

minutes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	20 February 2014	
Time	11.00am	
Venue	CIPFA offices, Robert Street, London	
Present	Lynn Pamment (Chair)	<i>PwC</i>
CIPFA Nominees	David Aldous Angie Sinclair David Wood	<i>Audit Commission Devon County Council (by phone) Newport City Council</i>
LASAAC Nominees	Nick Bennett Fiona Kordiak Bruce West Derek Yule (Vice-Chair)	<i>Scott Moncrieff Audit Scotland Argyll and Bute Council (by phone) The Highland Council</i>
DOE(NI) Nominees	Graham Coulter	<i>Banbridge Borough Council</i>
Co-optee	Tim Day	Independent Consultant
Observers	Hazel Black Graham Fletcher Jeff Glass Hilary Lower Philip Trotter Amanda Whittle	<i>Scottish Government DCLG Department of the Environment NI National Audit Office HM Treasury Welsh Government</i>
In attendance	Alison Scott Sarah Sheen Matthew Allen	<i>CIPFA CIPFA (Secretary) CIPFA</i>

		Action
1	Declarations of interest	
1.1	There were no declarations of interest apparent to members from the agenda.	
2	Apologies for absence	
2.1	Apologies were received from Rodney Allen, Ian Carruthers, Russell Frith, and Angela George	
3	Minutes and Matters Arising	
	(a) To approve the Minutes of the meeting held on 12 November 2013	

3.1	The accuracy of the minutes was agreed.	
	<u>b) To note the summary minutes of the conference call on 21 January</u>	
3.2	The Secretary confirmed that the intention of 3.5 (first bullet) was that the decision would be communicated in the normal fashion ie with the papers on the website.	
	<u>(c) Publication of minutes – verbal update by the Secretary.</u>	
3.3	The Board noted that the elapse of time before the minutes are approved hampers interaction with other key stakeholders.	
	The Board decided that: <ul style="list-style-type: none"> • Once produced the minutes would be circulated to the Board, with a two week period for comment before they are published. • There would be a standing item on each agenda to determine if there are any papers that should not be published. 	MA/Sec
4	Review of outstanding actions	
	<u>Page 1 Item 4</u>	
4.1	In response to questions, the secretary explained that deferment of the changes in Terms of Reference identified by the CIPFA/LASAAC Review had been a consequence of the on-going new working arrangements with HM Treasury colleagues. The Chair argued that priority should be given to make those changes already identified.	
4.2	The Board decided that the amendments to the Terms of Reference emanating from the CIPFA/LASAAC Review would be brought to the June meeting for confirmation.	Sec
	<u>Page 2 Point 5.</u>	
4.3	The action from the June meeting in respect of the post implementation review group (Financial statements) is Agenda Item 7.	
	<u>Page 2 Point 9</u>	
4.4	Phil Trotter updated the Board that he considered that a note of the stakeholders meeting on infrastructure assets on 16 October 2013 would be issued imminently.	
5	Accounting for Schools in Local Authorities	
5.1	The Secretary introduced this important paper by outlining the headline position, drawing attention to how the conclusion reflected is more performance driven than the decision had been under CIPFA/LASAAC's proposals under IAS 27. She also drew attention to the recent amendment to incorporate contextual information from the Welsh Government. CIPFA/LASAAC agreed that this should be added to the report. She concluded by explaining the proposed consultation and added that the decisions made as a consequence of it would be subject to the standard approval processes by PFMB, LASAAC and FRAB.	
5.2	Members of the Board welcomed the report and expressed their appreciation of the work done by the Secretariat and especially HM Treasury to reach a well-argued position on an issue that had long been problematic. The Secretariat noted that they agreed with the conclusion that the balance of control (indicators) should be with schools. However, they stressed that, because of the unique status of local authority schools, the arguments set out should only be applied to local authority maintained schools and not to other entities.	

