

Minutes

CL 03 06 21A

Board	CIPFA LASAAC Local Authority Accounting Code Board
Date	4 th March 2021
Time	14:00 – 16:00
Venue	Microsoft Teams

Present

Chair	Conrad Hall (Chair)	<i>London Borough of Newham</i>
CIPFA Nominees	John Farrar	<i>Grant Thornton</i>
	Christine Golding	<i>Essex County Council</i>
	Lucy Hume	<i>North Norfolk District Council</i>
	Owen James	<i>Newport City Council</i>
	Collette Kane	<i>Northern Ireland Audit Office</i>
	JJ Tohill	<i>Mid-Ulster Council</i>
LASAAC Nominees	Nick Bennett	<i>Scott Moncrieff</i>
	Hugh Dunn	<i>City of Edinburgh Council</i>
	Joseph McLachlan	<i>East Ayrshire Council</i>
	Paul O'Brien	<i>Audit Scotland</i>
	Gillian Woolman	<i>Audit Scotland (Vice Chair)</i>
Co-optee	Leigh Lloyd-Thomas	<i>BDO</i>
Observers	Hazel Black	<i>Scottish Government</i>
	Jenny Carter	<i>FRC</i>
	Vikki Lewis	<i>HM Treasury</i>
	Jeff Glass	<i>Department of Communities (NI)</i>
	Matt Hemsley	<i>MHCLG</i>
	Emma Smith	<i>Welsh Government</i>

In attendance	Richard Lloyd-Bithell	<i>CIPFA, Senior Technical Manager</i>
	Sarah Sheen	<i>CIPFA, Secretariat Advisor</i>
	Steven Cain	<i>CIPFA, Secretary</i>
	Ellen Millington	<i>CIPFA</i>
	Mark McClean	<i>CIPFA Policy Officer</i>

		Action
1	Apologies	
1.1	<p>Apologies were noted from:</p> <ul style="list-style-type: none"> - Gary Devlin - Deryck Evans - Joseph Holmes - Ian Lorimer - Paul Mayers - Alison Scott - Peter Worth 	
2	Declarations of interest	
2.1	No declarations of interest were noted.	
3	Minutes, matters arising and other matters for note	
3.1	<p>The Board received comments from Richard Lloyd-Bithell (RLB) who introduced himself and described planned changes to secretariat working practices to reflect the online environment. RLB set out the desirability of recording meetings to reduce workload, while noting that recording could be suspended to allow some comments to be made off the record, and that CIPFA would not retain recordings once minutes had been agreed. RLB also noted the planned handover of lead secretariat functions from Sarah Sheen (SS) to Steven Cain (SC), although Sarah will still be participating in some projects in an advisory capacity.</p> <p>The Board made a formal note of thanks to Sarah Sheen for her work over many years.</p> <p>The Board agreed that CIPFA LASAAC meetings can be recorded in MS Teams, in line with the approach set out by RLB.</p> <p>The Board noted the minutes of the 3 November 2020 meeting which had already been agreed.</p> <p>The Board reviewed minutes of the 20 November 2020 meeting and agreed that these were an accurate record.</p>	

4	Action points	
4.1	<p>The Board noted the following:</p> <p><i>Items taken to CIPFA LASAAC or LAAP agendas</i></p> <p>Eight Action Points are being progressed in the CIPFA LASAAC strategic plan or as indicated below:</p> <ul style="list-style-type: none"> • A2 (Code structure) • A3 (Narrative report) • A4 (Strategic plan outcomes) • A5 (stakeholder feedback) • A6 (Pension lump sum contributions) [being progressed by LAAP] • A7 (IFRS 17 Insurance Contracts) • A15 (update to reflect consultation responses) • A10 (standardised statement of service information) [discussed in Agenda Item 8] <p><i>Actions progressed and now closed</i></p> <ul style="list-style-type: none"> • A9 (position statement). • On A11, the Chair, Vice Chair and Secretariat agreed to produce a note of CIPFA LASAAC decisions in relation to Redmond rather than a press statement. • On A13 (statutory requirements for DSG) the Board accepted the staff view that these do not change the control framework for schools <p><i>Delayed actions</i></p> <p>Two action points were delayed due to resource constraints at HM Treasury due to the Covid 19 pandemic:</p> <ul style="list-style-type: none"> • A1 (CIPFA LASAAC and FRAB secretariat review of application of IPSAS and UK GAAP to respective guidance) • A8 (pan public sector working group) <p><i>Other actions still to be progressed</i></p> <p>A12 (Agreed changes to the 2021/22 Code) will be sent to the Board for approval</p> <p>A14 (Housing consultation) was still open at the time of the meeting. There had been only one response.</p> <p>In relation to Action Point A16 on Sustainability, the Chair asked for this to be reframed as a standing agenda item to review developments in sustainability accounting.</p> <p>The Chair also directed that Action Point summaries should in future be drafted so that they can be read as standalone points.</p>	<p>HMT / CL secretariat</p> <p>HMT / CL secretariat</p> <p>CL secretariat</p> <p>CL secretariat</p> <p>CL secretariat</p> <p>CL secretariat</p>

