

2024/25 Code of Practice on Local Authority Accounting in the United Kingdom

A public consultation issued by the CIPFA LASAAC Local Authority Accounting Code Board
Comments from ACCA to the CIPFA LASAAC Local Authority Accounting Code Board

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About ACCA:

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **247,000** members and **526,000** future members based in **181** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at accaglobal.com

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GENERAL COMMENTS

ACCA welcomes the opportunity to respond to the Consultation on the 2024/25 Code of Practice on Local Authority Financial Reporting in the United Kingdom.

Implementation of IFRS 16

ACCA is a proponent of international standards adoption, including IFRS 16, especially given its capacity to augment transparency and comparability among the financial reports of local authorities. This alignment further harmonises with the central government's implementation strategy.

It does, however, remain important to understand the preparedness of local authorities for the obligatory integration of IFRS 16 during the 2024/25 fiscal year. ACCA recognises the backlog of pending statutory audits, the challenges faced by local authorities, and concerns regarding the financial stability of certain councils. We emphasise the necessity for readiness among local authorities. This is at a time when councils are under pressure to meet widening budget gaps amidst cuts to government grants; bodies have already stated to declare bankruptcy. In this regard additional reporting pressures may be unfeasible in the face of staff and spending cuts.

In the context of Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), ACCA highlights the need for prudent implementation, especially where considering Private Finance Initiatives (PFIs). The potential repercussions could result in an upsurge in debt on balance sheets.

Proposed approach to Amendment to IAS 1

ACCA supports the proposed approach for Amendments to IAS 1 Presentation of Financial Statements.

Statutory override of IFRS 9

On statutory specifications for local authority financial reporting, ACCA aligns with CIPFA/LASAAC's perspective that a statutory override of IFRS 9 should not be pursued.

Inclusion of summary financial information

We support the inclusion of summary financial information, as it cultivates comparability and transparency for stakeholders of the accounts, especially taxpayers. Given the increasing expectations of the public regarding public services, clear and comprehensible communication is crucial. The summary financial information should be consistent with the information presented in the local authority's audited financial statements. If a different amount is presented, it should be accompanied by a reconciliation. ACCA agrees that the proposed alterations to the structure and format of the code would streamline information retrieval and enhance user-friendliness. ACCA

therefore welcomes the proposals set out in regard to the overview of performance section of the UK Government Financial Reporting Manual (paragraph 55). Additionally, we suggest that CIPFA contemplate incorporating guidance on the digital presentation of financial reporting to further amplify transparency.

Elevating the quality of public financial management

ACCA further advocates for the provision of additional guidance on various subjects, encompassing the utilisation of accounting standards and information disclosure. This guidance can be instrumental in assisting preparers in navigating the Code effectively. With regard to the recognition of the Net Defined Benefit Pensions Asset, ACCA recommends the provision of specific guidance pertaining to the computation of the asset ceiling in scenarios involving a pension surplus. This step will assist in delivering transparency and precision in financial reporting.

Sustainability reporting

In respect of the overview of performance and summary financial information, ACCA supports CIPFA/LASAAC's view that sustainability reporting should follow international and UK public sector best practice, recognising, as the consultation states, that approaches to public sector sustainability reporting are continuing to emerge and develop. ACCA has been engaging extensively with stakeholders globally on sustainability reporting and assurance for the public sector. Sustainability reporting is essential both to help stakeholders assess the local authority's ability to continue providing public services and to understand the impacts local authorities have on sustainability. Sustainability reporting amplifies transparency and accountability. Consistent with our views on financial reporting we encourage the utilisation of international standards. Given the importance of this agenda and its broad scope, ACCA urges CIPFA / LASAAC to consult widely with the sector and other stakeholders to draw up key principles for sustainability reporting by local authorities. ACCA would welcome further engagement on this issue. We also suggest implementing sustainability reporting in a phased approach to help local authorities familiarise with the disclosure requirements, build capacity and implement necessary reporting systems.

In conclusion, in addressing localised audit and accounting challenges, constraints on resources, complex regulatory landscapes, and the digital transformation challenge, a collaborative approach is essential to alleviate the burdens associated with local audit and accounts preparation.

ACCA continues to stand ready to support CIPFA/LASAAC, local authority preparers, and their auditors, in responding to the challenges ahead.