Appendix C

Question 23 – Areas for Further Guidance

	Comment	Secretariat Response	Risk Rating
1	One authority commented that it was '*strongly of the opinion that IFRS16 implementation needs to be deferred or pulled completely.' Noting that the authority has to divert resources to deal with COVID-19 emergency. It further noted that 'based on our current position, we will not be ready to implement this new standard in 21/22.'* It also raised substantial concerns due to the same resource constraints in relation to implementing the Redmond Review recommendations.	The Secretariat would ask CIPFA LASAAC to note this response in combination with the readiness assessment information from CIPFA's Finance Advisory Network.	**High – the risk of local authorities not implementing the new standard could result in audit qualifications.**
2	An authority and an independent consultant set out the following:		
i)	The Expenditure and Funding Analysis can be deleted.	The Expenditure and Funding Analysis is being considered as a part of CIPFA LASAAC's Strategic Plan.	**Medium – this was an important statement introduced as a part of CIPFA/LASAAC's last streamlining and simplification review.**
ii)	For English pension fund administering authorities the pension fund annual report should be made the primary reporting route for the pension fund accounts thus reducing duplicate reporting. Wales and Scotland already use the pension fund annual report as the primary reporting route for the pension fund.	CIPFA LASAAC has expressed this view but the Secretariat understands that this requires primary legislation and so this change is not within its gift.	**Low to medium – if this statement was removed this would reduce the length of local authority accounts which is often seen as a barrier to readability.**

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iii)	There is no need to disclose by way of a Note the detail of the adjustments between accounting and the funding basis - this is information which is effectively a working paper to support the lines in the MiRS	This can be considered as a part of CIPFA LASAAC's Strategic Plan.	**High – where balances are made up of a number of adjustments financial reporting normally requires reconciliation in the financial statements. There is also the principle that materially significant items without such a reconciliation might be netted off.**
iv)	The disclosure of significant agency income and expenditure can be improved by specifying what is an agency arrangement and linking the threshold to materiality.	This can be considered as a part of CIPFA LASAAC's Strategic Plan.	**Low to medium – local authorities are required by the Code to make materiality judgements.**
v)	The disclosure about partnership arrangements is out of date with the advent of the Better Care Fund. When the disclosure was first introduced in about 2008, local authorities and NHS bodies were genuinely creating pooled funds, but the introduction of the Better Care Fund means that local authorities and NHS bodies are no longer pooling funds. This would be an area which could be moved out of the financial statements and included in a Performance Report in line with the FReM.	The Secretariat would suggest that this is reviewed as a part of the development programme for the 2022/23 Code.	**Medium – it is important that the expenditure incurred by the authority on these funds is clearly understood. Guidance has previously been provided by CIPFA and HfMA on this issue.**
vi)	Members allowances, exit packages and officer remuneration could be moved out of the financial statements into an Accountability Report in line with the FReM.	This can be considered as a part of CIPFA LASAAC's Strategic Plan. Though the Secretariat would note the local authorities are not required to produce an accountability report.	**Medium – there is always interest in this information, so it is material to local authority accounts.**

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vii)	The disclosures required in respect of schemes under the Transport Act 2000 and DSG are both disclosures which would better fit within the accountability Report in line with the FReM.	This can be considered as a part of CIPFA LASAAC's strategic plan. Though the Secretariat would note the local authorities are not required to produce an accountability report.	**Medium–for DSG due to the value and interest in this balance less clear for Transport Act disclosures.**
viii)	Whether the Code needs to continue to rely on statutory prescription for the reporting of the HRA.	It is not clear what is required by this comment.	**High - reporting information in the HRA is important to stakeholders and users of local authority financial statements**
3	An authority commented that:		
(i)	the Code could help local authorities' financial position in a time of extreme pressure • the current statutory override in relation to investments recognised at Fair Value through Profit and Loss under IFRS 9 should be made permanent • increased flexibilities around MRP and capitalisation • assistance with accounting for PFI liabilities to lessen the burden, and • increased flexibilities around REFCUS.	These suggested increased flexibilities are all issues relating to statutory prescription and are not within the gift of CIPFA LASAAC though the Secretariat will communicate them to government departments.	**Medium - although not within the control of CIPFA LASAAC local authorities are facing significant resource pressures**.
(ii)	The authority also noted that consideration needs to be given towards the impact of COVID 19 both in terms of financial impact and on accounts production. It also noted that risk may fall upon the Collection Fund and additional flexibility may	The Secretariat understands that there are flexibilities in this area but again this is an issue for government.	**Medium - although not within the control of CIPFA LASAAC local authorities are facing significant resource pressures**.

