

# minutes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	5 November 2014	
Time	11.00am	
Venue	CIPFA offices, Robert Street, London	
Present		
Chair	Lynn Pamment	<i>PwC</i>
CIPFA Nominees	David Aldous Conrad Hall Joseph Holmes David Jones Greg McIntosh Angie Sinclair	<i>Audit Commission London Borough of Brent Slough Borough Council Wales Audit office KPMG Devon County Council</i>
LASAAC Nominees	Russell Frith Fiona Kordiak Derek Yule	<i>Audit Scotland Audit Scotland The Highland Council (Vice Chair)</i>
LASAAC Reserves	Ian Robbie	<i>LASAAC Member</i>
DOE(NI) Nominees	Rodney Allen	<i>Northern Ireland Audit Office</i>
Co-optee	Tim Day	<i>Independent Consultant</i>
Observers	Hazel Black Graham Fletcher Robert Hay Philip Trotter	<i>Scottish Government DCLG Welsh Government HM Treasury</i>
In Attendance	Alison Scott Matthew Allen Gareth Davies Sarah Sheen	<i>CIPFA CIPFA CIPFA Scotland CIPFA (Secretary)</i>

		Action
<b>1</b>	<b>Declarations of interest</b>	
1.1	There were no declarations of interest.	
<b>2</b>	<b>Apologies for absence</b>	

2.1	Apologies were received from: Nick Bennett, Jeff Glass, David Jones and Amanda Whittle (sub Robert Hay).	
<b>3</b>	<b>Matters Arising on Minutes of June meeting of CIPFA/LASAAC</b>	
3.1	No comments were received on the contents of the minutes which had been approved before the meeting.	
<b>4</b>	<b>Review of outstanding actions</b>	
4.1	Whilst PISG is working on the current phase of the infrastructure project the Secretariat is liaising directly with Transport for London and other transport authorities on the scope of the next phase. In response to questions it was confirmed that the devolved administrations were included in the consultations and noted that for ports and airports there are likely to be appropriate commercial valuation techniques available.	
4.2	An update on the next phase of the transport infrastructure project would be provided to the June meeting.	<b>Sec</b>
4.3	Philip Trotter would provide an update on the WGA timescale and provide documentation that can be circulated to the Board, when available.	<b>PT</b>
<b>5</b>	<b>Update on Membership Issues</b>	
5.1	The Secretary advised that the formal processes were almost complete for one of the vacancies for English accounts preparer members. The remaining English accounts preparer vacancy would be subject to the interview process. There were three prospective volunteers for the remaining vacancy. However, it was now also necessary to embark on the appointment of a Welsh accounts preparer member following a resignation.	<b>Sec</b>
5.2	Gareth Davies would update CIPFA/LASAAC at a future meeting on LASAAC membership following Bruce West's resignation from LASAAC and CIPFA/LASAAC.	<b>GD</b>
5.3	CIPFA/LASAAC agreed to nominate Derek Yule as its FRAB practitioner member. Philip Trotter would guide him through the formal FRAB appointment process.	<b>DY/PT</b>
5.4	CIPFA/LASAAC closed this item by expressing their appreciation of Bruce West's contribution to its work.	
<b>6</b>	<b>Development of 2015/16 Code of Practice on Local Authority Accounting in the UK</b>	
6.1	The Chair opened the discussion by noting that although the number of responses had been relatively low, there was a consensus of supportive opinion from practitioners. Given also that the Secretariat had actively sought to encourage responses CIPFA/LASAAC concluded that it could	

	take the response to the consultation to be a practitioner endorsement of generality of its exposure draft approaches.	
	<i>IFRS 13</i>	
6.2	In considering the general approach to the adoption of IFRS 13 for the measurement of property plant and equipment, CIPFA/LASAAC noted that only one of the objections received did not support the overall approach. The remaining three objections were mainly concerned with the disclosure requirements so CIPFA/LASAAC judged that it could confirm the decision to use an adaptation for the measurement of property plant and equipment. CIPFA/LASAAC confirmed that it wished to maintain the approach to the measurement of property, plant and equipment in the Exposure Draft (ED) which had been considered from a conceptual basis.	
6.3	CIPFA/LASAAC agreed to make no changes to the general approach to the adoption of IFRS 13 in the exposure draft. (ref CD 1)	<b>Sec</b>
	<i>Fair Value a Measure of Current Value</i>	
6.4	CIPFA/LASAAC debated this issue but took the supportive comments of practitioner respondents to be key in deciding to make no changes to the proposals in the exposure draft (ref CD 1).	<b>Sec</b>
	<i>DRC</i>	
6.5	In confirming its proposals CIPFA/LASAAC noted the distinction between the valuation basis and the technique used to apply it. It also noted the approach in accounting standards. In addition it considered that it could not anticipate any possible future changes in the "Red Book".	
6.6	CIPFA/LASAAC decided that given the content of the existing RICS "Red Book" the Code should refer to DRC as a measurement base (ref CD 1).	<b>Sec</b>
	<i>Surplus Assets</i>	
6.7	Philip Trotter clarified the different treatment of surplus assets in central government. CIPFA/LASAAC was able to confirm that the different circumstances of local authority decisions on disposals justified the adoption of a different approach.	
6.8	CIPFA/LASAAC was content to retain the Code's current classification of surplus assets (ref CD1).	<b>Sec</b>
6.9	CIPFA/LASAAC confirmed the use of a fair value for surplus assets and not to include specific provisions for restrictions that may exist on their use.	<b>Sec</b>
	<i>Lender Option Borrower Option Loans (LOBOs)</i>	

