

Minutes

CL 03 06 22A

Board	CIPFA LASAAC Local Authority Accounting Code Board
Date	9 th March 2022
Time	10:00-13:00
Venue	Microsoft Teams

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>
	Collette Kane	<i>Northern Ireland Audit Office</i>
	Paul Mayers	<i>National Audit Office</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>
Co-opted Members	Jake Bacchus	<i>Westminster City Council</i>
	Gillian Woolman	<i>Audit Scotland (Vice Chair)</i>
Observers	Jenny Carter	<i>FRC</i>
	Elanor Davies	<i>Scottish Government</i>
	Gary Devlin*	<i>Azets (since confirmed as LASAAC nominee)</i>
	Vikki Lewis	<i>HM Treasury</i>
	Emma Smith	<i>Welsh Government</i>
	Michael Sunderland	<i>HM Treasury</i>
	Peter Worth	<i>Chair, former Local Authority Accounting Panel</i>

Secretariat	Alan Bermingham	<i>CIPFA Secretariat</i>
	Steven Cain	<i>CIPFA Secretariat</i>
	Richard Lloyd-Bithell	<i>CIPFA, Senior Technical Manager</i>
	Karen Sanderson	<i>CIPFA Director, Public Financial Management</i>
	Sarah Sheen	<i>CIPFA Secretariat Advisor</i>

		Action
1	Apologies	
1.1	Apologies were received from <ul style="list-style-type: none"> Nick Bennett Joseph Holmes Alison Scott JJ Tohill 	
2	Declarations of interest	
2.1	Declarations of interest were made by <ul style="list-style-type: none"> • Hugh Dunn (Agenda Item 8) • Christine Golding (Agenda Item 9) • Joseph McLachlan (Agenda Item 8) 	
3	Minutes and Notes of previous meetings	
3.1	Minutes and notes previously circulated were agreed as follows <ul style="list-style-type: none"> • draft minutes of 10 November 2021 meeting • draft notes of 22 November post FRAB meeting • draft minutes of 6 December 2021 urgent meeting • draft notes of 10 January 2022 urgent meeting follow-up subject to reframing one sentence in the 10 January 2022 notes.	CL Secretariat
4	Action points	
4.1	The Board noted the action points with the following observations from the Chair <ul style="list-style-type: none"> • there is a need to match resources to the action points • the Board vacancy still needs to be filled • Actions 6 to 10 were completed or taken to the March agenda so can be closed • The Chair is still keen to meet with relevant CIPFA forum chairs • Actions 12 to 18 were completed, taken to the March agenda, or will automatically be progressed through the Code development process so can be closed. 	CL Secretariat CL Secretariat

		Action
5	Membership	
5.1	The Board noted that LASAAC would shortly be nominating another CIPFA/LASAAC Board member. (subsequently confirmed as Gary Devlin).	
6	Initial report on Emergency Consultation	
6.1	<p>The Chair noted</p> <ul style="list-style-type: none"> • the robust approach taken by the Board and exemplary approach taken in the face of considerable disagreement. • the considerable stakeholder engagement with the consultation including through webinars. The latter suggest that the Board should make webinars a feature of future consultations. • the rapid pace at which consultation had been progressed and consultation responses analysed • that there is perhaps a wider role that CIPFA/LASAAC might fulfil going beyond the Code, but this would need further consideration and review of the Board's terms of reference • that in taking forward this consultation, the Board reviewed the DLUHC request carefully and would only consider making recommendations if these <ul style="list-style-type: none"> ○ could be expected to result in clear reduction of preparer and auditor effort that would help alleviate issues around timeliness ○ would not give rise to unintended consequences or issues around auditability 	
6.2	The Secretariat provided a presentation on their analysis of the consultation responses, noting that more responses had been received than for many years. With less than a week to analyse more than 200 responses there was less scope to provide a readout of qualitative responses, and there were some issues in processing responses which answered a different question to the one posed in the Invitation to Comment.	
6.3	<p>The Secretariat noted that in connection with Pausing Valuation and applying Indexation to operational Property, Plant and Equipment</p> <ul style="list-style-type: none"> • the breakdown for 'pausing without indexation' was very balanced and did not seem to provide a mandate • in practice the amount of support for any specific implementation was low, because some respondents only supported mandatory pausing, while others only supported optional pausing. • the breakdown for 'pausing with indexation' showed a majority <u>against</u> the proposal; there were mixed views on optional versus mandatory indexation, and Secretariat were not able to 	

