

# minutes

CL 02 03-13A

Board	CIPFA/LASAAC Local Authority Accounting Code Board	
Date	6 November 2012	
Time	11:00 am	
Venue	CIPFA, Robert Street	
Chair	Lynn Pamment	<i>PwC</i>
CIPFA Nominees	David Aldous Peter Davies David Jones Greg McIntosh	<i>Audit Commission Monmouthshire CC (from item 7) Wales Audit office KPMG</i>
LASAAC Nominees	Nick Bennett Russell Frith Fiona Kordiak	<i>Scott Moncrieff Audit Scotland Audit Scotland</i>
LASAAC Reserves	Ian Robbie	<i>Henderson, Loggie</i>
DOE(NI) Nominees	Rodney Allen Graham Coulter	<i>Northern Ireland Audit Office North Down Borough Council</i>
Observers	Philip Trotter Joanna Spencer Graham Fletcher Hazel Black Hilary Lower Paul Mayers	<i>HM Treasury ASB DCLG Scottish Government National Audit Office Audit Commission (for D.Aldous to lunch)</i>
In attendance	Ian Carruthers Paul Mason Matthew Allen Gareth Davies Sarah Sheen	<i>CIPFA CIPFA CIPFA CIPFA Scotland CIPFA (Secretary)</i>

		Actions
1	Declarations of Interest	
1.1	The Chair opened the meeting by welcoming two members to their first meeting; Graham Coulter and Fiona Kordiak.  There were no declarations of interest.	
2	Apologies for absence	
2.1	Apologies were received from Angela Brown, Tim Day, Dean Pletts and Derek Yule.	
3	Minutes	
3.1	The Minutes of the meeting held on 19 June 2012 were agreed to be an accurate record.  The supporting notes of the meeting held on 19 June 2012 were approved.	
4	Matters arising	
4.1	It was noted that volunteers were still to come forward for the post of vice-chair.	Board
5	Review of outstanding actions	
5.1	All outstanding actions were included in the agenda.	
6	Consultation to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) – Accounting for Schools in Local Authorities	
6.1	The Board considered the responses to the consultation on the exposure draft of the 2013/14 Code – Accounting for Schools in Local Authorities, with particular attention to the practical implications highlighted in the letter of the Department for Education (DfE) sent on 5 November 2012.	
6.2	Sarah Sheen advised that the full impact of the DfE letter could not be certain until she had had time to do a full review of the issues raised by the letter to establish whether it raised issues that hitherto the Schools Working Party's analysis had not recognised.	SS
6.3	Ian Carruthers briefed the Board on the wider context in which they would have to take their decision. As a consequence the Board had to consider how it should align its decision making process on this issue with the work of a new group being established with HM Treasury to address the wider consolidation issues.	SS/Schools Working Party
6.4	The Board agreed that the 2012/13 Code Update and the 2013/14 Code would not include any comments (at this juncture) on the Board's consultation conclusions on accounting for schools.  In addition taking into consideration to the work of the new group. The Working Party was to be reconvened.  <ul style="list-style-type: none"> <li>To review the previously reached conclusions in the context the new</li> </ul>	SS/Working Party

	<p>evidence from the consultation and the response of the Department for Education.</p> <ul style="list-style-type: none"> <li>• Give particular consideration to the interpretation of IFRS 10 in the light of national accounting requirements – on which issue IPSASB has done some relevant analysis.</li> <li>• Examine the implications of the Board decisions for the 2012/13 audit process.</li> </ul>	
6.5	<p>The sub-group’s arrangements would be amended by:</p> <ul style="list-style-type: none"> <li>• Including more practitioners and members of the Board. (Greg McIntosh volunteered) and</li> <li>• The DfE should be invited to ensure that it was content with the representation on the group.</li> </ul>	GM and SS
6.6	<p>There was a consensus that no provisions could be included in the 2013/14 Code (or the 2012/13 Code update).</p>	
7	<p>Consultation to the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) Update and the 2013/14 Code.</p>	
7.1	<p>The Board considered in turn each of the proposals set out in report CL 07 11-12 on the responses to the consultation and the approval of the draft 2012/13 Code Update and 2013/14 Code.</p> <p>The individual decisions on the draft 2012/13 Code Update and the 2013/14 Code are listed in Appendix A. Note Appendix A is a formal part of the Board’s Minutes.</p> <p>The Board also considered Appendix F – issues arising from question 64 (including the tabled addendum items) to the report these items were either</p> <ul style="list-style-type: none"> <li>• approved for inclusion in the 2013/14 Code,</li> <li>• not taken forward,</li> <li>• referred to LAAP, or</li> <li>• included in the future development programme for the Code.</li> </ul> <p>The items are listed at Appendix B. Appendix B is also a formal part of these minutes.</p>	SS
7.2	<p><i>Code of Practice on Transport Infrastructure Assets</i></p> <p>The Board considered that the issue of the measurement requirement of the adoption of the Code of Transport Infrastructure Assets in the (Accounting) Code was such a fundamental issue that it deserved appropriate Board time to be devoted to it. The Board considered that the full agenda for this meeting would not permit this and so the item would need to be prioritised on the March agenda.</p>	SS
7.3	<p><i>Appendix C to the 2013/14 Code</i></p> <p>The Board did not identify any additional issues beyond those following from the decisions of the meeting, but would confirm their consent after the circulation of the amended version.</p>	SS/Board

