

# Minutes

[Approved by CIPFA/LASAAC on 6 November 2019 – paper CL 03 11-19]

Board	CIPFA/LASAAC Local Authority Code Board	
Date	4 June 2019	
Time	10.30am	
Venue	National Audit Office, 157-159 Buckingham Palace Road Victoria London, SW1W 9SP	
Present		
Chair	Lynn Pamment	<i>PwC</i>
CIPFA Nominees	David Aldous Deryck Evans Christine Golding Conrad Hall Owen James Joseph Holmes Martin Stevens	<i>National Audit Office Wales Audit Office Essex County Council London Borough of Brent Newport City Council Winchester Council (Vice Chair) Birmingham City Council</i>
LASAAC Nominees	Nick Bennett Hugh Dunn Joseph McLachlan Paul O'Brien Gillian Woolman	<i>Scott Moncrieff City of Edinburgh Council East Ayrshire Council Audit Scotland Audit Scotland</i>
Co-opted	Greg McIntosh	<i>KPMG</i>
Observers	Hazel Black Jenny Carter Matt Hemsley Vikki Lewis	<i>Scottish Government FRC MHCLG HM Treasury</i>
In Attendance	Don Peebles Gareth Davies	<i>CIPFA CIPFA</i>

		<b>Action</b>
<b>1</b>	<b>Apologies for absence</b>	
1.1	Colette Kane, Jeff Glass, Tim Day, Amanda Whittle, JJ Tohill	
<b>2</b>	<b>Declarations of interest</b>	
2.1	There were no declarations of interest	
<b>3</b>	<b>Minutes for approval:</b>	
3.1	Meeting 5 March 2019.	
3.2	These were approved subject to typographical corrections.	
3.7	The minutes will be uploaded on the CIPFA/LASAAC website.	<b>Sec</b>
<b>4</b>	<b>Action Points</b>	
4.1	The paper was reviewed with key items noted below.	
4.2	IFRS 16 Leases implementation would require authority preparations during 2019/20. Practitioners to be reminded at the Local Authority Accounting Conferences.	<b>Sec/ Chair</b>
4.3	IFRS 16 Leases: signposting to additional guidance to be provided on the website	<b>Sec</b>
4.4	IFRS 16 Leases: National Accounts treatment of infrastructure right-of-use assets to be confirmed.	<b>Sec / V Lewis</b>
4.5	IFRS 16 Leases: CIPFA/LASAAC to receive report and information to inform early adoption request from Transport for London at the November meeting.	<b>Sec</b>
<b>5</b>	<b>Update from FRAB.</b>	
5.1	Joseph McLachlan provided a comprehensive briefing on the FRAB meeting of 4 April.	
5.2	For IFRS 16 Leases the subsequent measurement of right-of-use assets and the adaptation to include leases with nil consideration were agreed by FRAB. The National Accounts and budgetary guidance alignment proposals for IFRS 16 were also noted.	
5.3	FRAB also considered an update on the IASB standard setting plans and post implementation reviews. HM Treasury is also planning a review of IFRS 9 <i>Financial Instruments</i> and IFRS 15 <i>Revenue from Contracts with Customers</i> implementation.	

