

# report

Paper CL 07 02-14

Committee	CIPFA/LASAAC
Venue	Robert Street, London
Date	20 February 2014
Author	Sarah Sheen, CIPFA, Technical Manager, Local Government Financial Reporting
Subject	Streamlining and Simplification of the Presentation of Local Authority Financial Statements

---

The purpose of this report is to propose an action plan following the consultation on streamlining and simplification of local authority financial statements.

## 1 Streamlining and Simplification of the Presentation of Local Authority Financial Statements

### *Introduction*

1.1 The *Streamlining and Simplification of the Presentation of Local Authority Financial Statements* consultation ran during the same period as the consultation on the 2013/14 Code i.e. from the end of July to 11 October 2013. As reported at the November meeting of the Board CIPFA/LASAAC members will remember that three themes arose from the consultation responses:

- Local authority financial statements are too complex and overburdened by too much information.
- The performance statements do not reflect local authority measures of performance i.e. general fund and HRA balances.
- Reporting issues under the *Service Reporting Code of Practice* and segmental reporting.

1.2 This report will provide an action plan for CIPFA/LASAAC as a result of the consultation and in the light of other projects both in the UK public sector and by standard setters (IASB). Board members' views are sought on the way forward. The action plan will set up both short-term and long-term actions.

### *Short-term actions*

1.3 In the short term CIPFA/LASAAC has already indicated that it wishes to provide a statement for local authority accounts preparers reinforcing the tools available to them under the Code and IFRS. This will principally focus on the messages in

IFRS which clearly specify that local authorities need not include disclosures if they are not material to the financial statements.

- 1.4 The second short-term measure will be that in developing the 2015/16 Code the Secretariat will ensure that it focuses on any developments which will assist accounts preparers in ensuring clutter is removed from local authorities financial statements. One such possible approach is already suggested in agenda item 6 for heritage assets. It should be noted that this has always been the approach by the Board and the Secretariat since the introduction of the IFRS-based Code

*Long-term actions*

- 1.5 The Secretariat has previously reported to CIPFA/LASAAC that it is working with Birmingham City Council on ways in which clutter can be removed from local authority financial statements and in which key messages included in local authority financial statements can be promoted. The Secretariat anticipates that any lessons learnt from this process will be able to be disseminated more widely. If necessary and/or possible this may be able to feed into the development programme of the 2015/16 Code. The Secretariat will include any appropriate development proposals in the consultation papers for CIPFA/LASAAC's review at its June 2014 meeting.

- 1.6 At the November and previous meetings of CIPFA/LASAAC the Secretariat has reported on the HM Treasury project on streamlining and simplification of the annual report. The long-term actions will need to align where possible with the outcomes of the HM Treasury project. It is important to note, however, that this will need to reflect local authority circumstances and particularly local authority users of the financial statements. These will be different from those of central government. The Secretariat will include any relevant proposals in the consultation on the 2015/16 Code.

*Longer- term actions – the second stage of the post implementation review*

- 1.7 The post implementation review committed to reviewing the main local authority financial statements following the closure of the 2012/13 accounts. This review will take place during April and May and if necessary feed into the forthcoming consultation on the 2015/16 Code. The comments from the consultation on the streamlining and simplification of the presentation of local authority financial statements will provide useful information to feed into the review. If CIPFA/LASAAC members are aware of any practice in local authority financial statements which assists with demonstration of the key messages this would be useful to include in the review.

- 1.8 As agreed in March 2013 by CIPFA/LASAAC the review of the financial statements can include consideration of the comments made by Nick Bennett at the end of the post implementation review relating to the links between GAAP and local authority performance statements.

- 1.9 Following the comments on segmental reporting issues it is suggested that review be extended to include segmental reporting.

*Longer- term Actions – Align with Actions of other Bodies including Standard Setters*

- 1.10 The IASB also plans to start a project on how disclosures in IFRS can be improved. There are three strands to this project

- Amendments to IAS 1: this has been considered in the developments report (see also agenda item 6).
  - Materiality: The IASB will seek to develop educational material on materiality with input from an advisory group.
  - Separate project on disclosure: The IASB will consider as part of its research agenda the broader challenges associated with disclosure effectiveness.
- 1.11 Where relevant the Code development programme will pick up any changes to IFRS. The Secretariat will monitor these developments and feed them into review processes aligned above and Code development is necessary.
- 1.12 In addition the narrative reporting requirements of the Code will need to take into account the developments of Integrated Reporting framework established by the International Integrated Reporting Council (IIRC).
- 1.13 The third theme of the consultation responses was that the requirements of the *Service Reporting Code of Practice* (SeRCOP) lead to further complexity for financial reporting requirements and additional reporting burdens (for example for overhead apportionment). Some of these issues may be picked up in the reviews specified above. However, SeRCOP is developed by the Local Authority Accounting Panel (LAAP) annually and Secretariat will bring the relevant issues to the attention of LAAP and feedback their comments to the next meeting CIPFA/LASAAC.

## Recommendation

### **CIPFA/LASAAC is asked to:**

- i) consider the action plan;**
- ii) note the developments; and**
- iii) make any comments or additions, it considers relevant.**