8	Development of the 2013/14 Code and Accounting for the Local Government and Finance Act 2012	
8.1	<p>Graham Fletcher briefed the Board on current developments before it considered how to align the timetables for the production of the Code and the Regulations consequent from the Act. The Board was aware the following process would stretch publication timescales (and possibly beyond 1 April) but considered that the best option for practitioners was to include the amendments related to non-domestic rates in the 2013/14 Code and not a later Code Update. The Board agreed to:</p> <ul style="list-style-type: none"> <li>• Carry out an 8 week consultation using the consultation draft of the regulations</li> <li>• Take the changes (as agreed by CIPFA/LASAAC electronically) to the next appropriate meeting of FRAB.</li> </ul>	SS/Board
9	CIPFA/LASAAC Post Implementation Review	
9.1	In considering the final report from this group the Board agreed that its work was complete.	SS
9.2	The report needed to be amended to reflect the contribution made by the member from Northern Ireland and that a single method of valuation was applied in Scottish HRAs.	SS
9.3	The Board asked that the Secretariat should consider ways of communicating the outcome of the review to practitioners and perhaps an article in <i>On Account</i> . The possibility of coinciding with the Audit Commission report on 2012/13 local authority accounts should also be considered.	SS
10	CIPFA/LASAAC Review	
10.1	The Board deferred consideration of this report until its March meeting.	SS
11	Development of 2014/15 Code of Practice on Local Authority Accounting Update (Code)	
11.1	The Board noted those areas to be considered in the development of the 2014/15 Code.	
12	Accounting and Auditing Standards Update	
12.1	The Board noted this update.	
13	Any Other Business	
13.1	Paul Mason asked the Board to bring any examples of good financial reporting to his attention since the Institute was intending to publish a compendium of good practice.	Board
14	Dates of next meetings	
	<ul style="list-style-type: none"> <li>• 5 March 2013, 11:00 am <i>Edinburgh</i></li> <li>• 26 June 2013, 11:00 am <i>London</i></li> <li>• 12 November 2013, 11:00 am <i>Edinburgh</i></li> </ul>	

## Appendix A - Approval of the Individual Proposals included in CL 07-11-12

	<p><b>Section A: Items that will be included in the 2012/14 Code Update and the 2013/14 Code</b></p> <p><i>Housing Revenue Account Reform (England) Self-Financing Regime</i></p>	
A.1	The Board agreed with paragraph 2.2 of the report and that there need be no change from the approach in the ED to the HRA financial statements.	SS
A.2	The Board agreed the proposed approach to chapter four in relation to the requirements of the HRA in the new self-financing regime (ref paragraph 2.3).	SS
A.3	The Board considered the suggestions made by respondents in respect of PFI subsidy but decided not to add an additional line to the Statement. In addition, the amendments to Chapter 4 (ref CD 1) and the removal of 3.4.2.39, were approved (ref paragraph 2.4).	SS
A.4	<p><i>Impairment Provisions in the Item 8 Determination</i></p> <p>The Board agreed not to include specific provisions on impairment per the Item 8 determination in the Code (ref 2.5).</p>	SS
A.5	<p><i>Accounting for CRC Energy Efficiency Scheme Assets</i></p> <p>The Board agreed that the CRC Energy Efficiency Scheme allowances should be included as current assets per the proposals in the report (ref 2.7). It also agreed to allow provisions to enable the assets to be treated as inventories where necessary but recognised that this was in the unlikely event that local authorities would purchase the allowances in order to trade (ref 2.8).</p>	SS
A.6	<p><i>Changes to the Code to Reflect the New Prudential System for Capital Finance in Northern Ireland.</i></p> <p>The proposed changes to the Code in respect of this issue were approved.</p>	SS
A.7	<p><i>Non-Domestic Rate Income: Potential for Authority to Act as Principal (England and Scotland)</i></p> <p>The specific Scottish aspects of this issue were discussed, and it was determined that the Code Guidance Notes would be the right mechanism to encourage the consistency that should be possible given the existence of a single Scottish scheme.</p> <p>The Board concluded that the Scottish issues would be picked up in the wider developments on non-domestic rates at the same time as the substantial amendments required for England (see item 8).</p>	SS
A.8	All other changes relating to Section A presented in Report CL 07 11-12 were, having considered the consultation responses, were approved by the Board without further discussion.	SS
	<p><b>Section B – Development Items which will be included in the 2013/12 Code Only.</b></p>	

