

# minutes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	4 March 2015	
Time	10:30 am	
Venue	CIPFA offices, Edinburgh	
Present		
Chair	Lynn Pamment	<i>PwC</i>
CIPFA Nominees	David Aldous Christine Golding Conrad Hall Joseph Holmes Greg McIntosh Angie Sinclair Stephen McCormick	<i>Audit Commission Essex County Council London Borough of Brent Slough Borough Council KPMG Devon County Council Northern Ireland Audit Office</i>
LASAAC Nominees	Nick Bennett Russell Frith Fiona Kordiak Joseph McLachlan Derek Yule	<i>Scott Moncrieff Audit Scotland Audit Scotland East Ayrshire Council The Highland Council (Vice Chair)</i>
Observers	Hazel Black Gareth Caller Owen Jones Robert Hay	<i>Scottish Government DCLG Cardiff City Council Welsh Government</i>
In Attendance	Alison Scott Matthew Allen Gareth Davies Sarah Sheen	<i>CIPFA CIPFA CIPFA Scotland CIPFA (Secretary)</i>

		Action
<b>1</b>	<b>Declarations of interest</b>	
1.1	There were no declarations of interest from members of the Board.	
<b>2</b>	<b>Apologies for absence</b>	
2.1	Apologies were received from Michael Hudson, David Jones, Phil Trotter, Jeff Glass, Tim Day, Graham Coulter and Amanda Whittle (Robert Hay	

	substituted for the later).	
<b>3</b>	<b>Matters Arising on Minutes of November meeting of CIPFA/LASAAC</b>	
3.1	There were no matters arising that were not in the published minutes or review of outstanding actions.	
<b>4</b>	<b>Review of outstanding actions</b>	
4.1	The Secretary reminded the Panel that Transport Infrastructure Assets and WGA remained on the list of outstanding actions as the Board had asked that they be kept under review.	
<b>5</b>	<b>Update on Membership Issues</b>	
5.1	The welcome addition of new members to the Board meant that it had now reached its full complement. The Secretariat requested that, if possible long-serving members of the Board could mentor the new members, particularly those new members that had not previously been a volunteer for a CIPFA Panel that needed guidance on how they should approach their new role.	<b>Board</b>
<b>6</b>	<b>Annual Review</b>	
6.1	This item was introduced by the Secretary as arising from the requirement for an annual self-review that had been mandated by the CIPFA/LASAAC review. The Board recognised the substantial workload and development programme achieved last year when considering the full list of the Board's activities per the Secretariat paper.	
6.2	The Board recognised that some practitioners were dissatisfied with the timing of the clarification of the schools issue, but equally it acknowledged the constraints imposed by the necessary engagement with other stakeholders, external pressures to complete the project for the 2014/15 year and the imperative to ensure that the accuracy and appropriateness of the clarification of the addition to the 2014/15 Code. Individual members of the Board were also concerned about the differences of interpretation of the Code's provisions particularly in relation to the recognition of non-current schools assets, principally by auditors.	
6.3	The Board also identified an earlier and more effective engagement with auditors to be one way in which some of these difficulties could be ameliorated. Alison Scott reported that CIPFA's participation in the NAO's Local Auditors Advisory Group offered an important means to ensure this.	
6.4	In recognising the desirability of having external input into the review, the Panel concluded that this would best be achieved alongside the forthcoming Code consultation as this was the Board's most prominent	<b>Sec</b>

	conduit for practitioner engagement. This did not, however, prevent other methods being used to bring this aspect of the consultation to the attention of those who do not customarily engage with the Board.	
6.6	Alison Scott concluded the discussion by reminding the Board that the Secretariat would always welcome feedback outside the formal meetings if a member considered that more appropriate.	
<b>7</b>	<b>Development of 2016/17 Code of Practice on Local Authority Accounting in the UK</b>	
7.1	The Secretary first reminded the Board that the topics of simplification and transport infrastructure DRC and the pension fund provisions of the Code had already been agreed as a part of the development programme for the 2016/17 Code. The non-Scottish members of the Board stressed the desirability of achieving the separation of Pension Fund accounts from those of their administering authorities – a change that required legislative change. Gareth Caller reported that he had taken up the matter with DCLG colleagues.	
7.2	More generally, the Secretary encouraged the Board to provide her with comments. The relationship between group accounts and Pension Funds was one topic raised by a Board member.	<b>Board</b>
7.3	<i>Legislative developments</i>  The Board acknowledged the requirement to provide a narrative statement would be stipulated in the new Accounts and Audit (England) Regulations 2015. Currently the Code includes requirements for a narrative report (the explanatory foreword) which does not explicitly cover all the elements required by the new regulations and specifically the requirement to report on the economy, efficiency and effectiveness of the authority's use of resources.	
7.4	For some Board members the requirement for a narrative statement was reinforced by the risk, in the absence of clarification, of a fragmented position in 2015/16. The Board anticipated that any provisions on the narrative statement would be principles based.	
7.6	The Secretariat would bring a draft Board position on narrative reporting for 2015/16 that would also be applicable to 2016/17 and consistent with its plans for simplification. This would consider the need for further guidance.	<b>Sec</b>
7.7	<i>Other Legislative Changes</i>  Although already highlighted in the 2015/16 Code, Welsh HRA self-financing was noted to be a topic for the 2016/17 Code. The English HRA depreciation issue depended on the DCLG's regulations on the expiry of	

