

## **CIPFA/LASAAC Vision Statement: Strategic Implementation Plan**

### **CIPFA/LASAAC's Vision**

*"UK local authority annual accounts should be widely recognised as an exemplar for clear reporting of the financial performance and position of complex public sector bodies. Users of accounts should be able to access the information they want to help them to understand the finances of an authority and to take practical and informed decisions."*

To deliver the above vision CIPFA/LASAAC has three strategic themes:

- A. Ensuring that the annual accounts clearly articulate the key messages regarding financial performance and position
- B. Engaging with stakeholders to raise awareness and understanding
- C. Review of operations to support vision achievement

These are outlined with more detail below.

### **A. Ensuring that the annual accounts clearly articulate the key messages regarding financial performance and position**

- A1. CIPFA/LASAAC acknowledges that local authority annual accounts can be challenging for the non-expert to understand and use.
- A2. CIPFA/LASAAC is keen to ensure that financial reporting developments result in a greater degree of clarity in how the key messages about the financial performance and position of local authorities are presented and disclosed.
- A3. The presentation of key messages, including statutory adjustments, concerning the financial performance and position of local authorities is central to reducing complexity and supporting clarity.
- A4. CIPFA/LASAAC welcomes debate on the simplification of annual accounts to achieve greater clarity; to prevent important information from being obscured; and to enhance understandability. CIPFA/LASAAC will initially focus on areas such as financial performance and capital accounting.
- A5. CIPFA/LASAAC will seek to establish a broad consensus in the local authority community of finance professionals regarding changes to legislation and/or financial reporting standards that would be required to deliver the vision, and promote good practice in financial reporting.
- A6. The substantial changes described above will take time to implement. In the interim CIPFA/LASAAC is firmly of the view that a reduction in disclosures can be achieved within the existing framework.

## **B. Engage with Stakeholders to Raise Awareness and Understanding**

- B1. Effective stakeholder engagement is crucial. CIPFA/LASAAC will prioritise a number of additional stakeholder mechanisms going forward, including:
- ensuring users are identified, including those particularly relevant to a specific topic
  - running focus groups or similar to promote more interactive consultation and testing of proposals
  - undertaking more proactive engagement with stakeholders
  - improved intelligence gathering, particularly on emerging issues.
- B2. CIPFA/LASAAC recognises that there are a wide range of uses of local authority annual accounts and an even wider range of stakeholders who are interested in them. There may be times when CIPFA/LASAAC will have difficulty in reconciling different stakeholder expectations. It will, however, seek more engagement with all stakeholder groups.
- B3. To increase its understanding of stakeholder expectations, CIPFA/LASAAC:
- will launch a survey across the different stakeholder groups
  - has provided an open email address at [cipfalasaac@cipfa.org](mailto:cipfalasaac@cipfa.org) for stakeholders to provide comments directly to CIPFA/LASAAC on potential improvements to the Code of Practice.. Stakeholder comments are welcomed and greatly appreciated.
- B4. The Chief Finance Officer community is an important stakeholder group for the CIPFA/LASAAC. CIPFA/LASAAC would welcome earlier, more regular and deeper engagement with the CFO community. CIPFA/LASAAC will actively consider ways to improve its engagement with the CFO community. This will include requesting additional representation from the CFO community on CIPFA/LASAAC.

## **C. Review of operations to support vision achievement**

### **Recognising time and resource constraints**

- C1. CIPFA/LASAAC recognises the resource and time constraints affecting both accounts preparers and auditors and will consider its vision against those constraints.

### **Differential reporting requirements for smaller authorities**

- C2. CIPFA/LASAAC has undertaken initial research into the potential for differential reporting requirements for smaller authorities. A number of considerations and potential stakeholder requirements have been identified. Based on this research

CIPFA/LASAAC will issue a discussion document to engage with smaller authorities on their reporting requirements.

#### Code format and structure

- C3. CIPFA/LASAAC recognises the importance of the format, structure and usability of the Code within the local authority financial reporting process. CIPFA/LASAAC proposes a fundamental review to ensure that the Code's requirements are clearly provided to, and understood by, its readers.

#### Regulatory framework: processes and relationships

- C4. CIPFA/LASAAC works within a regulatory environment and bases the Code requirements on international accounting standards. The Code requirements are developed with oversight from a number of stakeholders including CIPFA, LASAAC and the Financial Reporting Advisory Board to Treasury (FRAB).
- C5. CIPFA/LASAAC will review its operational processes and will ensure that there are effective relationships with all the external stakeholders that support the production of the Code.

### Strategic Implementation Plan: What happens next?

D1. CIPFA/LASAAC has developed a strategic implementation plan based on the three themes outlined above (see Appendix A).

D2. Key practical issues considered by CIPFA/LASAAC are:

- While the Code requirements are a key focus, the implementation practices and behaviours currently adopted should also be considered as part of the vision implementation plans.
- Proposals to affect the 20/21 Code will require development of initial consultation proposals by June 2019. CIPFA/LASAAC is keen to demonstrate progress and will seek early identification of changes for 20/21.
- Other proposals will require to be implemented in the 21/22 Code, especially where extended stakeholder engagement and reconciliation of objectives is required to ensure that a 'right first time' implementation, that is endorsed by stakeholders, can be achieved which fulfils CIPFA/LASAAC's vision

D2. CIPFA/LASAAC plans to support vision achievement by establishing the following workstreams, which support the three strategic themes

<b>Working Group / Workstream</b>	<b>Themes Supported</b>	<b>Planned Code Year(s) Affected</b>
a. Identify key messages (including statutory adjustments)	Key messages	20/21 21/22
b. Develop outreach & engagement routes for stakeholder groups	Engagement/Outreach	21/22
c. Disclosures and materiality behaviours	Key messages Engagement/Outreach Operations review	20/21 21/22
d. Narrative Reporting in Annual Accounts	Key messages Operations review	21/22
e. Code Format and Structure	Operations review	21/22

### **How can you get involved?**

E1.If you wish to be involved in any of the workstreams identified please don't hesitate to e-mail [cipfalasaac@cipfa.org](mailto:cipfalasaac@cipfa.org) with any suggestions or indication of which workstreams you would wish to participate in.

**APRIL 2019**