A.9	<p><i>IAS 19 Employee Benefits (June 2011 Amendments)</i></p> <p>The Board agreed that the issue of group plans in IAS 19 could be resolved outside of the meeting between the Secretariat and Greg McIntosh (ref 2.12).</p> <p><i>(Secretary note - Greg McIntosh and the Secretary agreed that no further changes to the Code were needed.)</i></p>	SS/GM
A.10	<p>The Board agreed the definition of assets held by a long-term employee benefit fund (ref 2.13)</p>	
A.11	<p>The Board considered an analysis from Gareth Davies on the issues relating to post-employment benefits that had arisen in Scotland. Sarah Sheen clarified that she was waiting for the Government Actuaries Department (GAD) to confirm that the current proposals would not be problematic. The Board agreed to adopt these proposals unless GAD identified irresolvable problems.</p> <p><i>(Note: the Secretariat has been in communication with GAD on the disclosures. To date (26 February 2013) GAD has not raised any issues (ref 2.19)).</i></p>	SS
A.12	<p>In considering the consultation responses on post-employment benefits disclosures the Board did not think that the assertions that it would prove difficult had not been well evidenced by the consultation responses and that acceptable approximations for the relevant disclosures itemised in the consultation could be produced at little if any additional cost.</p> <p>The Board agreed with the proposed redrafting of the reporting of actuarial present value of promised retirement benefits (ref 2.21). It was decided that the issue would be considered for the development programme for the 2014/15 Code this would include the possibility of narrowing down the options.</p>	SS
A.13	<p><i>IAS 1 Presentation of Financial Statements – Other Comprehensive Income</i></p> <p>After some debate the Board decided to proceed with the amendments to section 3.4 of the Code following the approach in the ED including the drafting amendments proposed in CD7 (ref 2.23).</p>	SS
A.14	<p><i>IFRS 13 Fair Value Measurement</i></p> <p>The Board agreed that with regard to IFRS 13 <i>Fair Value Measurement</i> it wanted to move from the approach to scope exclusion of the relevant assets in the Code Exposure Draft to that in the Exposure Draft of the FReM. The Board asked the Secretariat to liaise with the Treasury to facilitate this. It was recognised that the relevant sections would need to be re-circulated to the Board.</p> <p>The Board agreed that the disclosure requirements of the standard should apply to all measurements of fair value (not already scoped out by the standard itself) (ref 2.27-28).</p> <p>The Board agreed to include all of the disclosures of IFRS 13 in the Code in accordance with the standard. It considered that it did not wish to exclude any of the disclosures or make any comments on the applicability of the disclosures to local authorities at this juncture but would keep this situation under review.</p>	SS

