

Draft Minutes

CL 04 06 23

Board	CIPFA LASAAC Local Authority Accounting Code Board
Date	9 March 2023
Time	14:00-17:00
Venue	Microsoft Teams

Members	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>
	Paul Mayers	<i>National Audit Office</i>
	Alison Scott	<i>Three Rivers DC and Watford BC</i>
	JJ Tohill	<i>Mid-Ulster Council</i>
LASAAC Nominees	Nick Bennett	<i>Azets</i>
	Gary Devlin	<i>Azets</i>
	Hugh Dunn	<i>City of Edinburgh 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>
	Sudesh Chander	<i>HM Treasury</i>
	Sarah Logsdail	<i>HM Treasury</i>
	Shikha Sharma	<i>HM Treasury</i>
	Elanor Davies	<i>Scottish Government</i>
	Richard Ross	<i>Northern Ireland Audit Office</i>

	Agenda item	Action
1	Apologies were received from Joe Maclachlan, Liz Thomas, Emma Smith and Peter Worth Richard Ross was attending on Collette Kane's behalf.	
2	There were no declarations of interest.	
	Items for approval	
3	Draft minutes and notes	
	The following document was agreed as accurate and can be finalised <ul style="list-style-type: none"> Minutes 9 November 2022 The following document was agreed as accurate but drafting amendments were requested to more sensitively capture the tension between FRAB's consideration of consistency and comparability as a means of achieving high quality reporting, and FRAB's consideration around faithful representation through the implementation of standards which better capture the economic substance of flows and balances <ul style="list-style-type: none"> Notes of post FRAB (Financial Reporting Advisory Board) meeting December 2022 	
4	Action points	
	The Board gave directions on all points in the Actions Monitor as follows: <ul style="list-style-type: none"> 1: Work on IPSAS/UK GAAP to be encompassed in work on effectiveness review 2: Some example material on Code structure remodelling to be provided in the ITC 3: Work on materiality to be progressed as part of Strategic Plan projects 4: Reaction to Government response to the recommendations for a standardised statement of service information and costs to be progressed but not tracked as an action by CIPFA LASAAC 5: Completed: Residual actions around board membership will be processed through the standing agenda item 6: AFRF chair attendance. To be progressed immediately and not included on the June action points monitor - 7: Meetings with forum chairs. To be progressed immediately and not included on the June action points monitor 8: Strategic plan: completed through agenda item. 9: representation on FRAB. Completed. 	CIPFA secretariat See item 8 See item 8 See item 8 CIPFA secretariat CIPFA secretariat

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	<ul style="list-style-type: none"> - 10: support to task and finish group. Completed. Further actions may arise from consideration of the results of the survey of impacts and costs - 11: Terms of reference. Completed through agenda item. - 12: Feedback statement: Completed through agenda item. - 13: Face to face meetings: Completed. Issues around face to face meetings and other board process to be considered as part of the Board performance review meeting 	See item 11
	Items for decision	
5	Membership update	
5.1	<u>Board vacancy</u> : the Board noted that candidates had applied and 3 sets of interviews had been arranged for April.	
5.2	<p><u>Practitioner representative on FRAB</u>: the Board noted that 2 practitioners had offered to represent CIPFA/LASAAC at FRAB meetings</p> <p>The Board considered whether there should be a formal selection process given that both candidates were content that</p> <ul style="list-style-type: none"> (a) Christine Golding should be the initial representative, having regard to the pressing concerns around infrastructure assets; and (b) The position should be reviewed when matters around infrastructure asset were sufficiently progressed <p>The Board agreed that Christine Golding should be put forward as the practitioner representative on FRAB, and that representation on FRAB should be reviewed when matters around infrastructure asset were sufficiently progressed</p>	
5.3	<u>Vice Chair position</u> : Gillian Woolman explained that she is retiring from her work at Audit Scotland and therefore stepping down from associated roles. The vice chair role on CIPFA LASAAC will therefore become vacant.	
5.4	The Board recorded a vote of thanks to Gillian Woolman as she departed her role as vice chair.	
5.5	CIPFA LASAAC members were invited to consider if they wish to be considered as candidates for the Vice Chair role, and if so to contact the secretarial in the next 2 weeks.	Board members by 23 March 2023
5.6	The Board noted that Gillian Woolman's departure reduced the number of co-opted members. The Board did not propose to consider the desirability of co-opting a replacement at this stage, but decided that it should be included as a matter for consideration in the Board performance review.	CIPFA secretariat by May 2023