5.3	The Chair drew attention to the need for the reference to governing bodies in paragraph E1.1 of the exposure draft should be changed to schools. (<i>Secretary note – the paragraph has been amended to local authority maintained schools to avoid confusion with other types of school</i>).	Sec
5.4	The Board debated how to approach the issue of Community Special Schools, Foundation Special Schools and Nursery Schools. The Secretariat had identified no prima facie evidence that the conclusion would be different for these categories or schools, but nonetheless it remained possible that there were as yet unidentified issues that could lead to a different conclusion.	
5.5	While direct consultation with the Department for Education was recognised to be one source of evidence on these remaining categories of schools, the Board determined that it would be most productive to include the issue in the proposed consultation. In doing this it would be made clear the Board were minded to treat these schools in the same manner as those covered by the report of the Working Group but that nonetheless evidence, pertaining to these types of schools, should be submitted if it may lead the Board to change or confirm this proposal.	
5.6	The Board approved the inclusion of the current understanding of of the treatment of Community Special Schools, Foundation Special Schools and Nursery Schools in the Accounting for Schools consultation.	Sec
5.7	The Board debated the merits of the proposed six weeks consultation period; given especially that the now standard eight week consultation represents a reduction from the previous standard of three months. The Secretariat explained that the proposal was made with considerable reluctance but with a view to maximise the preparation time given to practitioners based on an approved addition to the Code and, especially by ensuring that the approval process was not elongated as a result of the Easter Holiday period. The Board noted that if an individual interested party considered that it could not return a response in this six week period an extension would be given to the standard eight week consultation.	
5.8	While the approval of the outcome of the consultation would, as for the 2014/15 Code itself, be done by telephone conference it would still have to quorate and supported by the timely despatch of the necessary papers.	
5.9	Given the range of different views on the merits of the reduced consultation period, the Board voted on whether to proceed with a six week consultation on an explicitly exceptional basis. The proposed consultation timetable was approved by nine votes to two. (<i>Secretary note: one of these positive votes was via supportive comments on the approach in an email from a member that could not attend the meeting</i>).	Sec
6	Development of 2015/16 Code of Practice on Local Authority Accounting (Code)	
	<u>Legislative Developments</u>	
	<i>England</i>	
6.1	Graham Fletcher briefed the Board on the Local Audit and Accountability Act 2014 and the future issue of the Accounts and Audit (England) Regulations, drawing attention to the steps being taken to ensure that certain bodies to be included in the definition of a local authority.	

	<i>Scotland</i>	
6.2	Hazel Black explained the Scottish Government's proposal to introduce the Local Authority Accounts (Scotland) Regulations 2013 would be applicable to the 2014/15 Year. The Board debated whether this would need to be dealt with in 2015/16 Code or a 2014/15 Code Update. The Board agreed that this could be dealt with via application guidance rather than the Code Update. Hazel noted the possibility of issue of non-statutory guidance for issues such as the management commentary. She referred to the review of disclosures and added that steps were to be taken to prevent continuing confusion in the minds of some practitioners between legislative disclosure requirements and the disclosure requirements of the Code. Sarah Sheen noted that the requirements of the Code could not override any statutory reporting requirement.	
6.3	The Secretary reported that she had received information that the proposed Health and Social Care Boards in Scotland would be local authorities. A debate on this issue ensued. It was agreed that this issue would be kept under review.	
	<i>Wales</i>	
6.4	Amanda Whittle explained that the implementation of the Accounts and Audit (Wales) Regulations was following a similar timetable to that in Scotland. The Secretary questioned whether the Board was also content that the approach to advising authorities on the reporting requirements should also be by means of application guidance eg in LAAP End of Year Bulletin for 2014/15. The Board confirmed it was content that the changes in relation to the Accounts and Audit (Wales) Regulations are included in the 2015/16 Code. She added that the HRA reforms in Wales would be addressed in the 2015/16 Code.	
	<i>Management Commentary</i>	
6.5	The Secretary reminded the Board that this had been the subject of an in depth review for 2012/13. The position in the Code currently included an "encouragement" approach to follow the reporting requirements of the FReM. This interim position was intended to be until the legislative position in England and Scotland had been confirmed. As clarity was likely to be provided in the new Scottish regulations and the Local Audit and Accountability Act 2014 did not require a local authority to provide an annual report, the Board had previously agreed to review the reporting requirements of the Code for the 2015/16 Code.	
6.6	Members of the Board drew attention to the relevance of the current work on integrated reporting.	
6.7	The Board required an appraisal of the options for the inclusion of a management commentary in the Code with appropriate proposals for the 2015/16 Code to be available for the June 2014 meeting.	Sec
6.8	The Board's discussion widened to consider the longstanding issue of the Pension Fund Annual Report in England and Wales. It determined that the Secretary should brief the LGPS team at DCLG, drawing attention to the merits of the solution adopted in Scotland. This issue should be included in the development programme for the Code.	Sec