5	Update on Membership	
5.1	<p>The Board noted vacancies as follow:</p> <ul style="list-style-type: none"> • Martin Stephens has retired from his current post and so has left CIPFA LASAAC. The Board therefore needs a nominee to represent large metropolitan councils. The vacancy will be advertised shortly. • Owen James is leaving the Board after serving for six years. The vacancy has been drawn to the attention of the Society of Welsh Treasurers who are keen to ensure that a Welsh representative is identified. It is hoped that this will be done by the next meeting. <p>The Board thanked Owen James for his contributions over the years.</p> <p>The Board also noted that:</p> <ul style="list-style-type: none"> • Gary Devlin has agreed to attend as an observing member as the Board already has a full complement of Scottish nominees • the LAAP Chair (who is not a nominee member of CIPFA LASAAC) will attend CIPFA LASAAC as an observer. 	<p>CL secretariat</p> <p>CL secretariat / Society of Welsh Treasurers</p>
6	The impact of the pandemic on financial reporting	
6.1	<p>The Board considered the CIPFA survey, having regard to</p> <ul style="list-style-type: none"> • the effects on the accounts preparation and audit process in 2019-20 and the implications for 2020-21 • the impact on financial statements <p>with a view to determining what CIPFA LASAAC could usefully do to assist preparers and auditors.</p> <p>It was noted that the nature of the financial reporting impacts will directly affect accounts preparation and audit planning. Anticipating these effects will help both preparers and auditors effectively manage the issues.</p> <p>Key comments during the discussion included the following:</p> <p><i>Context and working environment</i></p> <ul style="list-style-type: none"> - Emergency response work will still be a key feature of 2020/21. - Finance functions are very tired after a year of working under Covid 19 restrictions. Not all annual leave has been taken and teams are subject to physical and mental stress. <p><i>Measurement issues</i></p> <ul style="list-style-type: none"> - Measurement issues with valuations and pensions are expected to be repeated in 2020/21. - The assumptions informing revenue recognition and bad debt will need to be revisited and may be difficult to substantiate. Some authorities have failed to appreciate requirements to reflect expected credit losses rather than incurred losses. 	