5.4	The FRC provided FRAB with an overview of various reviews affecting FRC's future activities as well as an indication of the FRC's planned direction in corporate reporting. Slides are to be shared with CIPFA/LASAAC members subject to FRC authorisation.	<b>J Carter</b> <b>Sec</b>
5.5	FRC changes are also to be addressed at Local Authority Accounting Conferences.	<b>Sec/Chair</b>
<b>6.</b>	<b>Membership</b>	
6.1	Lynn Pamment noted that she has been appointed as Chair of FRAB, and was stepping down as Chair of CIPFA/LASAAC. The Board warmly congratulated Lynn on her appointment.	
6.2	Don Peebles outlined the proposed Chair appointment process. An open advertisement for the post will be issued. A small selection panel will then be constituted including the outgoing Chair, board members and senior CIPFA management. Applicants will naturally be excluded from panel participation. Dependent on the volume of responses, a shortlist will be established followed by an interview process. CIPFA/LASAAC endorsement will be sought subject to CIPFA and LASAAC ratification. The target date for appointment is by the end of August.	
6.2	David Aldous provided an update on the English Auditor representative process. Five nominations from different firms had been received. A sub-group selection panel would be established (Lynn Pamment, Joseph Holmes, David Aldous, Don Peebles). Nominations were noted as possible participants in other aspects (eg Local Authority Accounting Panel).	
6.3	Don Peebles noted that Treasurer Societies would be contacted to seek volunteers for the remaining English accounts preparer vacancy.	<b>Sec</b>
<b>7.</b>	<b>CIPFA/LASAAC Strategic Plan: Workstreams</b>	
7.1	The Chair thanked the members who had volunteered and progressed the different workstreams.	
7.2	<u>Initial Discussion</u>	
7.3	Lynn Pamment and Conrad Hall noted their participation in a CIPFA Board meeting, which had provided challenge regarding the scale and speed of changes to support the plan. Some items will take time to progress but a clear identification of actions for 20/21 would help. The potential different interpretations of streamlining were noted. The CIPFA/LASAAC strategy placed a key emphasis on clarity, focus and stakeholder needs.	
7.4	No volunteers had yet accepted CIPFA/LASAAC's invitation for more direct involvement in CIPFA/LASAAC's activities.	
7.5	FRAB views on potential changes were queried. The recent review of central government financial reporting was indicated as relevant. Actions arising for the FReM include a review of (a) substance to improve performance reporting other PACAC items identified; and (b) style to ensure that the FReM appropriate supports practitioners.	

7.6	The importance of expectation management, especially within the current IFRS based public sector framework, was emphasised. Adaptation and interpretation of IFRS standards requires evidence and a compelling case. It is also necessary to avoid unintended consequences, eg the creation of a 'dual reporting' requirement to support WGA. If required CIPFA/LASAAC may need to positively explain the case for non-adaptation.	
7.7	The importance of narrative and performance reporting was discussed, as this was the key feedback received regarding the central government review.	
7.7	The capacity of authorities to undertake changes was discussed, as well as an awareness of the scope for secretariat resources to support the strategic plan.	
7.8	Substantive changes to the financial statements (the 'back end') would be required to reflect stakeholder concerns. The role of the EFA may be particularly sensitive. Accounting requirements however need to recognise the complexity of local authority transactions.	
7.9	<u>Key Messages / Statutory Adjustments (Appendix A)</u>	
7.10	Clarity is required regarding which users should be regarded as 'primary users'. The ITC and engagement processes would need to inform this.	
7.11	It was suggested that any changes should strengthen the link between the out-turn and the reported CIES figures. Illustrations would help. Potentially a focus on realistic improvements rather than sudden large changes may be preferable and involve less risk. The role of the EFA was discussed.	
7.12	Any additional disclosures or statements should identify which information already provided can be dropped.	
7.13	Specified criteria regarding the need for statutory adjustments would help, with judgements made on this. Identifying the key issues for the sector (eg areas of volatility and risk transparency) may also assist.	
7.14	The ITC and other papers would need to consider RO/LFR/WGA/ total cost requirements as well.	<b>Sec</b>
7.15	Messaging of the purpose of proposed changes needs clarity. Some stakeholders will be focused on simpler and faster closure processes. Immediate progress on deliverable changes should be a focus. Statutory adjustments for pensions were discussed, with group accounts treatment noted.	
7.16	Overall strategic direction considerations to be framed as a discussion piece with views requested. Include areas in section F of the Invitation To Comment in the discussion paper, as well as the identification of primary users in section A. These will be excluded from the Invitation To Comment (ITC).	<b>Sec</b>
7.17	<u>Stakeholder Engagement (Appendix C)</u>	