	<u>Accounting Developments</u>	
6.9	The Secretary introduced this item by explaining that the intention was to bring forward proposals for accounting standards following the normal process at the June meeting – noting that the IFRS 13 development issues were already on the current agenda.	
6.10	The most significant of the improvement changes were those in relation to IAS 16 the measurement issues and calculation of issues appeared to be an issue for some practitioners. A Board Member raised the issue of the changes in the text of the Code in relation to frequency of valuations (paragraph 4.1.2.35 of the 2013/14 Code). The Secretary noted although the text of the Code had changed as this was not an adaptation to the Code the Code's requirements had not changed. She reported that the Secretariat anticipated issuing a FAQ in the near future.	Sec
6.11	The Secretary explained that the revenue recognition standard (which had not yet been issued), may not bring about substantial changes in practice but will require substantial changes to the drafting of the Code. It was not yet clear that this would be issued with an effective date for the 2015/16 Code.	Sec
6.12	The Board agreed to consider the options for amending Heritage assets disclosures at the June meeting.	Sec
6.13	The Board noted the current intention to limited the changes as a consequence of IFRS 9 to the issue of own debt, but questioned whether this was an important issue. It was determined that the issue should be referred to the Treasury and Capital Management Panel.	Sec
6.14	The Chair queried whether the new public sector SORPs based on FRS 102 would have any practice that would be useful for the Code and requested that an appropriate review be included in the development programme of the Code.	Sec
6.15	It was noted that as the IPSASB Conceptual Framework was scheduled for release at the same time as the Code Consultation it may prove difficult to achieve the desired "read across" between the two documents.	
6.16	Finally, to conclude the discussion of new accounting standards, the Board noted the possible longer term implications of EPSAS should be included in the long term development programme for the Code.	
7	Streamlining and simplification of the presentation of local authority financial statements and the post implementation review	
7.1	The Board noted the proposals that had been made for short term, including for instance materiality tools and other options. Phil Trotter agreed to send the Secretary details of the HM Treasury's HMT "Red Pen" approach.	PT
7.2	The Board stressed the need to ensure that practitioners were well aware of the tools currently available to streamline and simplify accounts using, for example, a forthcoming <i>On Account</i> article messages.	Sec
7.3	The Secretary reported Angela George's suggestion that the <i>Telling the Story</i> publication should be rebadged and re-issued, and members of the Board added that CIPFA Scotland had produced a similar publication aimed at elected members. Both would have to be reviewed for currency.	Sec
7.4	The discussion opened up to consider a second phase of the Post Implementation Review – given that the first phase had only examined the main statements but had recommended a review post the closure of	Sec

	the 2012/13 financial statements. It was agreed that this would be carried out by the Secretariat rather than by reconvening the working group.	
8	Verbal update on the approach to the measurement of transport infrastructure assets.	
8.1	The Secretary reminded the Board of its confirmation in the 2014/15 Code of the timetable for the introduction of the new measurement requirements for transport infrastructure assets ie in the 2016/17 Code (with full retrospective application) and agreed to include an update on progress as a standing item on the Agenda.	Sec
8.2	It was confirmed that the one public announcement to date was the revised implementation date included in the 2014/15 Code. Also the minutes would feature the announcement of the Board's plans. The Secretariat was considering the production of a development (project) plan similar to that issued on transition to IFRS.	
8.3	In considering the extension to non-highways infrastructure assets/structures the Board sought evidence that the balance of cost to benefit remained persuasive. The Secretary also highlighted the types of potential assets that may come within this definition. The Board agreed that consideration of the wider non-highways issues given the specialist range of PISG membership could be given to the PISG group. CIPFA/LASAAC also considered that the ITC could include a question on this issue for other authorities. Nonetheless, PISG and HMT would still be consulted for evidence of the potential costs and benefits.	Sec
9	The measurement of property, plant and equipment and IFRS 13 Fair Value Measurement Verbal update on the progress of the joint working group.	
	The Secretary outlined the difficulty that the joint working group had encountered in identifying a practical test for the boundary for those items of property, plant and equipment which could be measured for its service potential and those which would be measured on an exit value (ie IFRS 13 basis). The proposal continued to be on a basis which measured the service potential of the asset. She added that this would definitely require a revision to the treatment of surplus assets in the Code as these were no longer held for their service potential. Phil Trotter outlined the proposals for measurement of the assets based on service potential and his initial discussions with FRAB members. He undertook, when possible, to provide the Secretary with early sight of FRAB papers when that would speed the production of proposals for the June meeting of CIPFA/LASAAC.	Sec/PT
10	Accounting and Auditing Standards Update	
10.1	The Board noted this item.	
11	Any Other Business	
	It was agreed that Item 5 would be held back from publication until after the consultation had closed.	
12	Dates of future meetings	
	<ul style="list-style-type: none"> • Week commencing 7th April for teleconference to consider the results of the Accounting for Schools consultation. • 4 June 2014 11:00 – CIPFA Scotland, Edinburgh • 5 November 2014 11:00 - Robert Street, London 	