

supporting notes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	28 February 2012	
Time	10.30am	
Venue	CIPFA, London	
Present	Lynn Hine (Chair)	<i>PricewaterhouseCoopers</i>
CIPFA Nominees	David Aldous Angela Brown Shane Flynn Iolo Llewellyn Greg Mackintosh Dean Pletts	<i>Audit Commission Independent Consultant Dacorum Borough Council Wales Audit Office KPMG Basingstoke and Deane Borough Council</i>
LASAAC Nominees	Nick Bennett Lynn Bradley Russell Frith Bruce West Derek Yule	<i>Scott Moncrieff Audit Scotland Audit Scotland Argyll and Bute Council The Highland Council</i>
DOE (NI) Nominees	Rodney Allen Robert Dowey	Northern Ireland Audit Office Newry and Mourne DC
Co-optee	Tim Day	<i>Independent Consultant</i>
Observers	Hazel Black Graham Fletcher Hilary Lower Larry Pinkney Joanna Spencer Amanda Whittle	<i>Scottish Government DCLG NAO HM Treasury ASB Welsh Assembly Government.</i>
In attendance	Ian Carruthers Paul Mason Sarah Sheen Gareth Davies Matthew Allen	<i>CIPFA CIPFA CIPFA Associate (Secretary) CIPFA Scotland CIPFA</i>
Visitors	Tadashi Sekikawa Hirotaka Matsuo	<i>JICPA ASBJ</i>

		Action
1	apologies for absence	
	Apologies were received from Peter Davies.	
2	minutes	
	<p>(a) The minutes of the meeting held on 1 November 2011 were approved.</p> <p>(b) The content of the draft informal notes of the meeting held on the 1 November 2011 were agreed.</p> <p>The Board reviewed their reasoning behind the informal notes and decided that "Supporting Notes" would be a better description of their purpose – which is to provide stakeholders with an account of the reasoning behind the decisions recorded in the formal minutes.</p> <p>In addition, an action log highlighting incomplete actions carried forward should also be presented.</p>	<p>Sec</p> <p>Sec</p>
3	matters arising	
3.1	<p>(a) Several new members were present at the meeting. David Aldous as the Member from the Audit Commission, Greg Mackintosh of KPMG representing the audit profession and two new practitioner members – Shane Flynn from Dacorum Borough Council and Dean Pletts from Basingstoke and Deane Borough Council.</p> <p>(b) CIPFA was in the process of setting up the process for the post-IFRS implementation review. Although there were no IFRS related qualifications, there were still lessons to be learnt from occasions where the implementation of IFRS led to a delay in filing or material adjustments to the financial statements. In addition there were links to the wider simplification and cutting clutter agenda. David Aldous and Dean Pletts volunteered to join the group.</p> <p>The meeting was referred to the LASAAC paper <i>IFRS Presentation – Review of 2010/11 Financial Statements</i> which was tabled at the meeting. No consensus had been reached on the merits of scope for standardisation but it was recognised that good practice should be shared in order to reduce the resources that were being devoted to the process.</p> <p>The early outcomes of the work of the post-</p>	Sec/DA/DP

	<p>implementation review group would have to be completed by the next Board meeting so that the results could be fed into the Code consultation process. It was noted that it would be important to engage with a wider range of practitioners, through for example workshops at the CIPFA conference.</p> <p>Iolo Llewellyn reported on the post-implementation workshops in Wales.</p> <p>(c) The Secretariat confirmed that the guidance on effective reporting that is now available on the CIPFA website as a part of the <i>Telling the Whole Story</i> project.</p> <p>http://www.cipfa.org.uk/panels/lgpp/effective_reporting.cfm</p> <p>(d) Ian Carruthers explained the group working on the Code of Practice on Transport Infrastructure Assets continued to have as its primary focus an improvement in the sophistication and thus the quality of the data for the 2012/13 WGA.</p> <p>Two practical difficulties had been encountered in achieving this objective. Firstly, issues raised by the land valuation guidance issued for 2011/12 and secondly delays in the ICT package for dealing with bridges and other structures.</p> <p>The Board noted that the importance of the impact on the Whole of Government Accounts and the necessity of including appropriate proposals for the way forward as a part of the consultation process merited a more formal presentation on progress being on the agenda for the June meeting.</p> <p>The discussion of the Board then widened to consider the situation for other infrastructure assets – such as ports, flood defences and light rail. Ian Carruthers indicated that discussions with TFL regarding light rail were being started, but stressed the importance of completing the current first phase of the project. He would however liaise with HM Treasury to establish their expectations of the second phase of the project.</p>	<p>Sec</p> <p>Sec/IC</p>
4	Development of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 Code Update and 2012/14 Code	
	<p>The Board considered in turn each of the issues brought to their attention in the report by the Secretariat.</p> <p><u>Para 2.3 Hutton Review Fair Pay Recommendations</u></p> <p>One of the sources of this proposal was that a disclosure on Fair Pay was included in the FReM. The other source</p>	

