

supporting notes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	19 June 2012	
Time	11.00am	
Venue	CIPFA Scotland, Edinburgh	
Present	Lynn Hine (Chair)	<i>PricewaterhouseCoopers</i>
CIPFA Nominees	David Aldous Peter Davies Angela Brown David Jones Greg McIntosh	<i>Audit Commission Monmouthshire CC Independent Consultant Wales Audit Office KPMG</i>
LASAAC Nominees	Nick Bennett Lynn Bradley Russell Frith Bruce West	<i>Scott Moncrieff Audit Scotland Audit Scotland Argyll and Bute Council</i>
DOE(NI) Nominees	Rodney Allen Robert Dowey	<i>Northern Ireland Audit Office Newry and Mourne DC (by phone)</i>
Observers	Karen Sanderson Joanna Spencer Graham Fletcher Hazel Black Hilary Lower	<i>HM Treasury ASB DCLG Scottish Government NAO</i>
In attendance	Ian Carruthers Paul Mason Gareth Davies Sarah Sheen Julian Smith	<i>CIPFA (by phone for item 7) CIPFA CIPFA Scotland CIPFA (Secretary) CIPFA</i>

		Action
1	apologies for absence	
	Apologies were received from Dean Pletts, Tim Day and Larry Pinkney.	

2	minutes	
(a)	The minutes of the meeting held on 28 February 2012 were approved.	
(b)	The supporting notes of the meeting held on 28 February 2012 were approved for inclusion on CIPFA/LASAAC pages of the CIPFA website.	
3	matters arising	
3.1	<p>Sarah Sheen reported on the Memorandum of Understanding between the Relevant Authorities (MOU) had been finalised.</p> <p>It was noted that the Annex to the MoU would now therefore be applied to Code developments. The Board concluded that the "overall approach" (etc) includes IPSAS if appropriate to the transactions in question. It would also include UK GAAP under "other financial reporting standards"; and that consideration could be given to other countries' approaches, for example Australia and New Zealand.</p>	
3.2	<p>It was understood that the annex replaces the "old hierarchy", for example when considering adaptations for IFRS. Paul Mason reported his understanding that FRAB's view is that accounts should only go beyond IFRS in exceptional cases, for example if there is a gap in IFRS's coverage of a particular situation.</p> <p>It was agreed to request clarification on the use of the hierarchy included in the previous MOU from Ian Carruthers, to help members better understand the new hierarchy, why it has changed, and consider implications for CIPFA/LASAAC's work. It was agreed that the Chair would discuss these points initially with Ian Carruthers, and then circulate a note to members.</p> <p>Clarification would also be sought on paragraph 9 ie "The representatives from CIPFA/LASAAC and the devolved administrations shall advise of any impacts the proposals might have on Council Tax and whether there are acceptable alternative treatments." The Board was interested in how this paragraph would work in practice. Most of the impact on Council tax is mitigated by the statutory accounting requirements.</p> <p>Reference to the devolved administrations' role should also be taken to include central government in England.</p>	<p>Chair/IC/SS</p> <p>Chair/IC/SS</p>
4	a review of outstanding actions	
4.1	The Board welcomed the supporting paper and the inclusion of this agenda item at meetings.	

4.2	The working groups looking into Integrated Health and Social Care had completed their considerations. Although there is not yet legislation on this subject, there is a consultation process underway at present.	
4.2	The meeting agreed that volunteers would be sought for the post of CIPFA/LASAAC Vice-Chair initially by reminding Board members of the opportunity to put themselves forward for this post, and if this did not prove successful the Chair and Secretary would liaise to approach people directly.	SS
5	development of the code of practice on local authority accounting in the United Kingdom 2012/13 code update and 2013/14 code	
5.1	Housing Revenue Account - CIPFA/LASAAC agreed to include reference in the 2012/13 Code Update for the part of the Determination which permits authority's to make transfers for amounts in excess of depreciation.	SS
5.2	CRC Energy Efficiency Scheme - minor typographical errors were identified and additional clarification on the commentary on the scheme. CIPFA/LASAAC also agreed minor editorial changes to the question related to the measurement of the allowances at fair value. It was agreed to edit out the second part of ITC question 5.	SS
5.3	The Board noted that following recent announcements referred to in the report that it is hard to foresee the longevity of the CRC scheme at present. It also noted that there is no expectation of change before 2012/13 or before 2013/14, although the situation could change in time for 2013/14.	
5.4	The Board agreed that the minor amendments discussed with the Northern Ireland Audit Office and the CIPFA/LASAAC Members from Northern Ireland should be included in the ED of the 2012/13 Code Update. A meeting taking place for officials from the Department of the Environment Northern Ireland and CIPFA Northern Ireland colleagues may also be of help on this subject.	SS
5.5	<i>The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012 (SI 2012 No. 265) (as amended)</i> - CIPFA/LASAAC agreed that there would be no need to refer to the abovementioned regulations in the ED of the Code but requested that this be signposted in the ITC.	SS
5.6	TIF schemes – it was noted that this matter was not an accounting standards change, but looks to potential	

