

report

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Committee	CIPFA/LASAAC
Venue	CIPFA, Mansell Street, London
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Subject	CIPFA/LASAAC Local Authority Accounting Code Board – Operational Framework

To consider a report on the CIPFA/LASAAC Operational Framework

1 Introduction

- 1.1 CIPFA/LASAAC requested at its last meeting that the Secretariat set out the operational framework for the Board. This is attached at Annex 1 to this report.
- 1.2 CIPFA/LASAAC members will be aware that the operational framework was sent by email to members for information, particularly as any new members might find it useful.
- 1.3 CIPFA/LASAAC members might note that the framework identifies that the next review of the CIPFA/LASAAC Terms of Reference will need to be completed by June 2019 and therefore it is recommended that this review should commence next year.

Recommendation

CIPFA/LASAAC is invited to consider the operational framework as outlined in the attachments and provide any comments it considers necessary.

CIPFA/LASAAC LOCAL AUTHORITY ACCOUNTING CODE BOARD OPERATIONAL FRAMEWORK

1 Introduction and Background

- 1.1 This document sets out the operational framework for the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC). The framework operates within the [CIPFA/LASAAC Terms of Reference](#).
- 1.2 CIPFA/LASAAC's Terms of Reference includes a requirement to be reviewed once every five years. The next review will need to be completed by June 2019. It is therefore recommended that the review process commences next year in 2018.
- 1.3 The *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) is developed under the oversight of Government's Financial Reporting and Advisory Board (FRAB) in accordance with the Memorandum of Understanding between the Relevant Authorities (MoU). The MoU sets out the operational arrangements for developing financial reporting guidance for the public sector in the United Kingdom. It is attached at Appendix A for information to this operational framework.
- 1.4 The operational framework is largely driven by the production and publication process which was last outlined for the Board in March 2013 as a part of the CIPFA/LASAAC review. The production and publication process has been updated below. It continues to evolve as needs and issues change but it is similar to that outlined in 2013. The production and publication process outlined in the next section has also been updated for the recent requests of CIPFA/LASAAC.

2 Production and Publication Process

Timetable

- 2.1 The normal timetable for the production of the Code is outlined in the table below.

	Process	Timing
1	<ul style="list-style-type: none"> • CIPFA/LASAAC finalises the development programme for the Code for the next year, a year ahead of the year any changes would be applied. It also receives reports of financial reporting developments which may impact on future editions of the Code. • (Note: for substantial changes to the Code such as new standards these will be considered by CIPFA/LASAAC prior to this date and as soon as possible after the issue of 	<ul style="list-style-type: none"> • End February/Early March meeting of CIPFA/LASAAC.

	Process	Timing
	the relevant standard).	
2	<ul style="list-style-type: none"> The CIPFA Secretariat on behalf of CIPFA/LASAAC outlines the anticipated approach to FRAB on the standards and other financial reporting issues to be included in the Code in the following year highlighting any anticipated adaptations to EU adopted IFRS. 	<ul style="list-style-type: none"> March meeting of FRAB – this is normally a verbal update.
3	<ul style="list-style-type: none"> For substantial changes to the Code the Secretariat will provide CIPFA/LASAAC with early sight of drafts prior to its June meeting. 	<ul style="list-style-type: none"> Normally May in an out of meeting paper. (Note: this does not happen every year and is reserved for substantial changes to the Code).
4	<ul style="list-style-type: none"> CIPFA/LASAAC considers the draft Invitation to Comment (ITC) and Exposure Drafts (EDs) for the Code for the relevant year and provides its initial views at the meeting. CIPFA/LASAAC provides its final approval following its June meeting. This approval is normally by email and requires 50 percent of Board Members to approve the ITC and EDs. (Note: alternatively the Board may agree the ITC and EDs at the meeting.) 	<ul style="list-style-type: none"> June meeting of CIPFA/LASAAC (note: formal approval normally follows the meeting.) The ITC and EDs are received by the Board approximately a week after its meeting (depending on the volume of the changes) and the Board is given a fortnight to approve them.
5	<ul style="list-style-type: none"> FRAB considers and provides comments on the EDs of the Code and a report on the consultation highlighting any differences from the FReM and where relevant any proposed adaptations or interpretations of the Code. 	<ul style="list-style-type: none"> June meeting of FRAB
6	<ul style="list-style-type: none"> Telephone conference call meeting to discuss any substantial issues raised by June FRAB meeting on the consultation documents. 	<ul style="list-style-type: none"> June/Early July (new process) - a telephone conference call will be arranged a week following FRAB.
7	<ul style="list-style-type: none"> The ITC and EDs are approved by CIPFA's Standards and Financial Reporting Board (SFRB) before issue. 	<ul style="list-style-type: none"> June meeting of SFRB.