	<p><i>Issues around Covid funding and grants</i></p> <ul style="list-style-type: none"> - Legislation around funding and grants was necessarily developed more quickly than usual, so the approaches taken are less uniform and potentially less clear. - Funding will often straddle financial years, and attribution may be more difficult than usual given the above - The extent to which payments are made in the capacity of an agent or principal may also be difficult to determine in some cases, including where schemes include mandatory and discretionary elements - While covered by the Code requirements, the need to disclose the very high value of agency payments may warrant signposting in e.g. LAAP guidance. <p><i>Preparers and auditors</i></p> <ul style="list-style-type: none"> - Communication remains as important as ever - The collegiate and pragmatic approach adopted last year will continue to be needed - Auditors will however be mindful of criticisms made of public sector audit by the FRC as regulator. <p><i>Preparation and audit deadlines</i></p> <ul style="list-style-type: none"> - Consultation has been undertaken in England to move back accounts and related deadlines, as suggested by the Redmond review. - There have also been discussions in Northern Ireland on moving back the deadlines due to capacity issues. No firm decision on this has been taken. <p>The Chair summed up the discussion as follows:</p> <ul style="list-style-type: none"> - Tiredness and stress are something which CIPFA LASAAC does appreciate, but is not in a position to directly address through the Code - The points made on expected credit losses would seem appropriate matters to signpost in year end bulletins - Insofar as CIPFA LASAAC is able to address issues around valuations, this will need to be done as part of the Strategic Plan discussions rather than the 2020/21 Code. - All are agreed that disclosure is needed of the very large and clearly material amounts of grant funding and payments - There would be advantages in providing specific guidance on these matters through the Code, but there would also be disadvantages in providing such guidance in a short timescale and without the normal consultation process, especially as the Code arguably already provides sufficient guidance. 	
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	<p>Discussion of the latter points reflected on the tension between general purpose financial reporting (which focuses primarily on controlled transactions and balances) and other aspects of transparency (which have regard to the expectations of the public, UK government and Parliament and their devolved counterparts). Also that while the Code arguably does require such disclosure, this might depend on the interpretation placed on it. Also that LAAP's Code Guidance Notes clearly recommend but do not mandate such disclosure.</p> <p>Having regard to the balance of issues, the Board determined that it would not produce a Code update for 2020//21, but would recommend that LAAP considers the issue with direction on the approach that would be required, being clear that the guidance should:</p> <ul style="list-style-type: none"> - Determine key areas to support the use of judgment in determining the approach to grants, setting out principles rather than providing grant by grant direction. - Being clear that agency transactions which are not recognised in performance will be material components of cash flow, and will warrant clear disclosures where appropriate in the accounts, having regard to the scale of the transactions and the significant public interest in these matters. <p>The discussion in the CIPFA LASAAC minutes would be provided to LAAP to provide clarity on what is needed.</p> <p>The Board suggested that CIPFA should seek to warn preparers in advance of completed guidance, and CIPFA agreed to produce an alert on this topic.</p>	<p>CL secretariat/ LAAP</p> <p>CIPFA</p>
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7	CIPFA LASAAC's Strategic Plan	
7.1	<p>The Board received a short presentation on the updated Strategic Plan from Sarah Sheen who noted key issues as follows:</p> <ul style="list-style-type: none"> - There was a hiatus in 2020/1 caused by the pandemic crisis - Issues have arisen from the Redmond Review - Complexity is seen to arise from the statutory adjustments - The Strategic Plan has been refocused so that it is achievable in a 2 year timescale - it would be useful to have leads for each project from the Board. <p>RLB provided further commentary, noting that the plan is focused on those matters which are in CIPFA LASAAC's scope, rather than matters, such as statutory adjustments, which are reserved to the relevant authorities.</p> <p>The Chair made the following comments:</p> <ul style="list-style-type: none"> - it is good to have structure to projects, with e.g. milestones and reporting back. It might be good to build further on this by linking with specific dates. - Project 1 is a further project to look at the well explored topic of users of local authority accounts, who are known to be diverse and with differing needs. Perhaps this should be re-framed in terms of thought experiments – 'if we frame users as X rather than Y' - The timelines mostly reach to the end of the 2-year period and in some cases significantly beyond, which was a cause for concern. <p>Possible links with the Redmond Review were noted, but the Board accepted Secretariat explanations that this could not be factored into the plan until the nature of the government's response to the review becomes clearer: the Redmond recommendations would have a natural fit with the strategic plans, but recent government proposals probably would not.</p> <p>The Secretariat also explained that the significant gap between phases 1 and 2 of the project generally reflected the fact that the major projects in phase 1 could give rise to significant changes which need to be tested before further development is carried out in phase 2.</p> <p>Lucy Hume volunteered for projects 1, 2 and 6. Christine Golding volunteered for projects 4 and/or 6. Gillian Woolman confirmed that she is still content to be involved in project 1.</p> <p>After consideration of the Redmond Review update at Agenda Item 8, the Board agreed the updated Strategic Plan.</p> <p>Secretariat to take forward the projects in the Strategic Plan.</p>	CL secretariat and Board volunteers