	the transitional Item 8 Determination provisions for depreciation and impairment.	
7.8	Gareth Caller would seek clarification from on his colleagues on the regulative proposals for HRA.	<b>GC</b>
7.9	<i>Financial Reporting Developments</i>  The Secretary outlined the financial reporting items that would need to be included in the development programme and highlighted that both IAS 1 and the IPSASB conceptual framework would assist the simplification agenda. The Board agreed the development programme as set out in the report.	
<b>8</b>	<b>Simplification and Streamlining Work Programme and Report</b>	
8.1	The Secretary explained that this work programme had been supplemented by the addition of a second stage while retaining the ambitious target date of 2016/17. It would remain necessary to consult on this timetable, as well as proposals to be made with respect to performance reporting, disclosures and SeRCOP.	
8.2	The Chair of LAAP raised the question of what would count as success, since being clear on the objectives would be essential in ensuring that the project met stakeholder expectations.	
8.3	Members of the Board stressed that simplification should result in accounts that are more widely read and used in the financial management and stewardship of authorities. A small number of accounts preparer members of the Board, however, expressed the caveat that there was already an expectation that accounts simplification would result in a quicker and more streamlined and less resource intensive accounts preparation process, an expectation that had been encouraged by the reduction in the statutory accounts preparation timetable.	
8.4	The Board recognised that the full implications of the proposals for accounts preparers and auditors could not be assessed until the proposals had been finalised since, while some financial statements may be added or enhanced, others could be deleted from the Code. The need for an early communication of the project's objectives was however, stressed, by reiterating the objectives of previous consultations.	
8.5	The Board collectively stressed the importance of materiality and the conflicting pressures faced by auditors as a consequence of the demands of regulators. Some Board members expressed caution about the establishment of applying a purely quantitative approach to the issue; the public interest (ie qualitative aspects of materiality) may require a	

	disclosure that would otherwise be immaterial.	
8.7	<p><i>Performance Report</i></p> <p>Alison Scott introduced the proposed new statement by stressing that the Simplification Working Group had considered the full range of options that for the presentation of local authority performance. The proposed <i>funding statement</i> had been developed by the group as a means bring together the accounting requirements under IFRS and the funding requirements for council tax and rents.</p>	
8.8	The Board saw merit in a proposal to include the new <i>funding statement</i> in the narrative report, where it would highlight a key issue of public interest and allow presentation alongside budget information, but equally there were arguments for including the statement in the statement of accounts, given its importance, and referring to it in the narrative. This would allow for more flexibility in the presentation in the narrative, and reflect the need for the definitive funding statement to have supporting notes.	
8.9	Given the balance of views, it was agreed that the consultation should include a specific question on the position of the funding statement.	<b>Sec</b>
8.10	Turning to the detail, it questioned whether for some authorities the new <i>funding statement</i> (and the new proposals for the segmental reporting in the Comprehensive Income and Expenditure Statement) might require a general ledger restructuring as a Board Member indicated that its ledger was structured on the basis of the SeRCOP <sup>1</sup> Service Expenditure Analysis. The Secretariat sought the Board's view if this was frequently the case as feedback from the consultation had suggested that this was not the case. In addition, any headings used in the presentation of the statement will need to be meaningful to prospective non-expert readers and reflect the operational structure of the authority.	
8.11	The Board had a wide-ranging debate on the merits of including budget figures (particularly for reserves) in its simplification proposals. The consensus of opinion considered the use of budget figures to be potentially usefully in the narrative, but that the problem of definition and thus of audit could pose a problem for the financial statement itself.	
8.12	<p><i>Movement in Reserves Statement (MiRS)</i></p> <p>The Board confirmed the need for the Movement in Reserves Statement (MiRS) but requested that the Secretariat focus on the simplification of the statement. It also saw merit in giving it less prominence in the statement of accounts (rather than the current recommended order</p>	