	Process	Timing
	<ul style="list-style-type: none"> (Note: due to the timings of SFRB it is usually invited at this meeting to delegate approval of the Code (following the consultation) to the Chair but members of the SFRB also receive the draft of the documents for information at the same time). 	
8	<ul style="list-style-type: none"> Immediately following this approval CIPFA/LASAAC issues the Code ITC and EDs on the CIPFA website for a minimum 8 week consultation period (note: the period is usually longer than the minimum and is from mid-July to the first or second Friday in October). Interested parties responses are elicited by the following means: <ul style="list-style-type: none"> electronic mail shot to finance staff in Local Authorities direct email to other interested parties per the Board's Terms of Reference (relevant government departments and local government auditors) newsletters from the CIPFA Finance Advisory Network to their subscribers and relevant social media updates notification to other CIPFA local government panels an open letter to the Treasurers' and Director of Finance societies sent by the Chair of CIPFA/LASAAC¹ presentations at the local government accounting technical update days in July. 	<ul style="list-style-type: none"> Mid-July – October (this year to 6 October 2017)

¹ This letter offers the societies the opportunity to receive a presentation by Board Members or the Secretariat on the Code consultation.

	Process	Timing
	<ul style="list-style-type: none"> - articles in Public Finance (if possible) and Spreadsheet. 	
9	<ul style="list-style-type: none"> • Following the closure of the consultation period, the Board considers a detailed analysis of responses by the Secretariat and agrees the amendments to be made to the consultation EDs of the Code. • The Code is normally approved following email approval after the meeting (50 percent of Board Membership is required to approve the Code). (Note: alternatively the Board can approve the Code at the November meeting). • At this meeting the Board also considers the forward programme for the following edition of the Code. 	<ul style="list-style-type: none"> • November meeting of CIPFA/LASAAC • The full draft of the Code is sent electronically to CIPFA/LASAAC Members for approval approximately a week after its meeting (depending on the volume of changes required) and the Board is given a fortnight to approve the Code.
10	<ul style="list-style-type: none"> • The Code CIPFA/LASAAC proposes to publish is considered by FRAB. Normally the Board's initial views from its November meeting are provided to FRAB with the caveat that if any further issues are raised as a result of the approval process for the Code that the CIPFA Secretariat will update FRAB in an out of meeting paper (or verbally at the meeting). 	<ul style="list-style-type: none"> • November meeting of FRAB (any further amendments suggested by FRAB Members are subsequently considered by CIPFA/LASAAC).
11	<ul style="list-style-type: none"> • Telephone conference call meeting to discuss any substantial issues raised by November FRAB on the Code. 	<ul style="list-style-type: none"> • November/early December (new process) - a telephone conference call will be arranged a week after the FRAB meeting.
12	<ul style="list-style-type: none"> • The final version of the Code is sent to the Chair of SFRB on behalf of CIPFA (delegated approval see item 7) and LASAAC for final approval. 	<ul style="list-style-type: none"> • December – January of the year in question.
13	<ul style="list-style-type: none"> • The approval of the Code is subject to European Union (EU) adoption of the relevant 	<ul style="list-style-type: none"> • 1 January of the year in question.

	Process	Timing
	standards included in the development programme for that year. CIPFA/LASAAC regularly has to consult on amended or new standards prior to their EU adoption. If these standards (or amended standards) are not adopted by 1 January of the year in question they cannot be adopted in the Code and are removed.	
14	<ul style="list-style-type: none"> Following approval of the Code and item 13 above the Chair of FRAB signs the Statement on the Code. 	<ul style="list-style-type: none"> Usually January of the year in question.
15	<ul style="list-style-type: none"> The approved Code is released for the publications process. The MoU sets out that CIPFA/LASAAC should aim to publish the Code by 1 April relating to the year in question. 	<ul style="list-style-type: none"> Printing and publication takes approximately 8 weeks the Code is issued on 1 April of the relevant financial year via the CIPFA subscription service. Hard copies of the Code are also available to purchase.

