

Meeting: Resources Board

Date: 22 September 2022

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

Purpose of report

For decision / clearance of response

Summary

This report outlines a proposed response to the annual consultation from CIPFA LASAAC on the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom. The proposed response reinforces points made in consultation responses from earlier this year.

Recommendation/s

That the Resources Board approve the draft response to the consultation appended to this report, subject to any amendments agreed at the meeting.

That officers make any amendments to the draft responses and arrange submission to CIPFA LASAAC.

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

Background

1. The Chartered Institute of Public Finance and Accountancy (CIPFA), in conjunction with the Local Authorities Scotland Accounts Advisory Committee (LASAAC), is responsible for maintaining the Code of Practice on Local Authority Accounting in the United Kingdom (the code), which governs “proper practices” for the keeping of local authority accounts. The code is governed by a joint board of the two bodies known as “CIPFA LASAAC” for short. The code is updated and issued annually, each time following a consultation with local authorities and other interested stakeholders. The current consultation concerns revisions to the code to apply to the year 2023/24. In most years the LGA has not submitted a response to this consultation (an exception was in 2019 for 2020/21) as the view has been that it is more appropriate for responses to come from individual local authorities and from technical experts working in the sector for local authorities.
2. This year, however, it is suggested that the LGA should respond in order to reinforce points we have made in response to the two consultations earlier this year on proposed in year 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.

Proposed response

3. The consultation includes many detailed technical questions, and it is proposed that responses to most of these should be left to technical experts working for local authorities. It is proposed that the LGA response concentrates on issues connected with, and outstanding from, the consultations earlier this year.
4. In the LGA responses to those consultations ([March](#) and [June](#)), which were cleared by lead members of Resources Board, we noted that local audit is currently in crisis. We noted that the reasons for this are complex and have a number of causes which will take time to address, requiring a concerted response from a range of stakeholders including Central Government, the audit firms, the regulators and CIPFA. Members may consider that these points should be reinforced in the current consultation response, including the following points:
 - 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.
- The issue is complex and that other stakeholders are involved as well as CIPFA. A long-term permanent solution to the problems being experienced does not seem likely any time soon. It is therefore suggested that when CIPFA LASAAC 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.
5. The consultation also raises the approach to three legislative issues affecting the accounting code. These are:
 - a) Accounts publication deadline. The deadline has been put back to 30 September for this year and next year. The code does not set the deadline (it is set by DLUHC) but this is an opportunity to make the point that 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). A suggested response to a DLUHC consultation is elsewhere on the agenda for this meeting. Again, the code does not set the rules for this, but this is an opportunity to make the point to the Accountancy Institute that we are arguing that the IFRS 9 statutory override should be extended or made permanent.
 - c) Dedicated Schools' Grant (DSG). This relates to the statutory override which allows councils to carry forward DSG deficits without having to make provision for them in general funds. Again, this is not set by the code but by the Government. A response could include the point that the code should reflect any decision taken by the Government following a consultation on the relevant regulations. The opportunity can also be taken to make the point that the DSG deficit will continue to be an issue and the government should provide a permanent solution that eliminates DSG deficits.
 6. The consultation is also an opportunity to make the point that was discussed at the last meeting of Resources Board that the LGA would welcome the opportunity to engage further with CIPFA LASAAC on further opportunities to simplify the accounts in order to simplify the local audit process and help alleviate some of the current problems.
 7. All the above points have been made in the draft response which is appended to this report.

Implications for Wales

8. The CIPFA Codes will affect the whole UK. We are in regular contact with the Welsh LGA and have discussed the new codes with colleagues in the Association.

Financial Implications

9. The work covered in this paper is included in the LGA's core budget.

Equalities implications

10. It is difficult to assess whether changes to the accounting code have any specific impacts for individuals with protected characteristics.

Next steps

11. That officers make any amendments to the draft responses and arrange submission to DLUHC.