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6	Update report on current position on Infrastructure Assets	
6.1	<p>The Board received a Secretariat presentation on developments since the last meeting.</p> <p>The Chair indicated that it would be helpful to have feedback on developments from preparers, auditors and others. Also that the Board might develop a communications plan to promote the potentially resource intensive requirements of a long-term solution, having regard to the benefits of improved reporting.</p>	
6.2	<p>Feedback was received from Board members as follows:</p> <ul style="list-style-type: none"> • CG explained that the regulations and the CIPFA bulletin had been helpful, but significant additional work was required from highways engineers to produce information on economic lives with sufficient precision to potentially be satisfactory to auditors. In response to queries from GW, CG explained that this is because the ranges in the bulletin are quite wide, and different places in the range give rise to significantly different results. The information has been provided, but as yet CG does not have feedback from auditors on whether this provides sufficient support • JF noted that the SI and the bulletin had allowed some but not a massive number of audits to be completed. Of course, infrastructure asset issues were not the only matter delaying completion. • JB indicated that they would strongly support the development of a comms plan, and would be willing to test such a plan having regard to competing high profile issues such as increases in energy prices and the cost of living more generally • GD noted concerns about inconsistencies in approach by preparers and auditors that might arise • Also the difficulties of 'selling' the solution when the cost of obtaining information is substantial, and the derived valuation may not be considered meaningful by many authorities and their stakeholders who view highways and other infrastructure as cost centres to be serviced, rather than assets in the sense of something which provides a stream of future benefits. 	
6.3	<p>The Chair noted that the bulletin and the regulatory instruments had been at least somewhat effective. Going forward it is important for communications purposes to marshal the arguments around useful information, in the face of contrary views and suggestions that producing these values is an academic exercise of little value. Noting that for example, by comparing depreciation and investment, it should be possible to see whether the roads network or other infrastructure asset is being maintained, is improving or declining.</p>	
6.4	<p>SS noted that the primary reason that DRC needs to inform the long term solution is that as well as historical cost approaches having failed</p>	

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	to be achievable, they also do not provide this type of information. Historical cost, even if properly implemented, does not provide a reliable indicator to distinguish between networks which are improving, ones in steady state, and ones in decline. For these reasons, a DRC based approach is the only one which will be acceptable to FRAB.	
6.5	The Chair agreed with the above, but noted that the latter point was not messaging that was likely to win over stakeholders. The communication strategy needs to be very clear about the benefits of the improved information and reporting.	
6.6	SS noted that infrastructure was having a substantial and continuing effect on the level of secretariat support available to CIPFA LASAAC.	
6.7	GD suggested that the Board might need at some point need to consider how it might progress if it wished to progress a proportionate approach that would not attract FRAB approval.	
6.8	CG noted that the engineers at her authority are not supportive of a move to a DRC basis. However, it has become clear during recent exercises that information of this type has continued to be produced for management information purposes, albeit with concerns with the robustness of the process. They see the difference between GRC and DRC as important information, and powerful evidence to justify additional resource, because it provides a tangible measure of the state of the network.	
6.9	GD further requested a view of the consequences if CIPFA LASAAC were to develop a Code that did not obtain FRAB approval. After some discussion of CIPFA concerns (not CIPFA LASAAC concerns) in this area, IM suggested that this be considered outside of the meeting	CIPFA Secretariat Before April 2023 meeting
6.10	SS confirmed to the Chair that the purpose of the webinar is to communicate the accounting points, to convey the potential benefits of better reporting, and to promote the survey questionnaire. That questionnaire is designed to provide information on the costs of developing better reporting, and whether it is practical to implement that reporting in the available timescale.	
6.11	The Chair invited Board members to consider whether they could attend the webinar.	Board members (April 2023 after webinar rescheduled)
7	Anticipated content of the 2024/25 Code and Invitation to Comment	
7.1	The Board noted the proposed anticipated main content of the Code, noting that some late items might be included – for example the Secretariat are reviewing recently issued Scottish Government circulars which might need to be mentioned in the Code rather than Code Guidance Notes.	