2.2 The timescales between the meetings of CIPFA/LASAAC and FRAB at the June and November meetings are tight but this is due to the need to maximise the time available for Code development and the consultation period. Any issues that might arise are covered by relevant reports to CIPFA/LASAAC and FRAB. The timings have worked effectively in recent years.

2.3 As noted above the Code is produced under the MoU. CIPFA/LASAAC will note MoU sets out that there is a FRAB Working Group which '*considers the proposals for consistency across the public sector, or seek reasons for sector-specific differences being proposed*'. The Secretary is a member of the Working Group. However, relatively recent changes to the operation of FRAB mean that these issues are now largely considered by FRAB itself during its meetings or via the technical working groups that report to FRAB rather than through the operation of the FRAB Working Group.

3 Operation of the Meetings and Decisions Made by CIPFA/LASAAC

Frequency of Meetings

3.1 The Board normally meets three times a year according to the timetable and processes set out in Section 2 above. The current Terms of Reference set out that the Board meets a minimum of three times a year. The Board has recently recommended that telephone conference call meetings are added to the production timetable to follow the meetings of FRAB. These meetings will be short (scheduled for an hour) and may be cancelled if no substantive issues arise.

Papers for the Board's Consideration

- 3.2 The papers are disseminated to CIPFA/LASAAC members for the large part seven days before meetings and often 10 days before. Very occasionally circumstances arise that require a shorter timescale for issue and very rarely papers are tabled.
- 3.3 The draft Minutes, the Code consultation documents and the Code approval documents are sent to the Board following the meetings in question (for the Code and consultation documents approval process see items 5 and 10 in the table above).
- 3.4 The Secretariat sends early drafts of proposed Code amendments to the Board for feedback on drafting but this is an informal process. Items of note are also considered for communication between meetings. CIPFA/LASAAC has also requested that it be updated regularly on relevant local government financial reporting issues ie such as consultations from regulatory bodies. Other papers might be circulated between meetings but the Secretariat will only issue these for important or urgent issues.
- 3.5 The minutes are sent to the CIPFA/LASAAC following the meeting and Board members are given a fortnight to comment on and approve them. The minutes and papers are then released on the CIPFA/LASAAC pages of the website.
- 3.6 In accordance with practices for most meetings of this kind both within CIPFA and externally the papers are disseminated by email to CIPFA/LASAAC's Membership.

Board Decisions

- 3.7 In practice at its meetings the Board formulates its views by a process of consensus decision-making influenced by its members, guided by the Chair of the Board and supported by technical guidance from the Secretariat. This form of decision-making, without the need for formal voting, is also supported by a subsequent process for the approval of the consultation papers and the final Code. Very occasionally a formal vote may be required if a consensus is not achieved.
- 3.8 The discussion and debate at meetings for both the approval of the Code and the Code consultation papers has meant that a short report or email is issued confirming the changes the Board requested and requiring email approval of either the Code or the consultation papers. This approach allows for sufficient debate to be followed by formal approval and means that the provisions of the Code have been effectively considered by the Board. Alternatively the Board may approve the Code and the consultation documents at the meetings. This has happened on occasion but normally formal approval follows the meeting.

Meeting Format and Electronic Communications

- 3.9 CIPFA/LASAAC meetings are still largely conducted in the traditional way by face-to-face meetings. These meetings alternate between Mansell Street and Edinburgh in CIPFA's offices. The Terms of Reference allow for attendance via telephone or video conference, which a number of members use. Telephone

conferencing is available in both Mansell Street and Edinburgh. It is difficult to conduct meetings with both telephone conference facilities and video conference facilities and therefore the Secretariat has to balance the requirements for each meeting.

Use of Sub Groups

- 3.10 The Terms of Reference allow for the use of sub groups. Sub groups are established to resolve complex issues, as a separate review process and/or where changes to financial reporting are likely to have a significant practical impact on local authorities. The groups have been established under CIPFA/LASAAC's terms of reference and specific terms of reference are established for each group. These are agreed by CIPFA/LASAAC. Sub-groups have also included assistance from Members outside of the Board where additional experience or expertise has been required. Additional Membership has also been sought either from CIPFA's Panels or the FRAB.