	<p>The Board noted that these amendments would be dependent of EU adoption of the standard by 1 January 2013.</p> <p><i>(Secretary note IFRS 13 was EU adopted. However, the adoption of IFRS 13 has been deferred by CIPFA/LASAAC until the 2014/15 Code)</i></p>	
A.15	<p><i>Service Concession Arrangements (PFI/PPP)</i></p> <p>The Board agreed not to include the measurement of the liability in service concession arrangements as a finance lease and not to include the provisions in relation to the grant of the right of the operator model in the 2013/14 Code. Both these issues were to be kept under review (following separate review processes) and in the development programme of the Code (ref 2.33 - 2.38).</p> <p>The Board acknowledged that the consultation had produced mixed views on whether intangible assets should be included in local authority service concession arrangements but concluded that no change should be made to the proposals in the consultation. It also agreed to proceed with the changes in relation to and assets under construction in the 2013/14 Code and to consider any transitional reporting requirements in Appendix C of the Code (refs 2.39 and 2.40).</p>	SS
A.16	<p><i>IFRS 7 Financial Instruments Disclosures and IAS 12 Income Taxes</i></p> <p>The Board agreed to the amendments in relation to IFRS 7 and IAS 12 (refs 2.41 and 2.42).</p> <p>The Board noted that these amendments would be dependent of EU adoption of the amendments to the standards by 1 January 2013.</p> <p><i>(Secretary note: these standards were adopted by the EU)</i></p>	SS
	<i>Other issues relating to standards and legislation</i>	
A.17	<p>The Board accepted the proposal to address the accounting issues arising from Police Reform through application guidance.</p>	SS
	<i>Interim Outcomes of the CIPFA/LASAAC Post Implementation Review</i>	
A.18	<p>The Board decided not to proceed with the encouragement option in relation to Earmarked Reserves for grants recognised in the CIES whose conditions were met but had not yet been spent (ref 2.44).</p>	SS
A.19	<p>The Board agreed to remove the reference to exceptional items but to specifically include paragraph 17 of IAS 1 (ref 2.45).</p>	SS
A.20	<p>The Board agreed to continue with the amendments to remove the term enhancement as this was not a change of substance to the Code.</p>	SS
A.21	<p>The Board agreed to maintain the measurement requirement clarifications in paragraphs 4.1.2.35 and 36 to the Code.</p>	SS
A.22	<p>The Board approved the suggested amendment to the wording of the draft Code on leases and lease type arrangements (see CD 12).</p>	SS

A.23	The Board agreed that no further change was required in relation to non-current assets held for sale and discontinued operations	
A.24	The Board agreed that the commentary in relation to the prominence of the group accounts would be considered in the review of the financial statements recommended by the Post Implementation Review at agenda item 9 (ref 2.51).	SS
A.25	The Board agreed that the disclosures recommended for deletion in the ITC should be deleted and that the Members Allowances disclosure should be retained (ref 2.52-53)	
A.26	<i>Localism Act 2011</i> The Board agreed to the minor amendment in relation to accounting for derivatives (ref 2.54).	SS
A.27	All other changes relating to Section B presented in Report CL 07 11-12 were, having considered the consultation responses, were approved by the Board without further discussion.	SS

## Appendix B – Items considered under Other Issues Raised

B.1	<p>The Board considered Appendix F - Other Issues Raised (including the tabled addendum items) and agreed:</p> <ul style="list-style-type: none"><li>a) To include the changes proposed in item 1 re IAS 7/IFRS 7 in the 2013/14 Code.</li><li>b) To recommend that LAAP include guidance specifically on compensatory added years re the exit package disclosure.</li><li>c) To refer item 3 to the 2014/15 Work Programme</li><li>d) To refer item 4 true and fair view to the 2014/15 Work Programme.</li><li>e) To refer reference to misleading information in the Explanatory Foreword to the 2014/15 Work Programme.</li><li>f) To consider the Merger Accounting changes to the FReM in the future development programme of the Code.</li><li>g) To consider the management commentary developments at its March meeting (item 8).</li><li>h) To consider issues relating to the complete set of financial statements in the 2014/15 Work Programme.</li><li>i) To refer the issue in relation to paragraph 4.1.2.42 to LAAP.</li><li>j) Not to proceed at this juncture with definitions of de minimis (per item 12)</li><li>k) To refer the Collection Fund issue to LAAP</li><li>l) To consider the issue of academy transfers following the work of the schools working party and on consideration of the work on merger accounting.</li><li>m) Not to proceed with the inclusion of staff numbers in disclosures in the financial statements.</li><li>n) Not to proceed with the issues in item 17 but noted that LASAAC was considering the disclosures on trading operations.</li></ul> <p><i>Addendum Items</i></p> <ul style="list-style-type: none"><li>o) Not to make any further amendments to the definition of termination benefits beyond those already agreed.</li><li>p) That Scottish Members would consider the first item in the tabled addendum to Appendix F item off line.</li><li>q) There would be no changes to those issues that referred to a true and fair view (second and third items).</li><li>r) The final item in the tabled addendum.</li></ul>	
-----	--	--