<p>was an explicit reference in the Hutton report.</p> <p>The Board considered the proposal in the light of the desire to reduce clutter and not to duplicate other reporting. It concluded that it should receive a report setting out the following analysis:</p> <ul style="list-style-type: none"> • the current reporting requirements on remuneration across the UK. • the criteria for determining other disclosures be identified. <p>On receiving this information the Board would then make an informed judgement on whether or not the disclosure based on the Hutton recommendations were to be included in the Code for consultation.</p> <p>It noted the current remuneration reporting requirements in England emanated from the Code of Recommended Practice for Local Authorities on Data Transparency, the Localism Act, the Accounts and Audit (England) Regulations 2011 and the Code. In Scotland and there were statutory requirements for a remuneration report in addition to the Code requirements. The Welsh requirements were principally established by the Accounts and Audit (Wales) Regulations 2005 (as amended) and the Code. It was considered that it was principally in Northern Ireland that there were no specific regulations relating to remuneration reporting.</p> <p>The Board considered that the more pressing remuneration reporting issues, such as exit packages, can be dealt with in the LAAP Year End Bulletin as it required detailed application guidance.</p> <p><u>2.4 Social Impact Bonds</u></p> <p>The Secretariat view is that the schemes of which it was aware could be addressed by the existing Code provisions, with perhaps guidance from LAAP. But emerging schemes were being monitored so there remained a possibility that this stance may change.</p> <p><u>2.6 General Power of Competence</u></p> <p>The Board did not see a need for extensive coverage of this issue in the Code. Following the issue raised in the report, it considered that some reference to the possible use of derivatives might be made in a manner similar to the approach used by the Treasury Management Panel (i.e. indicating that it was for authorities to establish whether or not they had the power to enter into such transactions). The Code would only need to refer to the accounting requirements set out in IAS 39, in doing so the Board concluded that the Code would draw attention to the need for authorities to make reference to IAS 39</p>	<p>Sec</p> <p>Sec and (Sec LAAP)</p> <p>Sec and (Sec LAAP)</p>
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<p><u>as adopted in the EU.</u></p>	<p>Sec</p>
<p><u>2.7 Amendments to the Capital Finance and Accounting Regulations (England)</u></p>	
<p>The Board agreed that the only likely amendment would be to the Sources and Legislation referred to in Appendix B of the Code.</p>	<p>Sec</p>
<p><u>2.8 Community Infrastructure Levy</u></p>	
<p>Although the draft regulations had not yet been issued, the Board concurred in the secretariat's view that it is unlikely that it will necessitate significant changes in the Code</p>	
<p><u>2.9 – 2. 10 Local Government and Finance Bill 2011</u></p>	
<p>The Board recognised that business rate reform would require significant changes to the Code; given the changes anticipated for local authorities (in England) it was likely that the current treatment of NNDR on an agency basis would need to be reviewed. While the working group would not be concluding its work until May it was noted that it was still essential that the Board had information on the latest position in the Invitation to Comment.</p>	<p>Sec</p>
<p>The Board noted that Enterprise Zones and TIF were of wider application than England alone (see 2.17)</p>	<p>Sec</p>
<p><u>2.11 Council Tax Reduction Scheme</u></p>	
<p>The Board noted that this scheme is unlikely to raise significant issues.</p>	
<p><u>2.12 CRC Reduction</u></p>	
<p>The Board deferred consideration of this item to the paper later on its agenda.</p>	
<p><u>2.13 Landfill Allowances Trading Scheme Review</u></p>	
<p>The Board agreed that the provisions for England were to be removed from the Code, effective from 2013/14. This was also considered under the item for considering the accounting treatment of the Carbon Reduction Commitment CRC Energy Efficiency Scheme.</p>	<p>Sec</p>
<p><u>2.14-Amendments to the Local Authority Accounts (Scotland) Regulations</u></p>	
<p>The Board noted the timing issues that may be raised by the issue of these regulations.</p>	
<p><u>2.15 Accounting for Insurance Compensation</u></p>	