<sup>1</sup> Service Reporting Code of Practice (SeRCOP)

	included in the Code).	
8.13	Some members of the Board urged caution about exaggerating the challenge posed by the complexity of the MiRS, since the statement of equity in company accounts were often as or more complicated. Equally, the Code would only specify minimum requirements so any additional complexity would often be a consequence of local judgements about user requirements.	
8.14	<u>Segmental Reporting</u> The Board agreed that the simplification proposals should include consideration of the segmental reporting requirements following the approach in the report.	
8.15	It will be necessary to establish the audit requirements of those departments using the information as well as the areas of alignment with the WGA in considering the future requirements for a revised SeRCOP.	<b>Sec</b>
8.16	In concluding the discussion, the Board re-iterated the need to keep under critical review the statutory adjustments that were the underlying source of the complexity that the Board had to address. This was something that should be addressed in, for example, the position statements later on the agenda	
<b>9</b>	<b>Infrastructure Assets</b>	
9.1	The Secretary gave an oral update which suggested that the incomplete response to the WGA questionnaire may demonstrate that a significant number of authorities were unable to satisfy the basic data collection requirements. The Secretariat was awaiting further information from HM Treasury before completing the analysis.	
9.2	She noted that PISG had a vacancy for a CIPFA/LASAAC accounts preparer member following Bruce West's resignation. Christine Golding volunteered to join the group, and the invitation remained open for others to join – including from the devolved jurisdictions.	<b>CG</b>
9.3	The Board then turned to discussion of the paper, which was intended to inform the content of the forthcoming consultation.	
9.4	The first topic to be considered was the class of assets question. The Board agreed that the new class of assets should be included as a separate class on the face of the balance sheet.  It also considered those transport assets not in the scope of Code of Practice on Transport Infrastructure Assets (Transport Code). The Board agreed that the description "non-transport assets" should not be used and the Board suggested an alternative based on the approach to community	

	<p>assets.</p> <p>Members of the Board also requested that the Accounting Code stipulated the scope of the new class of assets ie transport infrastructure assets and cross reference should not be made the Transport Code.</p>	
9.5	In considering de-recognition the Board preferred “may be used as proxy” rather than “will be used as proxy” per paragraph 4.1.2.63 of the early draft of the Code.	<b>Sec</b>
9.6	The Board remained committed to the current timetable in stressing the importance of the prior year dry run to produce the necessary comparative figures for the first year of full implementation.	
<b>10</b>	<b>Position Statements</b>	
10.1	The Secretary clarified that while she was given as the contact as Secretary, the Statements were the Board’s Statements.	
	<p><i>Accounting for Schools and IFRS 13</i></p> <p>The Board approved these position statements.</p>	<b>Sec</b>
	<p><i>Telling the Story</i></p> <p>The Board recognised that this position statement needed to be reconsidered by the Secretariat so that it reflected the full discussion of the simplification programme. This may therefore mean delay until after the consultation.</p>	
	<p><i>Materiality</i></p> <p>The Board briefly considered the position statement on materiality that was tabled at the meeting and the Chair requested that comments be sent to the Secretariat. The Board agreed that the final bullet point be removed.</p>	
	The Secretary clarified that she would also be seeking formal CIPFA approval of the materiality position statement so that it could have the imprimatur of both CIPFA and the Board	<b>Sec</b>
	<p><i>Future position statements</i></p> <p>Infrastructure assets, pension fund accounting, narrative reporting and leases were identified to be suitable subjects for further position statements.</p>	<b>Sec</b>
<b>11</b>	<b>Accounting and Auditing Standards Update</b>	

11.1	The Board note this update.	
<b>12</b>	<b>Any other Business</b>	
12.1	The Secretary had sent Technical Information Note 15/01 to members in early in February. Board Members were invited to give any final comments on the Note. The Secretary confirmed that Technical Information Note 15/01 would be issued simultaneously with the 15/16 Code. The Board confirmed they were happy with this course of action.	
<b>13</b>	<b>Dates of future meetings.</b>	
13.1	<ul style="list-style-type: none"> <li>• 2 June 2015 (London)</li> <li>• 4 November 2015 (Edinburgh)</li> </ul>	