> <ul style="list-style-type: none"> <li>• A4 on possible consultation on standardised statement</li> <li>• A15 on treatment of statutory adjustments in Scotland</li> </ul> <p><i>Other actions to be progressed in due course</i></p> <ul style="list-style-type: none"> <li>• A2 Strategic Plan: Code structure: One chapter to be re-modelled as an example</li> <li>• A17 on consideration of virtual versus in-person meetings when the latter become permitted and safe</li> </ul>	<p>CIPFA</p> <p>CIPFA</p> <p>CIPFA</p> <p>Board members</p>
<b>5</b>	<b>Update on Membership</b>	
5.1	<p>The Board noted progress as follows:</p> <ul style="list-style-type: none"> <li>• The Board vacancy to represent metropolitan councils has been advertised via the CIPFA website and relevant CIPFA circulations and remains open until 18 June. An expression of interest has been received. The Chair encouraged Board members to draw this to the attention of any suitable candidates they might know in their networks.</li> <li>• The Board welcomed Liz Thomas from Flintshire CC, who attended the meeting as an observer. Subject to confirmation by CIPFA Wales Cymru, she will be the Welsh preparer representative at the next meeting</li> <li>• Leigh Lloyd Thomas has resigned and his co-opted member position is now vacant. It was noted that there is no specified procedure for selection of co-optees. The Chair asked Board members to reflect on prospective co-optees.</li> </ul>	<p>CL secretariat/Chair to progress</p> <p>Awaiting confirmation from CIPFA Wales Cymru.</p> <p>Board members</p>
<b>6</b>	<b>FRAB Update</b>	
6.1	<p>An update on matters to be discussed at the next FRAB meeting was provided, encompassing</p> <ul style="list-style-type: none"> <li>- An update on progress with the 2020/21 reporting cycle</li> <li>- A paper on Sustainability and Sustainability Reporting Guidance. There is a lot of movement in this area at the moment, and a working group of FRAB is proposed. CIPFA and other relevant authorities would be invited to participate</li> <li>- Update on UK Endorsement Board from Jenny Carter</li> <li>- Update on BEIS Consultation on Audit Reform from NAO, reflecting on their perspective and issues around the authority of the C&amp;AG and devolved administration counterparts.</li> </ul>	

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	<ul style="list-style-type: none"> <li>- Update on WGA completion which has been delayed</li> <li>- A proposed adaptation of IFRS 9 to guarantees issued under non-commercial terms</li> <li>- Proposed changes to discount rates</li> </ul> <p>The CIPFA LASAAC board provided feedback on progress with the 2020/21 reporting cycle in local authorities.</p> <p>CIPFA Financial Advisors Network will provide information to allow Karen Sanderson to give an update at FRAB.</p> <p>The discussion noted changes to statutory deadlines in Wales, which need to be picked up in the Code.</p> <p>The adaptation of IFRS 9 may also be relevant to the Code and may need to be consulted on in the ITC.</p>	<p>CIPFA</p> <p>CL Secretariat</p> <p>CL Secretariat</p>
<b>7</b>	<b>Materiality</b>	
7.1	<p>The Board considered the project plan and supporting working papers on Materiality.</p> <p>The Deputy Chair</p> <ul style="list-style-type: none"> <li>• noted the strong read across between the Materiality project and agenda item 10 on Streamlining (now reframed in terms of improvement of local authority financial statements).</li> <li>• noted that the Redmond material goes beyond the anticipated scope of this project as developed at the Board Away Day.</li> </ul> <p>Audit members noted that the project plan has quoted older Code text from before the recent IAS 1 amendment. Project plan to be amended accordingly.</p> <p>Several members and the FRC observer expressed concern that the Redmond material was conflating materiality and measurement, and some of the measurement issues had been explored relatively recently,</p> <p>Other members set out their views that there is a materiality issue, albeit linked to measurement.</p> <p>Other members noted the significance of these matters in discussions between preparers and auditors, which they considered to be very much a discussion of what is material. Issues around balance sheet and performance statement materiality were also discussed.</p> <p>The Chair directed the Secretariat and Working Group to make sure that these latter points were encompassed by the project plan.</p> <p>The Chair also reflected on concerns that some of the matters may not be susceptible to solutions in the mandatory Code material. The application of materiality is an art rather than a science, and guidance developed by LAAP or others may be a more suitable means to help preparers.</p> <p>The Chair's comments were reinforced by several Board members. An audit member suggested that while there is guidance, the Code might</p>	<p>CL Secretariat</p> <p>CL Secretariat</p>