	changes ahead for 2012/13, particularly for Scotland, with pilot projects in Edinburgh for example. The final sentence of paragraph 20, on pilot schemes etc, would be deleted. The ITC question itself did not need any amendments.	SS
5.7	The Board supported the approach of only making Code Update changes where this is necessary such as when statutory changes have occurred since an edition of the Code was published. Section A and the introduction to the Invitation to Comment should clearly set out that the changes made in the Code Update were only those absolutely necessary ie those required by statutory changes.	SS
5.8	The secretariat would consider whether Business Rate incentivisation for Scotland could be included in the 2012/13 Code Update.	SS
5.9	CIPFA/LASAAC requested appropriate paragraph reference in the ITC that related to the minor amendments.	SS
	2013/14 Code items	
5.10	CIPFA/LASAAC wanted to use the terminology in IAS 19 in relation to short-term employee benefits and therefore refer to paid absences and to confirm in the Code that the Code Board considered that this meant compensated.	SS
5.11	Termination benefits – the wording was agreed to.	SS
5.12	Disclosure – CIPFA/LASAAC requested more explicit wording required in relation to the disclosures on long/ short-term employee benefits and termination benefits.	SS
5.13	IAS 19 Amendments – the meeting considered the disclosure requirements. Following a meeting between the secretariat and actuaries. Actuaries had provided the Secretariat with some early feedback on those disclosures required by the amendments to the standard focusing on the potential cost and local authorities' likely ability to provide the relevant information. The two disclosures that were deemed to be most likely to cause local authorities difficulty were highlighted in the Invitation to Comment. However, authorities' views were sought on all the disclosures. The approach in the ITC and ED was agreed to the Board will consider respondents view on the ITC in this subject area.	

5.14	<p>The Board agreed that the approach in the Code in relation to the three options for reporting the actuarial value of promised retirement benefits does not mean that all the options are required to represent the position at the balance sheet date. The Board They were happy that the consultation paper and Exposure Draft should refer to good practice.</p>	SS
5.15	<p>Referring to point 19 of supporting paper 5, on the Hutton Review and pay multiples, it was decided not to include the Hutton median pay disclosure Review in the ITC. It was considered that such disclosures are better addressed by other means and as is highlighted in the report is covered in the Code of Recommended practice for Local Authorities on Data Transparency.</p>	
5.16	<p>For section 8, on IAS 1 amendments, CIPFA/LASAAC requested that the ED on the 2013/14 Code refer only to the third option in the report ie, requiring local authorities to adopt the amendment as appropriate if authorities have material balances requiring grouping in accordance with the amendments to the Standard.</p>	SS
5.17	<p>In relation to fair value measurement, CIPFA/LASAAC wished to seek interested parties views on whether the accounting policies and critical judgements presented much of the same information required for IFRS 13 disclosures in relation to those assets that the ED of the Code had excluded from the requirements of Fair Value Measurement. The Board also agreed to seek interested parties views on disclosures.</p>	SS
5.18	<p>CIPFA/LASAAC requested that the Secretariat seek the views of HM Treasury on its approach to the disclosure requirements of the Standard in the Government's Financial Reporting Manual (FReM).</p>	SS
5.19	<p>The Board debated the issue of service concession arrangements in local government and were particularly concerned about the measurement of the liability. Greg McIntosh noted that this issue had been particularly significant in health where the guidance issued had particularly covered the issue of whether or not to measure the liability for service concession arrangements under IAS 39 <i>Financial Instruments Recognition and Measurement</i> or IAS 17 <i>Leases</i>. The approach used was under IAS 17.</p> <p>The Board noted that the approach in the new guidance available measured the liability under IAS 39 in mirror form to IFRIC 12 <i>Service Concession Arrangements</i>.</p> <p>CIPFA/LASAAC was keen to understand HM Treasury approach to the measurement requirements of the</p>	

	liability. CIPFA/LASAAC wanted to explore the impact of any changes in the ITC (see also below). CIPFA/LASAAC also wanted to highlight why the proposed amendments utilised the additional guidance available.	SS
5.20	The Board agreed wording in the Exposure Draft of the 2013/14 Code in relation to the 2011 amendments to IFRS 7.	
5.21	The Board agreed not to advocate early adoption of the suite of Group Accounting Standards.	
5.22	The Board agreed to the approach specified in relation to the Annual Improvements to IFRSs 2009 to 2011.	
5.23	<p>Next steps were noted as follows:</p> <ul style="list-style-type: none"> • Redrafted ITC documents would be circulated for Board members' comments – this would be done to allow a 7-10 day period for approval; • CIPFA's Public Finance and Management Board would need to approve the ITC documents (its next meeting would be taking place on 1 August); • LASAAC would be invited to consider the ITC documents. 	SS (and other bodies as a part of due process for approval).
6	whole of government accounts	
6.1	Karen Sanderson gave a presentation on Whole of Government Accounts (WGA). The Board noted its gratitude to her for the presentation and the issues she brought to their attention.	
7	development of the code of practice on local authority accounting in the United Kingdom 2012/13 code update and 2013/14 code – the code of practice on transport infrastructure assets	
7.1	<p>The meeting considered the supporting paper on options suggested by the Secretariat, section 3.</p> <p>It was understood that the HM Treasury anticipated that the assurance model would not be at the entity ie local authority level. The Board was concerned that part of one of the qualifications in the WGA process was refers to the measurement basis for local authority infrastructure assets.</p> <p>It also noted that the Public Accounts Committee was interested in the WGA qualifications. The Board was therefore concerned to support the WGA process.</p> <p>At the same time it was concerned that appropriate</p>	

