CIPFA The Chartered Institute of Public Finance & Accountancy

Minutes

Item 6 Appendix A - LASAAC 23/08/17

Board	CIPFA/LASAAC Local Authority Code Board	
Date	6 June 2017	
Time	10:30 am	
Venue	CIPFA, 77 Mansell Street, E1 8AN	
Present		
Chair	Lynn Pamment	*PwC*
CIPFA Nominees		
	Christine Golding	*Essex County Council*
	Conrad Hall	*London Borough of Brent*
	Owen Jones	*Newport City Council*
	Greg McIntosh	*KPMG*
	Leah Scott	*Lisburn & Castlereagh City Council*
	Martin Stevens	*Birmingham City Council*
LASAAC Nominees		
	Ian Lorimer	*Angus Council*
	Joseph McLachlan	*East Ayrshire Council*
	Gillian Woolman	*Audit Scotland*
Co-optee	Tim Day	*Independent Consultant*
Observers	Hazel Black	*Scottish Government*
	Ian Bulmer	*HM Treasury*
	Gareth Caller	DCLG
	Jenny Carter	*FRC*
In Attendance	Alison Scott	*CIPFA*
	Gareth Davies	*CIPFA*
	Matthew Allen	*CIPFA*
	Laura Deery	*CIPFA*

		Action
1	**Declarations of interest**	
1.1	There were no declarations of interest from members of the Board	
2	**Apologies for absence**	
2.1	Apologies for absence were received from David Aldous, Nick Bennett, Jeff Glass, Michael Hudson, Colette Kane, David Jones and Sarah Sheen.	
3	**Update on membership issues and introductions**	
3.1	There were no membership issues for discussion.	
4	**The minutes of March 2017 meeting of CIPFA/LASAAC**	
4.1	The previously circulated and approved minutes of the last meeting were noted.	
5	**Review of outstanding actions**	
5.1	There were no actions requiring consideration in addition to those already on the agenda.	
6	**Measurement of Highways Network Asset**	
6.1	The Board received an oral update from Alison Scott on the recent meeting with HM Treasury and other central government stakeholders. This reinvigorated the commitment of the stakeholders and brought Highways England into the discussion to promote consistency in Whole of Government Accounts (WGA) collection methodology. The data collected by local authorities on road lengths would still be important as the starting point but there would be more scope for the making of assumptions and modelling. Provision of WGA inventory data by local authorities remained, at least for the moment, voluntary.	
6.2	The Board carefully considered its role in the process and determined that while it was only WGA that was being considered then to comment would be to step outside its remit and, more importantly, serve to confuse its last unambiguous statement on the HNA. It was accepted that CIPFA may need to develop an FAQ to address enquiries from practitioners, and that in doing this reference will be made to the last CIPFA/LASAAC statement.	
7	**IFRS 16 Leases**	

7.1	Having noted the support of the Local Auditors' Advisory Group for Sandra McGowan's nomination to represent the audit community, the Board turned to a consideration of the working sub-group's Terms of Reference for the sub-group. It was determined that the end date for the sub-groups' work should be set in a way that did not preclude the Board consulting with the sub-group after it had finished the main phase of its work.	Sec
7.2	The Board noted that the working group should consider the prudential indicators (including the Capital Financing Requirement in England and Wales). The Board also added a readiness assessment to the tasks of the group.	Sec
7.3	Members of the Board considered the treatment of low value items to be a key decision – and one which will feed into the FRAB discussion of the same issue.	
8	**Feedback Statement on the Code Consultations**	
8.1	The Board noted that most of the information for the high level summary proposed will have already been prepared for reports to the Board, so the approach proposed did not impose an unreasonable demand on the Secretariat. The detail would nonetheless continue to be retained for future reference.	
8.2	The resulting feedback would (as now) be published on the website – with the purpose of encouraging consultation responses by demonstrating that consultation responses are given careful consideration.	Sec
9	**Report on the Operational Framework for the Production of the Code**	
9.1	Relative newcomers to the Board reported that they found the framework helpful, although the revised closure deadline had shifted the pressure point for practitioner Board members back to May. The new post FRAB conference calls had been added since the last meeting, as had the commitment of FRAB to a more substantial discussion at their June meeting.	
9.2	The Board agreed that it should be published on the website for the benefit of practitioners.	Sec
10	**Accounting and Auditing Standards Update**	