8	Update on the Redmond Review	
8.1	<p>The Board received a short presentation on progress from Ellen Millington, who has been seconded to CIPFA from Grant Thornton to co-ordinate CIPFA's response to the Redmond Review and associated actions.</p> <p>The Board noted the potential difficulties in developing a useful standardised statement; having regard to</p> <ul style="list-style-type: none"> - differences between the vision in the Review - ministerial directions that the statement should be extremely short and potentially accompany Council Tax bills - issues around the timeliness (or lack of timeliness) of information presented - issues around providing assurance on the statement. <p>The Board also noted that CIPFA is liaising with MHCLG on the other recommendations of the Redmond Review. One of these is the 'system leadership' issue, where MHCLG are exploring alternatives to the initially rejected proposal to create an independent oversight body. CIPFA is also working with MHCLG on the initiatives to improve the sustainability of the market for local public audit.</p> <p>Matthew Hemsley noted that progress had been slower than anticipated due to resource issues in the Redmond review team at MHCLG. These were now being addressed with additional resources including a secondment provided by CIPFA.</p> <p>The Board noted that there is still uncertainty as to how government's response to the Redmond review will be progressed, and until there is more clarity it is not possible even to determine which parties will be involved.</p> <p>The Board and Chair noted that the Redmond Review applies specifically to England, and while clearly of interest to CIPFA, technically it is outside the CIPFA LASAAC remit. Including Redmond related material in CIPFA LASAAC consultative documents might be problematic, as there is a risk that respondents would not appreciate the different scope of the Redmond material.</p> <p>The Board noted that the Redmond review was looking at simplifying financial statements on a faster timetable than CIPFA LASAAC planned.</p> <p>Matthew Hemsley noted that the Redmond review was conducted before the Covid -9 pandemic, and that the way in which it is progressed and the priorities attached to specific actions will inevitably be affected as a consequence of the pandemic crisis.</p>	

9	Development Programme for the 2022/23 Code	
	<p>The Board received a short presentation on the Development Programme for the 2022/23 Code from Steven Cain running through the mandatory items which arise from legislative developments and financial reporting developments, and those items which arise from the Board's strategic plan, response to the 2020/21 ITC and other matters.</p> <p>Clarification was sought (and provided) on the nature of the work proposed on the Capital Financing Requirement.</p> <p>The Chair welcomed information on the plans of the IASB and IPSASB, which will provide an opportunity for CIPFA LASAAC to review and if appropriate respond to consultations which potentially have a considerable impact on Code preparers, rather than waiting until standards are finalised.</p> <p>The Board noted that the 2021/22 Code has moved on to UK Endorsed IFRS, rather than EU adopted IFRS (which was further discussed in agenda Item 10).</p> <p>RLB noted that an item may emerge in relation to treatment of statutory adjustments in Scotland, and how due process will be observed in relation to this.</p>	CL Secretariat to advise in due course
10	Feedback Statement on the 2021/22 Code and UK Adoption of Standards.	
10.1	<p>The Board noted that the process for inclusion of standards in the Code had previously been linked to the date of publication of EU adopted IFRS in OJEC/OJEU (the Official Journal of the European Union).</p> <p>The Board agreed with the secretariat proposal that under the new procedures for UK adoption, the Code should reflect the effective date in the adoption statement, rather than the date of publication.</p> <p>The Board approved the first section of the Feedback Statement, noting the decisions the Board has made to date. This does not include the changes on Rent Concessions which will be brought to the next meeting.</p>	
11	Content of the Technical Update Days	
11.1	<p>This Technical Update will reflect the content of the 2021/22 Code, with a forward look on IFRS 16 which will be implemented in 2022/23</p> <p>The projected timing for this will be late June or early July (but not the first week of July). Board members were asked to provide information on what the best timing of the Update Days would be.</p>	Practitioner Board members to email CL secretariat
12	Any other business	
12.1	<p>The Chair raised the issue of whether further meetings would continue to be virtual, while noting that this would need to reflect government guidelines and CIPFA policies for Board and other meetings.</p> <p>The Chair invited Board Members were invited to provide their views.</p>	Board members to provide.