	<p>management information should be able to support robust information in the financial statements.</p> <p>It was noted that a joint survey by HM Treasury and CIPFA for local authorities which is included in the Whole of Government accounts process would assist CIPFA/LASAAC in its future deliberations.</p> <p>It was also noted that use of the data by the Department for Transport and other parts of government would help to encourage wider interest amongst local authorities of the infrastructure code. It was considered that in addition, better asset management and efficiency from using the code are worthwhile in themselves. DfT appears keen to use the code data but wants to be clearer about the data quality.</p> <p>Following the lengthy debate the Board therefore resolved to consult on an approach which proposed a 2014/15 financial year adoption in the Code (including retrospective restatement) but also to seek interested parties views on the practical and financial consequences of such an approach.</p>	SS
8	development of the code of practice on local authority accounting in the United Kingdom 2013/14 code – proposals from the post-implementation group	
8.1	The terms of reference for the post-implementation review were approved by the Board.	
8.2	Section 2 of the supporting paper related to the Post Implementation Review Section of the ITC.	
8.3	Component accounting will be referred to the Local Authority Accounting Panel.	
8.4	<p>The Board agreed the recommendations of the Post Implementation Review in relation to:</p> <ul style="list-style-type: none"> • The use of the term enhancement • Valuation issues including references to rolling programmes and the minor amendments. • Lease and lease type arrangements • Assets held for sale • Exceptional Items. 	SS
8.5	The Board debated the Post Implementation Review Groups recommendations in relation to Government	

	Grants and decided that the proposals would be to encourage the approach recommended as opposed to mandating it. It was noted that the proposals should use the terminology used elsewhere in the Code in relation to the earmarking of the General Fund in Scotland.	SS
8.6	The Board noted the issues that the Post Implementation Review raised in respect of application guidance.	SS
8.7	The Board concurred with the recommended approach from the Post Implementation Review that the complete set of financial statements should be allowed sufficient time to bed in before a more detailed review should be undertaken.	
8.8	The Board agreed the Post Implementation Review's recommended approach on disclosures that were not directly supported by financial reporting standards or a statutory requirement to include the disclosures in the financial statements. These would be included in Appendix A to the ITC. The administrative bodies' representatives on the Board were invited to consider whether they were of the view that any of these disclosures if not required by the Code would lead to consideration whether any of these disclosures should be subject to statutory stipulation.	SS
8.9	The Board considered that there was an issue in relation to the disclosure of exit packages and whether this definition should be clearly aligned to the accounting requirements for termination benefits. The Board agreed to amend the disclosures on exit packages to align with financial reporting requirements.	SS
8.10	The Board recommended that there should be some minor redrafting of the paragraphs in the ITC relating to the complete set of financial statements.	SS
8.11	The Board thanked Sarah Sheen for her work on the issues arising from the post-implementation review.	
9	development of the code of practice on local authority accounting in the United Kingdom 2012/13 code update and 2013/14 code – proposals from the working party – accounting for schools in local government	
9.1	The meeting considered the supporting paper. It noted that the issues relating to schools were in the process of being confirmed with the Department for Education and the Welsh Government. It also noted the initial	

	<p>conclusions of the Working Party in relation to the governing bodies of maintained schools responsible for the income and expenditure of the schools. However considered there were a number of reporting consequences that needed to be considered in detail.</p> <p>Graham Fletcher noted with concern the other reporting consequences that might arise from the conclusions of the Working Party.</p> <p>CIPFA/LASAAC requested that the proposals for the ITC and the financial and reporting consequences of the control decision reported to CIPFA/LASAAC be considered by the CIPFA/LASAAC Working Party Accounting for Schools in Local Government.</p>	SS, working party
10	accounting and auditing standards update	
	The Board noted the current (draft) Accounting and Auditing Standards Panel update with thanks.	
11	consideration of the communication process for the code consultation	
	<p>The Board supported using an email message to local authority directors of finance across the UK to circulate the ITC code consultation documents.</p> <p>In addition Sarah Sheen would provide some slides about the consultation process for use by the Board</p>	SS
12	CIPFA/LASAAC review	
	The Board approved the terms of reference for the review.	
13	date of next meeting	
	6 November 2012 (CIPFA offices, London)	