10.1	The Board noted this standard item and observed that the outcome of the forthcoming IPSASB consultation on heritage assets may have significant implications.	
10.2	Alison reminded the Board that Integrated Reporting has been taken into account in developing narrative reporting, but there is no intention of making it mandatory for local authorities. CIPFA was nonetheless being proactive in its engagement with the Integrated Reporting agenda.	
11	**Development of the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom**	
	IFRS 9 *Financial Instruments*	
11.1	The Board debated the merits of the detailed questions proposed in respect of Purchased or *Originally Credit-Impaired Financial Assets* and the *Simplified Approach to Impairment*, given that these issues had already been consulted on and no substantial proposals were being advanced in the consultation. The motivation for the questions was appreciated to be the gathering of information as to whether there are any specific issues that the Board has hitherto not been aware.	
11.2	Board members noted that asking specific questions helped to guide responses and ensure that the answers are in form that can be analysed for Code development. In addition the rubric for the consultation stresses that it is not obligatory to answer every question. There was some support on the Board for the view that given that the Board is not making a substantive proposal then the number of questions seemed excessive.	
11.3	On balance, the Board felt that the number of questions in respect of these two topics is excessive. The Secretariat would therefore by eliminating and combining questions seek to substantially reduce the number of questions both here and throughout the ITC.	
	IFRS 15 *Revenue from Contracts with Customers*	
11.4	The Board following its requests at previous meetings for research into the US GAAP approach understood the reasoning behind the consideration of the US GAAP codification of disclosure requirements for non-public entities and not for profit entities, but judged that these arguments would need to be explained more fully in the ITC if this were to be the solution proposed.	

11.5	The Board appreciated that the proposal may offer a more appropriate level of disclosure for income streams that were for local authorities very substantially less material than income from taxation. Nonetheless, the Board cautioned that this may not always be the case for some smaller English authorities, and that furthermore that public interest in commercial activities may be greater than the scale of revenues they generate.	
11.6	On balance the Board took the view that the approach presented in the draft ITC should be replaced by one that emphasised considerations of materiality and the possibility of aggregation for income streams of a similar nature and risk. So the ITC is to be redrafted to explain that the appetite for a standard directed reduction in disclosures had been rejected in favour of its previous approach which placed the emphasis on materiality. The questions would need to be reworked to identify any barriers to aggregation and the application of materiality considerations.	Sec
	Narrow Scope Amendments	
11.7	Given the principles established in its earlier discussion of open questions, the Board asked that the questions on amendments to IAS 7 *Statement of Cash Flows* and 12 *Income Taxes* be dropped, since both were covered in the earlier consultation and no new proposals are being made.	Sec
11.8	The Board was content with the proposals for amendments to IAS 40 *Investment Property*.	Sec
	Annual Improvements to IFRSs 2014-16 Cycle	
11.9	It was agreed that the substantive change as a result of the Annual Improvements should be included in the body of the consultation papers.	Sec
	IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	
11.10	No changes proposed.	
	Telling the Story of Local Authority Financial Statements	
11.11	The Board determined that no question was needed on this proposal as it was not an issue which required debate.	Sec
	Legislative and Policy Developments	
11.12	Only those amendments where clear legislative prescription should be included. It was agreed that no questions would be included in relation to	Sec

	the Item 8 Determination as this was a factual deletion.	
	IFRS 16 *Leases* – Initial Consultation	
11.13	The Board decided that the body of the ITC should make reference to the working group and pose an open question, while delegating the current detailed rehearsal of the issues to an annex.	Sec
	Post Implementation Review	
11.14	The Board judged that it would be more appropriate to address the issues separately from the Invitation to Comment on the 2018/19 Code.	Sec
11.15	The Board concluded its discussion of the draft ITC by considering the need to manage practitioner expectations and concluding that in some cases the appropriate response to the evidence provided in the consultation may be to refer it to LAAP.	
11b	**Presentation of Statutory Adjustments**	
11.16	Hazel Black, supported by the other LASAAC members of the Board, introduced this discussion paper as being motivated by a work programme to more clearly distinguish those adjustments required by statute from those that are a consequence of accounting standards. In this way the informed user familiar with standard accounting practices will be better able to understand local authority accounts. LASAAC had, however, reached the conclusion that, particularly in respect of pension and depreciation adjustments, the Code prevented the desired analysis of usable reserves.	
11.17	In its wide-ranging discussion of the paper the Board were sympathetic to its intentions but were anxious to ensure that any change in reporting would be UK wide. In addition, given that the statutory adjustments principles adopted by the Code are currently made at Surplus or Deficit on the Provision of Services line, a fuller understanding was needed of the full implications of the proposed changes for the Code as a whole. This would be undertaken by the CIPFA/LASAAC Secretariat.	
11.18	Having expressed a reluctance to include the proposals in the current ITC, the Board was keen that issues are reviewed. In addition it took the view that it was not its intention that the treatment of usable/unusable reserves in the Code should prevent the type of analysis proposed. It therefore asked that either it be confirmed that the drafting of the Code	Sec

	on this point is sufficiently permissive or, failing that, the ITC consults on a revised working that meets this requirement.	
12	**Any Other Business**	
12.1	Alison Scott briefed the Board on the response for feedback on items to be included in the 2018/19 Code. The Board asked that the letter from the London Treasurers' be circulated.	Sec
	Dates of Next Meeting	
	Dates of upcoming meetings: • **8 November 2017 - Edinburgh 10:30 to 15:00** • **21 November 2017 - 14:00 to 15:00 via telephone conference call.**	