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	need to be allowed for in terms of making good and accounting for CF deficits.		
(iii)	This authority and another authority also requested that more thought be given to simplification and reductions of disclosures.	This will be considered as a part of CIPFA LASAAC's Strategic Plan.	**Medium – this will be able to be addressed by the Strategic Plan.**
4	An audit body commented that the volume of statutory adjustments had accumulated and that instead to reduce complexity consideration should be given to statutory adjustments being outside of the general fund and that the general fund should show its resourced based balance. With appropriate explanation showing that the impact of the transactions ie that recognition of expenditure had been deferred.	This will need to be considered under CIPFA LASAAC's Strategic Plan though the Secretariat would note that this has been considered as a part of the streamlining and simplification project in 2014 to 2016. There the adjustments were instead reflected in a memorandum account.	**Medium – the presentation of statutory adjustments is an integral issue to the complexity of local authority financial statements, but this can be considered effectively under CIPFA LASAAC's Strategic Plan.**
5	An audit firm repeated its annual commentary that the Code should follow the format of the FReM, noting that the current approach risks the Code not interpreting the standards' subtleties appropriately. This creates the risk that users of the Code: - follow the Code but fail to follow the underlying standard - do not consider the detailed requirements of the IFRS not covered by the Code.	Annually it is noted that this is not what local authorities have requested. Local authorities prefer to have their provisions in one place though it is made clear in the Code that local authorities where relevant should refer directly to standard. The provisions in the Code do not deviate from the drafting of standards except where required by local authority circumstances. The format of the Code will be considered as a part of the Strategic Plan.	**Medium – the format of the Code is important and will be considered under CIPFA LASAAC's Strategic Plan.**
6	The same firm commented: '*We understand that MHCLG are drafting regulations that will be applicable where deficit*	See item 8.	**Medium – see item 8.**

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	balances arise from overspends on the Dedicated Schools Grant. The Code will need to reflect the regulations in force and explain the accounting treatment to be applied under this statutory override. '		
7	An independent consultant noted with reference to grant accounting: *'Even though a confirmed IPSAS has yet to be issued, the Exposure Drafts issued to date suggest that IPSASB is to end its support for the approach to grant accounting where grant is credited as income if there is no possibility that it might be repaid or once conditions that might require repayment have been satisfied*.' '*This has led to grant that is restricted in use to particular purposes or for expenditure in particular financial years being credited as income to the General Fund before it is actually usable.* *As approaches that would more reasonably match grant to expenditure are available under IFRS, we would ask whether the IPSAS 20 approach adopted in Section 2.3 can be reviewed by CIPFA/LASAAC as soon as possible and not wait for the implementation date of a new IPSAS.'*	If the provisions on which the Code have been drafted upon have changed it will be important for CIPFA LASAAC to revisit its own provisions. When introduced this did represent a substantial change in accounting for grants which has added to the complexities of grant reporting. It is difficult, however, to make the change before the standard has been changed though the Secretariat would welcome CIPFA LASAAC's views on this issue particularly as there is an extant standard to follow in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.	**High – ensuring that grant income is appropriately presented in the Comprehensive Income and Expenditure Statement and the Balance Sheet will be vital in the understanding of this important income stream.**
7	An independent consultant proffered the following suggestions on streamlining • Omitting the Expenditure and Funding Analysis - recognising these would still need to	This can be considered as a part of CIPFA LASAAC's Strategic Plan**.**	**Medium – the presentation of statutory adjustments is an integral issue to the complexity of local authority financial**

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	be produced for audit purposes • Merge earmarked reserves into usable reserves • Omit the three individual cash flow notes - recognising still needed for audit • Omit smaller item e.g. Trust Funds - recognising still needed for audit Disclosures on DSG, Better Care Fund, PFI should be considered from a transparency viewpoint.		**statements, but this can be considered effectively under CIPFA LASAAC's Strategic Plan. As can the other adjustments the consultant has suggested.**
8	The same independent consultant noted that the format of the response form should be improved particularly to ensure readability against RNIB standards.	The Secretariat would acknowledge the weaknesses cited and would comment that it is considering an electronic format for the submission of consultation responses.	**High – the interaction of the consultation with respondents is an important issue.**
9	An auditor stated: *'Section 3.3 of the Code states that IAS 8 is applied. There is no section covering adaptation and interpretation for the public sector context and so in the absence of adaptations, our understanding is that IAS 8 applies in full.'* … *'The Code (ref 2019/20 edition for illustration) 3.3.4.3 covers this requirement with:* *"An authority shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted"* *replacing the word "effective" with "adopted".* *The Code continues:* *"This requirement applies to accounting standards*	It is not correct to say that there are no adaptations to the Code on this issue. On the introduction of the Code CIPFA LASAAC was clear and has been clear since 2010 that it has adapted the paragraphs relating to the adoption of a new standard issued but not yet adopted. It does have a section setting out in detail on an annual basis how it has to adapt this standard this is the entire role of Appendix C. This has been supported annually by the year end Bulletin issued under the auspices of LAAP. This approach has had to be adopted because of the interaction with the statutory framework. It is only when CIPFA LASAAC has finally analysed the	**Medium – this is a disclosure that has to reflect local authority accounting requirements and not IFRS.**

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	that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2020 for 2019/20)." *'This sentence seems to limit the requirements of IAS 8, by stipulating that only standards that are effective should be covered. That indicates that only IFRS that were effective for the year but had not yet been adopted by the Code in that year would need to be reported.* *This is not consistent with the requirements set out in IAS 8:30.'*	standard and considered its interaction with the statutory framework (in the year of adoption) that the impact of the adoption of standards can be fully understood. CIPFA LASAAC Members will be aware that although IFRS 9 *Financial Instruments* was first issued in 2009 it was not included in the relevant disclosures until the year before it was adopted in the Code.	