		Action
	<p>be able to help preparers have the confidence to apply the guidance. Improved emphasis on the need to avoid 'obscuring' information may be helpful.</p> <p>The Chair suggested that the Code ITC cannot address the Redmond issues in detail. It may be possible to include an invitation to comment on these issues in general terms.</p> <p>The Deputy Chair reiterated the point that preparers already have the option to apply materiality, that good work had been done in this area, and that the project working group could develop a 1 page help sheet on this, referencing other useful guidance. In response</p> <p>It would however, not be possible to complete this by the next meeting on 28 June 2021.</p>	CL Secretariat/ Working group
<b>8</b>	<b>Implementation of IFRS 17</b>	
8.1	<p>The Board considered the project plan and other papers on Implementation of IFRS 17.</p> <p>Having regard to the current lack of evidence that there are significant issues for local authorities, the Board agreed the proposed approach which is that the ITC should propose continuation of the current minimalist approach to Insurance in the Code, while seeking to prompt proper consideration of the issues, and backing this up through discussion with respondents to the 2021/22 ITC.</p> <p>The LAAP Chair offered to help develop information which could be used to help raise awareness of potential insurance issues.</p>	LAAP Chair CL Secretariat
<b>9</b>	<b>ED and ITC</b>	
9.1	<p>The Board carried out some review of the draft ED and ITC, but deferred full consideration until the 28 June 2021 meeting.</p> <p>The LAAP Chair suggested that to help consideration of the PFI/PPP liability it would be helpful to map out the impact of the proposals.</p> <p>Additionally, the LAAP Chair indicated that it would be helpful to have guidance on how to implement the proposals.</p> <p>The Deputy Chair suggested that when there are calls for Case Study material in the ITC or Exposure Draft, Board members might consider helping with the provision of such material, where they and their networks which may be much better placed to provide.</p>	CL Secretariat  [Working group if appropriate after the 28 June 2021 meeting decision] Board members
<b>10</b>	<b>Streamlining and Improving Local Authority Financial Statements</b>	
10.1	<p><u>Presentation from Treasurers' Societies</u></p> <p>Jake Bacchus from Westminster City Council gave a short presentation, reflecting on a letter sent by the presidents of the various English treasurers societies. He explained that this initiative was prompted by the Redmond Review, while also following up very constructive work which had been done with CIPFA's Local Authority Accounting Panel in developing the publication <i>Streamlining the Accounts</i>.</p>	

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10.2	<p>The group saw the Redmond proposals for a standardised statement of service information as an opportunity for practitioners to come together to support CIPFA and CIPFA LASAAC. The group was keen that this should not be considered an unrelated report to the financial statements, simply becoming an add-on to current responsibilities for preparers and auditors. The group considers that the additional transparency and accountability provided by the statement should perhaps allow for more streamlined reporting in the full financial statements.</p> <p>Reflecting on the perceived opacity in the accounts, the group consider that there may be a need for education of key stakeholders. These might be audit committees or e.g. residents.</p> <p>The group noted the pressures on audit firms, and more generally reflected on resource issues in local authority finance teams and perhaps even CIPFA – the experts who can help make progress on matters such as these may be in short supply, so it makes sense to come together and co-operate.</p> <p>This might also help engage local authority finance practitioners in the development of the Code, recognising that not all of them have the capacity to respond, especially under current circumstances. Rather than relying on individual local authority finance teams to respond to Code ITCs, there is scope for views to be developed by e.g. Treasurers societies who can develop and test positions within their membership to produce co-ordinated responses to ITC questions.</p> <p>Board members were keen to explore this offer which seems to be helpful and constructive. They recognised the points being made in relation to education, which apply more widely than England.</p> <p>The Chair noted that there might be a role for education among practitioners, who may not be aware of the constraints under which the Code is developed in order to provide high quality financial reporting which also fits with other public sector reporting.</p> <p>A key element of any co-operation would be obtaining a mutual understanding of the constraints which CIPFA LASAAC and practitioners are working under. It would also be good to understand how the treasurer's group anticipates the relationship it would have with CIPFA and CIPFA LASAAC working.</p> <p>Jake Bacchus acknowledged these and other points, and suggested that a scoping meeting could explore the remit of what a joint group can do. There is a need to manage expectations given that CIPFA LASAAC is not in a position to influence audit practice and has no direct input to the legislative process.</p> <p>The Chair determined that it would be helpful for CIPFA and the Chairs to discuss how to progress this.</p>	<p>CL Secretariat, Chair and Deputy Chair</p>

		<b>Action</b>
10.3	<p><u>Scope of Streamlining Project (reframed as 'Improving Presentation)</u></p> <p>Secretariat noted that 3 sub-projects are proposed to address</p> <ul style="list-style-type: none"> <li>- a perception that statutory adjustments cause complexity, and options around this will be explored</li> <li>- options might be pursued to highlight the content of the performance statement, while also keeping an eye on the Redmond review developments</li> <li>- improving the reputation of local authority financial reporting facilitated by the setting up of a Financial Reporting Hub to spread good practice</li> </ul> <p>An audit member agreed that these were very much the relevant priorities.</p> <p>Several members noted that the proposals are of wide application, and while responding to the Redmond Review, are not just relevant to England. The messaging may need to be carefully handled to achieve the aim of improving reputation in all of the jurisdictions.</p> <p>The Board agreed the project plan, anticipating a paper from the Working Group in September</p>	Working Group CL Secretariat
<b>11</b>	<b>Any other business</b>	
11.1	<p>The Chair and Board reflected on the wider role of Board members and the value of promoting CIPFA LASAAC. For example by supporting Technical Update days, e.g. by presenting a session or chairing a session. Or by representing the Board in their treasurers networks, chief accountant networks or auditor networks.,</p> <p>Other members agreed that Board appearance at events will raise the profile of the Board in a beneficial way and help develop a relationship.</p>	
11.2	<p>The Deputy Chair raised the possibility of Alison Ring, Head of Public Sector and ICAEW attending Board meetings as an observer.</p> <p>The Chair suggested that this be discussed at the next meeting, and that this might encompass both attendance as an observer and consideration as a co-optee.</p> <p>The Chair also asked CIPFA to consider if there were any issues raised by attendance of a representative of another institute.</p>	Board  CIPFA