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7.2	The Board noted that the most significant development would be the implementation of IFRS 16 <i>Leases</i> , although this is a very familiar topic, and from a Code drafting point of view the material has already been agreed.	
7.3	The Chair noted that it was likely that there would be climate related disclosures required in line with the work of the FRAB working group on sustainability reporting.	
7.4	The Secretariat set out the anticipated timetable, including provision of an initial draft ITC for the June meeting, and issuance of an agreed ITC in July. It is hoped to allow more than the minimum 8-week consultation period – probably 10 or 11 weeks. This will be progressed by CIPFA secretariat as routine business.	
7.5	The Board noted concerns that some local authorities may still not be well prepared for IFRS 16 adoption, and that CIPFA was seeking to provide encouragement and assistance, for example through the CIPFA year-end bulletin	
7.6	The Board agreed the approach in principle. Members were invited to provide any information on additional matters they think should be included in the Code.	
8	Way forward with CIPFA LASAAC Strategic [Work] Plan	
8.1	The Board noted the Secretariat explanation of those projects being progressed in line with the strategic plan	CIPFA secretariat by June 2023. CIPFA secretariat by June 2023
8.2	The Board requested that, in line with its discussion of action points, example material demonstrating possible changes to the structure of the Code should be developed for the ITC.	
8.3	The Board agreed that, notwithstanding the fact that the Better Reporting Group will address matters around materiality, the issue of materiality should be separately highlighted in the strategic plan.	
8.4	JC suggested that the horizon scanning, as well as noting regulations which are already planned or in place, might encompass forward looks at matters raised by parliamentary committees such as the Levelling Up Committee. SS noted that these matters were being followed particularly around users of accounts and materiality; depending upon how these work out will be passed to the Better Reporting Group or to CIPFA LASAAC.	
8.5	JC noted that there were developments in the private sector which were expected to see the introduction of a resilience statement for public interest entities and wondered if the Board might consider developing a local authority equivalent.	
8.6	JJT noted the increasing statutory requirements around carbon reduction which are likely to drive reporting, and of which some local authority finance teams may be insufficiently aware.	

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8.6	AS noted increased questioning from auditors around the adequacy of sustainability reporting	
8.7	The Chair noted that public sector reporting requirements are being developed by reference to TCFD and are likely to include mandatory reporting on progress in 2025/26, and reporting is planned to increase in scope from matters directly controlled by reporting entities to wider reporting, ultimately encompassing the whole supply chain. The Secretariat noted that current planned reporting thresholds would exclude many local authorities.	
8.8	The Chair noted that the Strategic Plan encompasses matters which are essential but routine, matters which signal a requirement for communications and engagement, and matters where there is a potential dearth of expertise, both in the sector and on the CIPFA LASAAC Board.	
8.9	The Chair and ED suggested that the content of the Strategic Plan is more of a series of objectives, rather than providing deadlines, milestones etc for project planning purposes. SS noted that the plan does have deadlines and timings, with the exception of sustainability reporting which is not currently in the CIPFA LASAAC Terms of Reference.	
8.10	NB noted that care needed to be taken in expanding the remit of the CIPFA LASAAC Board to matters not directly related to financial reporting. NB also noted that many reporting requirements for companies come through the Companies Act and are effected by being attached to financial statements, but local authority requirements are effected differently and are numerous.	
8.11	The Board agreed that the Narrative Reporting strand within the Strategic Plan should focus on performance reporting in similar vein to the FReM approach, with some adaptation, with consultation in the 2024/25 ITC, with inclusion of material in the 2024/25 Code Exposure Draft if this is achievable, proposing voluntary implementation in 2024/25 and mandatory implementation in 2025/26. The Board requested that the Secretariat develop relevant material in the ITC and if appropriate produce and Exposure Draft material accordingly	CIPFA Secretariat by June 2023
8.12	The Board agreed with the report that the three projects to be addressed by the Better Reporting Group should be: A. IFRS 16 Leases disclosures, B. Presentation of statutory items/adjustments, and C. Group Accounts. The Board suggested that particular attention should be given to items A and B, with work on C being dependent on remaining resource.	CIPFA Secretariat by June 2023
8.13	The Chair noted that the role of the Better Reporting Group is that it provides recommendations to CIPFA LASAAC in areas where work has	

