

Consultation on the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom. LGA response.

September 2022

About the Local Government Association

1. The Local Government Association (LGA) is the national voice of local government. We are a politically led, cross party membership organisation, representing councils from England and Wales.
2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.
3. This response has been cleared by the LGA's Resources Board.

General points

4. We understand that this consultation is the annual consultation on the accounting code, concentrating on revisions to the code to apply to the year 2023/24. In most years the LGA has not submitted a response to this consultation (except in 2019 for 2020/21 is an exception) as our view is that it is more appropriate for responses to come from individual local authorities and technical experts working in the sector for local authorities.
5. This year, however, we are responding in order to reinforce points we have made in response to the two consultations earlier this year on proposed changes to the accounting code to respond to problems with finalising local authorities' accounts. These were the [emergency consultation on temporary changes to the accounting code 2021/22 and 2022/23](#) in March and the [urgent consultation on temporary changes to the accounting code \(Infrastructure assets\)](#) in June.
6. In those responses ([March](#) and [June](#)) we noted that local audit is currently in crisis and that the reasons for this are complex and have a number of causes which will take time to address. They require a concerted response from a range of stakeholders including Central Government, the audit firms, the regulators and CIPFA.
7. In our view, the proposals in the two consultations earlier this year were a valid attempt by CIPFA to alleviate some of the worst of the short-term problems, problems that are both an immediate cause of the current crisis and a symptom of the long-term problems. It is therefore disappointing that it has not yet been possible to finalise a satisfactory outcome in response to those proposals.
8. We appreciate that the issue is complex and that other stakeholders are involved as well as CIPFA. The point that we want to make is that a long-term permanent solution to the problems being experienced does not seem likely any time soon. We suggest that when CIPFA makes any temporary changes to the 2022/23 code, the same changes should also be made to the 2023/24 code, unless there is a clear reason not to.

Individual questions

Question 1. Do you agree with the approach to the changes to the Code ie to maintain a stable platform in the 2023/24 Code? If not, why not? Please provide your views on why this might be the case.

9. We agree with this approach, subject to the points made in paragraphs 6 to 8 above (we believe the line being taken is consistent with that).

Question 2: Do you agree with CIPFA LASAAC's view that the changes included in the Definition of Accounting Estimates, Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors should be implemented in the Code as outlined in the ITC? If not, why not? What alternatives do you suggest?

10. This is an area where CIPFA should take account of comments from practitioners working in the sector.

Question 3: Do you agree with CIPFA LASAAC's view that Disclosure of Accounting Policies, Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements should be implemented in the Code as outlined above? If not, why not? What alternatives do you suggest?

11. This appears to be reasonable, subject to any comments from practitioners working in the sector.

Question 4: Do you agree with CIPFA LASAAC's view that Deferred Tax relating to Assets and Liabilities arising from a Single Transaction, Amendments to IAS 12 Income Taxes should be implemented in the Code as outlined in the ITC? If not, why not? What alternatives do you suggest?

12. This is an area where CIPFA should take account of comments from practitioners working in the sector who deal with group accounts that might be affected by this.

Question 5. Do you agree with CIPFA LASAAC's view that Reference to the Conceptual Framework – Amendments to IFRS 3 Business Combinations should be implemented in the Code as outlined above? If not, why not? What alternatives do you suggest?

13. This is an area where CIPFA should take account of comments from practitioners working in the sector.

Question 6. Do you agree with CIPFA LASAAC's approach to legislative changes? If not, why not? What alternatives do you suggest.

- (a) Accounts publication deadlines (England)
- (b) Fair value gains and losses on pooled investments (England and Wales)
- (c) Dedicated Schools' Grant (England)

14. Comments on each area below.

- a) Accounts publication deadline. We agree with the approach. It makes sense for the code to reflect the deadline as laid down in the revised Accounts and Audit Regulations. In addition, in our view, it will be necessary for the accounts publication deadline to continue to be at this later date until the ongoing crisis with local audit is resolved.
- b) Fair value gains and losses on pooled investments (IFRS 9 statutory override). We agree that the 2023/24 code should reflect the action taken by the Government following the outcome of the current consultation on the IFRS 9 statutory override. In our response to that consultation, we are arguing that the override should be extended or made permanent.
- c) Dedicated Schools' Grant (DSG). We agree with the approach being taken in the code and that it should reflect any decision taken by the Government following a consultation on the relevant regulations. In our view the DSG deficit will continue to be an issue. It will take several years for the proposals set out in the SEND Green Paper to be taken through the legislative process, before becoming law. In the meantime, making additional high needs funding available to all councils, as well as the targeted 'safety valve' and the 'Delivering Better Value in SEND' programmes are welcome, but the Government must go further and develop a plan that eliminates every council's Dedicated Schools Grant deficit.

Question 7. Do you agree with CIPFA LASAAC's approach to the implementation of IFRS 17 Insurance Contracts in the Code? If not, why not? What alternatives do you suggest?

15. This is an area where CIPFA should take account of comments from practitioners working in the sector.

Question 8. Do you agree with the timing of the implementation of IFRS 17 Insurance Contracts in the Code ie in the 2025/26 Code? If not, why not? What alternatives do you suggest?

16. This is an area where CIPFA should take account of comments from practitioners working in the sector.

Question 9. Do you have any comments on the topics that CIPFA LASAAC's strategic plan should prioritise including the topics to be considered by the FRHub? Please set out the rationale for your response.
and

Question 10. Do you have any suggestions for how CIPFA LASAAC and the FRHub might be able to assist local authority accounts preparers in communicating the key messages in the financial statements to the users of the accounts, including the provision of summary financial information?

17. These look reasonable and we have no further detailed comments at this stage. We would welcome the opportunity to engage further with CIPFA LASAAC in due course, in particular on further opportunities to simplify the accounts in order to simplify the local audit process and help alleviate some of the current problems.

Question 11. Do you agree that sustainability reporting should be added to CIPFA LASAAC's strategic plan? If not, why not? What alternatives would you suggest?

18. This appears to be reasonable.

Question 12. Do you have any suggestions for how CIPFA LASAAC or CIPFA should support local authorities with reporting the impact of the environment or sustainability reporting in the local authority financial statements or accompanying reports (eg the narrative report)? Please set out the rationale for your response.

19. This is an area where CIPFA should take account of comments from practitioners working in the sector

Question 13. Do you have any comments on CIPFA LASAAC's preliminary objectives for reviewing the structure or format of the Code? Please set out the rationale for your response.

20. As mentioned in response to questions 9 and 10, we would welcome the opportunity to engage further with CIPFA LASAAC in due course, in particular on further opportunities to simplify the accounts in order to simplify the local audit process and help alleviate some of the current problems.

Question 14. Are there any areas within the Code where additional guidance or improvements to the Code would be helpful? Please support your answer by giving details of the amendments you would suggest.

21. This is an area where CIPFA should take account of comments from practitioners working in the sector.

Contact:

Bevis Ingram

Senior Adviser Finance

Phone: 079 2070 2354

Email: bevis.ingram@local.gov.uk