		Action
6.3	<p>engage with RICS or otherwise make progress on determining acceptable indices</p> <p>Secretariat noted that in connection with deferring implementation of IFRS 16</p> <ul style="list-style-type: none"> • the audit agencies, ICAS and ICAEW did not support deferring implementation of IFRS 16 • Audit firm views were generally supportive, and preparers showed overwhelming support for deferral • RICS were neutral, but suggest that deferral would help local authorities • LASAAC did not support, while reserving their position if there is substantial public sector support <p>Secretariat also noted that a large number of responses to this question provided extensive and thoughtful analysis.</p>	
6.4	<p>Board members and observers provided perspectives from the audit agencies, audit firms, regulators, preparers and government as follows:</p> <ul style="list-style-type: none"> • General agreement with the secretariat analysis of proposals on Pausing Valuation and applying Indexation to operational Property, Plant and Equipment, and that this approach should not be progressed • Concern from audit agencies that deferring IFRS 16 might undermine the integrity of the Code, that adaptation of the Code is normally for 'good accounting reasons' rather than to address delays, and concern over approaches which might apply only to a single jurisdiction • Recognition from audit firms that IFRS 16 clearly provides better information, but some would reluctantly support deferral • General support from preparer members for IFRS 16 deferral, in order to help alleviate the timeliness, but some expressed concern in doing so if deferral was not applied to the rest of the public sector. • Some concerns from government representatives in relation to the implications for Whole of Government Accounts • The Scottish Government observer noted the measures that SG had already taken, the fact that different regimes already apply in different jurisdictions, and that they did not support deferral. • Deferring IFRS 16 would raise credibility issues, but there would also be issues if the Board did not follow the recommendation of the majority of respondents to the consultation. • It was also noted that substantial delays in the publication of large numbers of local authority accounts also raise credibility issues and have knock on effects for WGA. 	

		Action
6.5	In the light of the above, the Board agreed with the secretariat recommendation on Pausing Valuation and applying Indexation, and these proposals <u>will not be pursued</u>	
6.6	The Board reviewed the large majority support for Deferral of IFRS 16 among consultation respondents, while noting that this also reflected the fact that the majority of respondents were preparers.	
6.7	It was noted that it would be helpful, particularly when the Board is progressing proposals at the request of government, if the position of government around audit requirements was coordinated, not only between jurisdictions but also in relation to requirements from grant-giving and funding departments such as DWP.	
6.8	Noting that the Board had a diversity of views and would not be in a position to reach a consensus, the Chair <u>directed the Secretariat to circulate a clear “yes/no” voting email to members to determine the Board position on deferral of IFRS 16 by 10 March 2022.</u>	Secretariat Board members By 10/03/2022
7	Review of draft 2022/23 Code revised per November decisions	
7.1	The Board noted that the text provided was specifically that directed by the Board having regard to responses to the ITC, except for the detail of the material on Welsh applicability where the text reflects discussion which the Board had directed Secretariat to have with Deryck Evans.	
7.2	The Board agreed that, while the text might be subject to amendment which might arise from CIPFA/LASAAC’s determinations on the emergency consultation, the text should be taken forward for initial review, approval in principle by CIPFA and LASAAC, and review by FRAB.	Secretariat
8	Request from Scottish Government re service concessions	
8.1	CIPFA/LASAAC agreed that the Board would respond to the request from the Scottish Government, reflecting the role and remit of CIPFA/LASAAC in relation to accounting matters relevant to the Code and issues to support the prudent application of the capital framework outlined in the Prudential and Treasury Management Codes.	
2	CIPFA/LASAAC <u>did not</u> provide a view on whether the proposals represent a prudent approach to the management of loans fund repayments, but noted that the accounting requirements based on IFRS, taken together with regulatory accounting, should provide a basis for prudent management of public assets.	
8.3	The Board noted that ultimately the decision on regulation and statutory mitigations rests with the Scottish Government, and there is inherently potential for differing approaches across the different administrations in the UK: this is part of what it means for them to be different jurisdictions.	
8.4	CIPFA/LASAAC secretariat to compose a response based on the Board reflections.	Secretariat

		Action
9	Issues raised by auditors in relation to derecognition of Infrastructure Assets	
9.1	The Board had an extensive discussion of the issues raised by auditors as set out in the briefing paper.	Secretariat Task and Finish Group
9.2	The Board agreed that there needs to be urgent engagement to scope out a consultation on this issue, developing Code amendments and guidance jointly with the Accounting and Financial Reporting forum using material developed by the joint Task and Finish Group. While the Board did not commit to the minimum 4 week consultation period at this stage, it acknowledged that this needed to be progressed quickly.	
10	Look ahead to the 2023/24 Code for information	
10.1	The Board noted the paper on matters to be considered in the 2023/24 Code. This paper was not discussed due to lack of time, but Board members were invited to provide comments if they wished.	
11	Update on Guidance on the application of IFRS 16 to Schools Assets Owned by Religious Bodies	
11.1	This paper was provided mainly as an information item and not discussed due to lack of time.	
12	Any other business	
12.1	No matters were raised as AOB.	