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	<p>been commissioned by CIPFA LASAAC. CIPFA LASAAC then makes its decisions on what is implemented in the Code or otherwise.</p> <p>IM noted that the Better Reporting Group would be co-aligned, and would do both work commissioned by CIPFA LASAAC (where the decision making rests solely with CIPFA LASAAC) and other work which would not directly impact on the Code or other matters in the CIPFA LASAAC remit.</p>	
8.14	The Board agreed with the proposed approach for Sustainability, noting that issues around the Board's scope and competence in this area would be considered as part of the board performance review. The role of government in determining the reporting requirements was also noted.	
8.15	The Board requested that the strategic plan be presented at the June meeting with the amendments requested.	CIPFA Secretariat June 2023
9	Update to 2022-23 Code / amendment to 2023-24 Code	
9.1	<p>The Board noted the update, which it had already agreed by email.</p> <p>The Board noted that it was quorate, and agreed the proposed consequential amendments to the 2023/24 Code. Secretariat to pass for approval to PFMB and LASAAC in line with routine procedure.</p>	
10	CIPFA LASAAC Feedback Statement on the 2022/23 Code	
10.1	The Board noted the proposed feedback statement on the 2022/23 Code.	
10.2	No comments were made on the content, and this was deemed to be an accurate record of CIPFA LASAAC's deliberations on responses to the 2022/23 Invitation to Comment and Exposure Draft.	
10.3	JJT and the Chair noted some inconsistent formatting. The Secretariat acknowledged this and explained that it would be addressed by CIPFA's publication specialists as part of the routine process of publication.	
10.3	JJT and the Chair also noted the somewhat anomalous presentation of the Boards determinations on matters on which an overall decision was made to apply IFRS 16 to PFI PPP arrangements. While recognising that the decision process was different and less straightforward than other Board deliberations, the Chair requested that Secretariat discuss with CIPFA's publication specialists to see if a more reader friendly presentation could be developed.	CIPFA Secretariat to progress publication in line with Chair direction by April 2023.
11	Board Governance and Effectiveness	
	<ul style="list-style-type: none"> - CIPFA LASAAC Terms of Reference - Board Effectiveness Review 	
11.1	The Board agreed the revised Terms of Reference as presented. The updated document can be placed on the CIPFA LASAAC website,	