7.17	The survey plans were discussed and agreed, with a 'scale' response to questions to simplify user input and maximise participation requested. Reference to narrative reports and explanation are also required.	<b>Sec</b>
7.18	A list of groups for stakeholder engagement to be circulated to identify relevant CIPFA/LASAAC participants for relevant groups.	<b>Sec</b>
7.19	<u>Materiality and Disclosures (Appendix B)</u>	
7.20	The potential approaches outlined in the paper were discussed. The paper is to be provided as an appendix to the ITC to inform and support feedback.	<b>Sec</b>
7.21	<u>Code Structure and Format (Appendix D)</u>	
7.22	The extent of detailed IFRS requirements in the Code was discussed, as well as the importance of highlighting adaptations and interpretations and the mandatory nature of the Code.	
7.23	One chapter is to be re-modelled as an example for the November meeting.	<b>Sec</b>
<b>8.</b>	<b>Differential Reporting</b>	
8.1	The paper was reviewed. The practicality of using a quantitative classification approach, as opposed to relying on classification based on type of authority was discussed.	
8.2	The table in Appendix B to be revised to reflect the additional local government bodies that exist (eg IJBs in Scotland) and to provide more analysis of those included in column A (eg shire authorities etc)	<b>Sec</b>
8.3	An executive summary should be provided, using the analysis in Appendix B as the starting point.	<b>Sec</b>
8.4	The use of balance sheet size as a criteria for classification should be discussed in the paper, including the risks arising if this is not included.	<b>Sec</b>
8.5	An out of meeting version is to be provided to CIPFA/LASAAC for approval.	<b>Sec</b>
<b>9.</b>	<b>Code 20/21 Invitation To Comment</b>	
9.1	<u>Pensions Guarantees</u>	
9.2	The paper was discussed with a view expressed that statutory adjustments would not apply to subsidiaries and associates unless a specific basis for this was identified in legislation. Support regarding application of the accounting requirements was considered more appropriate for guidance.	
9.1	<u>Draft Invitation To Comment</u>	
9.2	The draft was reviewed	

9.2	The streamlining section should be placed at the start, with more reference to clarity and focus. The IFRS 16 Section should be moved towards the end as it is not seeking to consult. The planned Code text for IFRS 16 implementation should be provided as an Appendix to the ITC.	<b>Sec</b>
9.3	Section A Principles: A more open approach to seek feedback on primary user identification in the stakeholder survey and proposed discussion paper was preferred. Code text amendments to be removed. An open question regarding materiality application is to be included.	<b>Sec</b>
9.4	Section B Disclosures Review: The ITC would need to more explicitly identify if IFRS adaptation is being proposed. Section to be redrafted to remove proposals and the related Exposure Draft. Instead the section should outline the current requirements and ask open questions for feedback on each of the identified areas, including the grounds on which adaptation might be sought.	<b>Sec</b>
9.5	Section C: Accounting standards. The proposals were agreed.	
9.6	Section D: Legislation. Government representatives to notify of possible legislative or policy changes affecting the Code for 20/21.	<b>MH, JG, AW, HB Sec</b>
9.7	Section E: Other items. Open question required regarding any existing alternative treatment of third party revenues for service concession arrangements. The potential impact of IFRS 16 Lease liability measurement on valuation of SCA assets is to be investigated. More explanation on the definition of an insurance contract under IFRS 17 should be provided. The question on investment in a subsidiary should be removed.	<b>Sec</b>
9.8	Section F: Actions for 21/22. This should be part of a separate discussion paper and removed from the ITC.	<b>Sec</b>
9.9	Revised ITC and papers are to be provided for CIPFA/LASAAC and FRAB review, with a phone conference to discuss feedback on 3 July.	<b>Sec</b>
9.10	An article to communicate CIPFA/LASAAC's plans is to be drafted and issued, highlighting the importance of the stakeholder engagement and feedback opportunities arising.	<b>Don Peebles</b>
<b>10.</b>	<b>Accounting and Auditing Standards</b>	
10.1	The paper was noted.	
<b>11</b>	<b>Dates of Next Meetings</b>	
<b>11.1</b>	6 November 2019 Edinburgh	
<b>12.</b>	<b>Any Other Business</b>	

12.1	The Board thanked Lynn for her dedication and service as Chair. It was proposed that a more formal event to fully recognise her contribution and commitment would be held.	
12.2	Sarah Sheen's service as secretary was also recognised and the board expressed their appreciation for her support and expertise.	