Attendance at Meetings

- 3.11 The use of substitutes is generally not permitted by the CIPFA/LASAAC Terms of Reference. Appointment to Board Membership is on a personal basis because of the expertise and experience members bring to the meetings. Substitutions for particular meetings may only be made with the consent of the Chair and these substitutions are treated as observers for that meeting.

**CIPFA/LASAAC
April 2017**

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DEVELOPING FINANCIAL REPORTING GUIDANCE FOR THE UK PUBLIC SECTOR: MEMORANDUM OF UNDERSTANDING BETWEEN THE RELEVANT AUTHORITIES

1. The Financial Reporting Advisory Board (FRAB) is responsible for providing independent advice to the Relevant Authorities on financial reporting principles and standards. The “Relevant Authorities” for this purpose are HM Treasury in respect of central government, the Scottish Government, the Executive Committee of the Northern Ireland Assembly and the Welsh Assembly Government in respect of central government and the health sector in their territories, the Department of Health and Monitor in respect of the health sector in England, and CIPFA/LASAAC³ in respect of local authority accounts across England, Wales, Scotland and Northern Ireland.
2. This Memorandum of Understanding sets out the operational arrangements for developing financial reporting guidance for the public sector in the United Kingdom (UK).

Financial reporting guidance for the public sector

3. Financial reporting guidance for the UK public sector is set out in the following; collectively referred to in this document as ‘the Manuals’:
 - the Financial Reporting Manual (FReM) for government departments and their arms length bodies;
 - the NHS Accounting Manuals for the NHS;
 - the FT Annual Reporting Manual for Foundation Trusts ; and
 - the Code of Practice on Local Authority Accounting in the United Kingdom.
4. The Manuals shall be prepared using EU adopted IFRS, subject to such adaptations⁴ as are necessary for the public sector context. When considering an amendment to the Manuals, which may involve an adaptation of EU-adopted IFRS, this will be determined by reference to the guidance in Annex A. Proposals for adaptation of EU adopted IFRS shall normally be shared with the FRAB prior to proceeding with public consultation.
5. The Relevant Authorities ensure that the financial reporting guidance set out in the Manuals is kept up to date.

³ The Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board

⁴ An adaptation of EU-adopted IFRS includes an adaptation, interpretation, deferral or clarification of IFRS as considered necessary in the context of the UK public sector.

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Due Process

The FRAB Working Group

6. The Relevant Authorities shall establish a FRAB Working Group whose membership shall comprise:
 - the FRAB Secretary; and
 - representatives from each of the other relevant authorities.

The Group shall be chaired by the FRAB Secretary.

7. When proposing amendments to the Manuals the Relevant Authorities shall discuss those proposals with the FRAB Working Group.
8. The Working Group shall consider the proposals for consistency across the public sector, or seek reasons for sector-specific differences being proposed.
9. The representatives from CIPFA/LASAAC and the devolved administrations shall advise of any impacts the proposals might have on Council Tax and whether there are acceptable alternative treatments.

Public consultation

10. Once discussed by the Working Group, the Relevant Authority shall consult publicly on the proposal. Where the proposal will be considered by the FRAB without deliberation by any other body, the proposal shall be published on the HM Treasury website by the FRAB Secretariat in a FReM Exposure Draft (FED). Each FED shall be numbered and the FRAB secretariat shall be responsible for maintaining a FED register.
11. Where the proposal will instead be considered by another body as part of its Due Process (for example, CIPFA/LASAAC), the proposal shall be published in a suitable document for the purpose.
12. The public consultation shall comprise placement on the Relevant Authority's own website and by targeted circulation or consultation as appropriate. The public consultation period shall be at least eight weeks.
13. The Relevant Authority shall, except where respondents have requested confidentiality, place responses on their websites.

Papers considered by the FRAB or other bodies

14. The Relevant Authorities shall analyse and summarise the responses in the paper that is taken either to the FRAB for approval or, where a separate body (for example, CIPFA/LASAAC) deliberates, to that body. Only where the responses to the consultation do not support the proposal should the FRAB Working Group be consulted again.