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	pending further consideration of whether substantive changes to the Terms of Reference should be made.	CIPFA Secretariat by April 2023
11.2	GW noted that, as far as regards possible additions to the Terms of Reference, representation from ICAEW as an observer or member might be appropriate having regard to the declaration of closer working between CIPFA and ICAEW. The Chair delayed consideration of this during this meeting but requested that the Secretariat to include this in the board effectiveness review.	CIPFA Secretariat see 11.8 below
11.3	GD , CH and SS noted that clarity would be required as to how interactions with other group would be managed. <ul style="list-style-type: none"> • The Accounting and Financial Reporting Forum has representation at CIPFA LASAAC (previously Peter Worth, and from the next meeting Mohammed Sajid the chair of AFRF) • The Task and Finish Group is a joint group of AFRF and CIPFA LASAAC, and informs CIPFA LASAAC consideration of matters relevant to the Code, and AFRF consideration of matters relevant to CIPFA bulletins and other areas within its remit. • The Better Reporting Group acts both by doing work commissioned by CIPFA LASAAC, and work which it determines would be beneficial to high quality reporting. In some cases it might present some of the latter work to CIPFA LASAAC. The need to operate in a way which reduces the risk of conflict or nugatory work should be considered. Perhaps CIPFA LASAAC should have representation on the Better Reporting Group. 	
11.4	On the issue of the Board effectiveness review, the Chair noted the Secretariat explanation that this had been delayed due to resource pressures, and queried why this should be case, given the Chair's understanding that such a review would be carried out by an independent body. SS explained that: <ul style="list-style-type: none"> • The board performance review as requested by previous Chairs and incorporated in the CIPFA LASAAC terms of reference was not previously carried out as an independent exercise, but involved Secretariat providing an analysis of what the Board had achieved over the previous year for CIPFA LASAAC to reflect on, with some emphasis on events. • While an independent review might also be beneficial, and might be appropriate on a less frequent than annual timetable, this would also require Secretariat effort in commissioning an independent reviewer, and determining what that reviewer would do having regard to instructions obtained from CIPFA LASAAC 	
11.5	JJT noted that independent reviews do not tend to be the norm on an annual basis. However, JJT supported a wider concept of review than one focused primarily on events.	

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11.6	GD indicated that Audit Scotland use HM Treasury questionnaire templates for effectiveness reviews of internal audit functions and there is a well understood process for this kind of review. The Chair requested the Secretariat to use this kind of material as the basis for a board effectiveness review.	Secretariat to arrange by April 2023, sending out questionnaires in April 2023
11.7	The Chair and SS discussed the time requirement for a board performance review, and determined that it would not be possible to run this at the same time as an otherwise heavily loaded meeting. Thus it cannot be combined with the single issue meeting on infrastructure assets in April, or the main ITC approval meeting in June.	
11.8	The Chair requested the Secretariat to arrange an additional meeting in May, which would be informed by self-assessment questionnaires.	
11.9	In line with comments made earlier the Effectiveness Review briefing should address <ul style="list-style-type: none"> • application of IPSAS/UK GAAP in UK public sector reporting • issues around virtual working v face to face meetings • ICAEW and other wider member representation 	
12	Board to consider whether there are any matters they consider should be referred to FRAB.	
12.1	No matters were raised.	
	Items for information and comment	
13	Standard setting horizon scanning	
13.1	The Board noted the content of the horizon scanning document.	
14	Responding or encouraging response to the Thematic Review	
14.1	The Chair indicated that it would be beneficial for CIPFA LASAAC to respond to the Thematic Review. It was noted that the deadline is 18 May 2023 so this will need to be progressed between meetings. The Chair requested that the Secretariat to give a readout in good time so that this can be progressed	Secretariat by April 2023.
15	Standing item on Sustainability Reporting (in addition to the items not covered in the report on the Strategic Plan)	
15.1	No further matters were raised	
16	Any Other Business	
16.1	GW noted that the Levelling Up Committee is consulting with stakeholders and that individual members could respond.	

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16.2	The Chair requested the Secretariat to provide sight of the CIPFA response to members, to inform individual responses or potentially a CIPFA LASAAC response. This needs to be reasonably in advance of the consultation deadline of 14 April 2023.	CIPFA Secretarial April 2023
16.3	The Chair noted that the ARGALIA Liaison Committee would be an important group to engage with. IM indicated that he had made soundings as to whether the CIPFA LASAAC Chair might attend the group either on a full time basis or for specific meetings.	
16.4	SS noted that the Local Authority Accounting Conference is being held on 20 June 2023. If CIPFA LASAAC members have any suggestions regarding topics to be discussed, that would be very helpful.	
16.5	GW noted her thanks to all Board members and to the Chair for their work and friendship, especially under the pressures of the pandemic.	