<p><u>IFRS 13 Fair Value Measurement</u></p> <p>The Secretariat reported that they were working with HM Treasury to establish how the standard can be applied in the public sector.</p>	<p>Sec</p>
<p><u>IAS 1 Amendment, Financial Statement Presentation</u></p> <p>The Secretariat reported that it envisaged minor but structural amendments to the Comprehensive Income and Expenditure Statement being required to reflect this.</p>	<p>Sec</p>
<p><u>IAS 19 Amendments, Post Employment Benefits</u></p> <p>The secretariat re-iterated its commitment to presenting a paper on this standard to the Board in June.</p>	<p>Sec</p>
<p><u>IFRS 7 Financial Instruments: Disclosures</u></p> <p>The new disclosure requirements would be included in the 2013/14 Code for consultation.</p>	<p>Sec</p>
<p><u>IFRS 9 Financial Instruments</u></p> <p>The Board noted the points in the report.</p>	
<p><u>Projects in the IASB Work Plan</u></p> <p>The secretariat reported that its current judgment was that only IAS 1 amendments as a part of the improvements project might have some implications for Code developments.</p>	<p>Sec</p>
<p><u>Standards Issued by IPSASB</u></p> <p>IPSAS 32 <i>Service Concession Arrangements: Grantor</i> – a possible implementation issue was noted ie the implications for the potentially different recognition points for assets under construction for PFI Schemes under the IPSAS standard and under current practice in the UK. It was noted that FRAB envisaged the inclusion of additional guidance in the FReM from 2013/14. The Board agreed with the utilisation of the additional guidance available which would also have the benefit of promoting consistency with the FReM.</p>	<p>Sec</p>
<p><u>The Future of Financial Reporting in the UK and Republic of Ireland.</u></p> <p>Joanna Spencer updated the Board on current developments and observed that the treatment of heritage assets proposed in FRS100 was similar to that already in the Code.</p> <p>The Board concluded that it would include the developments proposed to it for inclusion in the 2012/13</p>	

	<p>The Board agreed that no changes in the Code were necessary in respect of liabilities since LAAP guidance should be sufficient.</p> <p><u>Landfill Allowance Trading (LATS) Scheme</u></p> <p>Once a decision had been reached on the accounting treatment of CRC allowances, it remained for the Board to decide whether bring the LATS scheme into alignment with any new arrangements. The Board agreed that for England LATS could be dropped from the Code as the scheme had ended, but it remained frozen (but not closed) in Scotland. The Board decided that LATS would be dropped from the Code. In the event of the scheme re-opening in Scotland it would be a candidate for re-inclusion.</p>	<p>LAAP</p> <p>Sec</p>
7	Working Party – Accounting for Schools in Local Government	
	<p>The Chair and Secretary briefed the Board on the interim decisions of the working party that had met the previous day.</p> <ul style="list-style-type: none"> • The terms of reference to be expanded to include reference to SIC 12 • Consideration of the Asset Recognition Criteria had established a consensus that had permitted testing to go ahead. • There remained insufficient agreement so the secretariat was to provide a more detailed paper and consider Office of the National Statistics approach to classification. <p>The next meeting of the working group would take place on 21 March.</p>	
8	Accounting and Auditing Standards Update	
	The Board noted this update without comment.	
9	Any Other Business	
	Robert Dowey drew attention to the parallels between the deliberations of the working party for schools on accounting for schools in local government had a parallel in the issues raised by the merger of the maintained and controlled sectors in Northern Ireland.	
10	The date of the next meeting	
	<ul style="list-style-type: none"> • 19 June 2012 (CIPFA in Scotland , Edinburgh) 	

	<ul style="list-style-type: none">• 6 November 2012 (CIPFA, London)	
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