15. The FRAB secretariat shall aim to distribute papers to FRAB members at least ten days prior to the meeting date. Other bodies need to build into their Due Process arrangements an allowance for adherence to this timetable.
16. All FRAB papers and Minutes of meetings shall be published on the FRAB website by the FRAB Secretariat in accordance with the FRAB's publication policy.
17. Where a separate body considers the responses to its consultation, that body shall be responsible for agreeing the content of its Manual(s). That separate body shall present for approval to the FRAB:
 - the full and final text of the Manual(s) prior to its being issued for the first time; and, thereafter
 - a list of differences between the Manual(s) and the FReM.
18. Where requested, the FRAB Chairman shall provide a letter to the separate body summarising the results of FRAB's considerations of the proposals under paragraph 17.

Implementation dates

19. The version of the FReM for financial years starting on 1 April shall be available by the preceding 1 January and shall incorporate all EU- adopted IFRS effective as at that date – that is, 15 months before the end of the financial year to which the FReM relates, unless exceptional circumstances prevent this. The Relevant Authorities should aim to have the relevant versions of the other Manuals available by 1 April for the financial year starting on that day and ending on the following 31 March.
20. Mid-year updates to the Manuals should not be driven by changes in accounting standards, but only by those necessary to address regulatory or adaptation issues that emerge after publication of the relevant version of the Manual.

Influencing the development of accounting standards

21. The secretariats of the FRAB and CIPFA/LASAAC shall monitor the activities of the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB). The two secretariats shall, working together, prepare analyses of relevant Consultation Papers and Exposure Drafts issued by either standard setter, for discussion with the FRAB and prepare responses as directed.

Review

22. This Memorandum of Understanding shall be reviewed at least every five years or earlier at the request of one of the Relevant Authorities.

Signatures

23. Dated and signed on behalf of the Relevant Authorities:

Lindsey Fussell

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Director, Financial Management and Reporting
HM Treasury

Alyson Stafford CBE
Director General Finance
Scottish Government

Martin Sillis
Deputy Director of Finance
Welsh Assembly Government

Janet Perry
NHS Chief Financial Controller
Department of Health

Fiona Hamill
Treasury Officer of Accounts
Department of Finance and Personnel
Northern Ireland Assembly

Robert Davidson
Portfolio Director
Monitor

Ian Carruthers
Policy and Technical Director
CIPFA

Dated: 18 April 2012

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Adaptations of EU-adopted IFRS for the UK public sector context.

Overall Approach

In determining whether the public sector context requires an adaptation of EU-adopted IFRS, the Relevant Authorities will consider the following:

- i) Whether applying the requirements of the relevant financial reporting standard would mean that the accountability and decision making objectives of public sector financial reporting would not be adequately met;
- ii) Whether applying the requirements of the relevant financial reporting standard would mean that the qualitative characteristics of public sector financial reporting would not be adequately met; and
- iii) Whether applying the requirements of the relevant financial reporting standard would result in impracticability issues.

Indicators of the potential need for an adaptation

The factors below may indicate an adaptation of EU-adopted IFRS is necessary for the public sector context:

- Accountability or regulatory framework differences;
- Governance or financial management differences;
- Alignment with other government financial frameworks;
- The existence of specific powers;
- The impact of social benefits or other non-exchange activities;
- The existence of contributed/donated assets;
- The existence of non-cash generating activities or assets;
- Differences related to the structure or service potential of assets;
- Sustainability issues;
- EU-adopted IFRS not addressing the public sector circumstances, or not doing so adequately;
- Different or additional guidance in a relevant International Public Sector Accounting Standard (IPSAS); or
- Practical difficulties with implementation in the public sector or cost/benefit considerations.

Development Process

In determining the type and form of the proposed adaptation of EU-adopted IFRS the Relevant Authority shall consider the applicability in the context of the following guidance sources:

- International Public Sector Accounting Standards, as issued by the International Public Sector Accounting Standards Board;
- The relevant international Conceptual Framework, as developed by the standard setters in the absence of more specific guidance in a standard;
- Other financial reporting standards relevant to the public sector.

In following normal due process for developing proposed amendments to the Manuals, relevant papers are to document the extent and reasons for proposing any adaptation of EU-adopted IFRS.