

Draft Notes

CL 04 03 23B

Board	CIPFA/LASAAC Local Authority Accounting Code Board
Date	12 December 2022
Time	12:30-13:30
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>
	Joseph Holmes	<i>West Berkshire Council</i>
	Christine Golding	<i>Essex County Council</i>
	Paul Mayers	<i>National Audit Office</i>
LASAAC Nominees	Nick Bennett	<i>Azets</i>
	Gary Devlin	<i>Azets</i>
Co-opted members	Jake Bacchus	<i>Westminster</i>
	Gillian Woolman	<i>Audit Scotland (Vice Chair)</i>

Observers	Jenny Carter	<i>FRC</i>
	Sudesh Chander	<i>HM Treasury</i>
	Emma Smith	<i>Welsh Government</i>
	Peter Worth	<i>Chair, former Local Authority Accounting Panel</i>
In attendance	Karen Sanderson	<i>CIPFA, Head of Programme IFR4NPO</i>
	Iain Murray	<i>CIPFA, Director of Public Financial Management</i>
	Sarah Sheen	<i>CIPFA, Secretariat Advisor</i>
	Alison Bonathan.	<i>CIPFA, Secretariat Advisor</i>
	Steven Cain	<i>CIPFA, Secretariat Advisor</i>

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1	Welcome, introductions comments and apologies for absence.	
	Iain Murray, CIPFA's new Director of PFM was introduced and welcomed Apologies were received from Alison Scott, Colette Kane, JJ Tohill, Jeff Glass, Mike Sunderland and Alan Birmingham.	
2	Declarations of interest	
2.1	No declarations of interest were noted.	
3	FRAB latest developments on PFI/PPP	
3.1	SS explained that the November FRAB meeting approved an amendment to the 2022-23 FReM in relation to IFRS 16 as it applies to PFI PPP arrangements where payments for the asset are subject to indexation. The amendments defer application of IFRS 16 to PFI PPP. Deferral is mandatory, not optional. The Code will need to be changed to reflect the FReM changes, and consideration needs to be given to amending the Code as it applies to local authorities which are taking the option to implement IFRS 16 in 2022/23. The Secretariat recommendation was that it should be fully aligned for these authorities, to maximise alignment with the FReM and minimise potential requirements for WGA adjustment.	
3,2	KS suggested that it would be helpful to consider the extent to which this was relevant for local authorities in 2022/23. Based on comments at CIPFA events the Secretariat view was that perhaps 5 Scottish authorities and 1 or 2 English and Welsh authorities might be implementing in 2022/23. Some of these do not have PFI PPP arrangements so the issues might only be relevant to 2 Scottish authorities and TfL	
3,3	The Chair noted their view that notwithstanding the desirability of alignment, it does not automatically follow that the Code should make these changes, especially after including voluntary adoption of IFRS 16 in the 2022/23 Code in response to a specific request from the FRAB, upon which the more	

		Action
	general deferral of IFRS 16 would be allowed. They asked SCh to provide more information.	
3.4	SCh set out the HM Treasury perspective on the desirability of alignment and consideration of WGA consolidation issues if there was no alignment.	
3.5	GD questioned whether it was appropriate to make a special case for PFI PPP. In response to explanations that there were practical difficulties for NHS bodies and MOD, GD questioned whether 'practical difficulties' was sufficient cause for deferral in the Code.	
3.6	PW noted support for deferral in the Code, reflecting on issues which might arise in WGA returns if the treatment was not aligned.	
3.7	The Chair reiterated their view that they found it difficult to understand why CIPFA LASAAC would not permit an authority which was choosing to implement IFRS 16 to implement it in full	
3.8	The Vice Chair noted that it was important that the discussion should be recorded carefully. The Board needs to be very clear in its messaging to stakeholders.	
3.9	The Chair requested clarity on what choices were available to the Board and whether the Board was quorate.	
3.10	SS set out the options as <ul style="list-style-type: none"> - Maintain the current position - Allow deferral of IFRS 16 application for PFI PPP - Mandate deferral of IFRS 16 application for PFI PPP (in line with the HM Treasury position) 	
3.11	The Chair set out their view that the consensus or perhaps the overwhelming majority position was to support mandatory deferral.	
3.12	Further discussion indicated that this was not the case, and that GD would also prefer to maintain the current position and not permit any deferral. GD questioned the appropriateness of 'carving out' part of IFRS 16	
3.13	SS noted that deferral was not per se a carve out, as the application of lease accounting arrangements to PFI PPP was a Code (and FReM) adaptation, rather than part of the IFRS 16 standard which applies directly only to leases.	
3.14	SC noted that the pressure from FRAB has in part been for maintaining and maximising consistency rather than wholly about providing the best possible form of reporting. When the rest of the public sector was deferring IFRS 16 there was no pressure for local government to implement early. (FRAB is of course mindful of providing high quality reporting in the long term).	
3.15	SCh provided further reinforcement in relation to consistency	
3.16	KS suggested that it would be helpful to obtain information from the perspective of the (probably very small number of) authorities affected by any change. NB supported this approach	
3.17	The Board directed CIPFA secretariat to seek this information and report back before Christmas.	Secretariat

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4	Overall update on FRAB meeting including Thematic Review.	
4.1	<p>KS provided an update on the rest of the FRAB meeting noting</p> <ul style="list-style-type: none"> - The updates from the Relevant Authorities - Issues arising in NHS accounts and audit due to organisational changes part way through the year requiring part period accounts - FRAB were not fully convinced by the differential approach proposed by the Thematic Review and would examine in a future meeting - The relevance of the Thematic Review to other parts of the public sector - Discussion around IPSAS 40, Social Benefits and related reporting in central government - Issues around sustainability reporting developments 	
4.2	It was noted that it would be useful for CIPFA LASAAC members to have sight of those papers on the Thematic Review that were not commercial in nature.	
5	Update on the 2023/24 Code	
5.1	The Chair directed those members of the Board who had not yet provided input to the approval process to provide this by close of play.	
6	Reminder: CIPFA/LASAAC practitioner representation on FRAB	
6.1	The Board was reminded of the importance of having a local authority practitioner representative on the FRAB	
7	AOB	
7.1	<p>The Board reviewed a request from practitioners implementing IFRS 16 which asked if centrally determined discount rates could be applied in transitioning to the new standard.</p> <p>The Board reiterated its view that centrally determined rates are not appropriate to local authorities who have borrowing powers and should resolve the issue based on individual circumstances.</p>	