6.10	CIPFA/LASAAC agreed to seek the views from the Treasury and Capital Management and Local Authority Accounting Panels on whether application guidance could be produced on Lender Option Borrower Option Loans (LOBOs) but one Board Member noted that it would be very difficult to provide guidance, due to the complexity and differing nature of these financial instruments. The Secretary agreed that this is very possibly the case but noted that it was important to consult with the relevant Panels to establish that this was the position.	
6.11	CIPFA/LASAAC decided to make no changes to the exposure draft but to refer the matter to the relevant CIPFA Panels. (Ref CD1 )	<b>Sec</b>
	<i>Disclosure of Fair Value Measurements</i>	
	<i>Augmentation of IAS 16 Disclosures</i>	
6.12	After substantial debate CIPFA/LASAAC agreed not to include the details of the IFRS 13 objectives per the ED in Section 4.1 of the Code but to instead require that local authority accounting policies on IAS 16 include relevant detail in relation to the valuation techniques used in measuring property, plant and equipment under current value.	<b>Sec</b>
	<i>Materiality of Fair Value Disclosures</i>	
6.13	The Board decided after much debate on materiality not to proceed with the comments on the individual disclosures within section 2.10 as proposed by the Secretariat ie on fair value measurement but was content with the overarching comment on the disclosures in paragraph 2.10.4.1. However, it decided that it wanted to add more comments on materiality to the introduction to the Code and the relevant sections referring to materiality. These additions should include appropriate commentary that authorities only need to include material disclosures in the financial statements.	<b>Sec</b>
	<i>Disclosures of Measurement of Property Plant and Equipment</i>	
6.14	CIPFA/LASAAC confirmed its decision in the Exposure Draft that disclosures of property, plant at equipment at their highest and best use should not be included (ref CD 1) in the Draft 2015/16 Code.	<b>Sec</b>
	<i>Narrow Scope and Other Minor Amendments</i>	
6.15	There were no substantive matters for debate on these amendments.	
6.16	CIPFA/LASAAC confirmed that it was content to proceed with the Code as drafted in the ED. It agreed particularly that it wanted to include both options included in IAS 16 for the treatment of accumulated depreciation	<b>Sec</b>

	and impairment per its original decision on the 2010/11 Code.	
6.17	CIPFA/LASAAC approved the narrow scope amendments and those in Appendix C (See CD 1, CD 2, CD3, CD 5 and CD6)	<b>Sec</b>
	<i>Measurement of Property Plant and Equipment – Frequency of Valuations</i>	
6.18	After substantial debate CIPFA/LASAAC required reinstatement of the wording of the preceding sentence to the original tracked changes in the clarification proposed by the Secretariat for the interpretation of what a “short period” was in CD 1. It also wanted the Code to confirm that this was an interpretation by the Board. The Board requested that the reinstated wording follow the tracked changes proposed by the Secretariat in CD 1.	
6.19	CIPFA/LASAAC was content that the approach to the frequency of valuation for surplus for assets should follow the approach to other classes of property, plant and equipment.	<b>Sec</b>
	<i>Accounting for Local Authority Schools in England and Wales.</i>	
6.20	The Chair opened the discussion by stressing that only the detailed application of the asset recognition requirements of the Code could be considered for discussion at this stage.	
6.21	CIPFA/LASAAC first considered the transitional provisions for the recognition of non-current assets as a result of the changes in accounting policy. It accepted the need for a transitional approach and the recognition of assets at a deemed cost.	
6.22	CIPFA/LASAAC was content with the drafting approach in the Code to Appendix E. This included the approach to the transitional treatment of any asset needing to be recognised in local authority balance sheets as a result of the changing accounting policy. However, CIPFA/LASAAC requested that the last sentence of the new E.1.5 should end at “Capital Adjustment Account”.	<b>Sec</b>
6.23	CIPFA/LASAAC recognised the need to make practitioners promptly aware of the proposal by means of both a 2014/15 Code Update and a Technical Alert. This Technical Alert was intended to provide additional clarification of the accounting treatment for local authority schools, as it appeared that some authorities were misunderstanding the treatment required under IFRS 10 <i>Consolidated Financial Statements</i> for the consolidation of schools as entities and the treatment required for the recognition of local authority assets either by the authority or by the school as a result of the application of the relevant provisions of the Code eg either under the Code’s adoption of IAS 16 <i>Property, Plant and Equipment</i> or IAS 17	<b>Sec</b>

	<i>Leases.</i>	
6.24	CIPFA/LASAAC determined that the Secretary would consult with the religious education interest groups to confirm the factual accuracy of the proposed Alert and give CIPFA/LASAAC members until the 20 November to alert the Secretariat to any flaws in the Alert.	<b>Sec</b>
	<i>Accounting for Heritage Assets</i>	
6.25	CIPFA/LASAAC agreed to maintain the drafting of section 4.10 of the Code as set out in the Exposure Draft. However, it wanted the Secretariat to confirm that this was an interpretation of IFRS.	<b>Sec</b>
	<i>Amendments for Regulations</i>	
6.26	The Board considered that if the changes in the Accounts and Audit Regulations for England and Wales were available in time for incorporation into the 2015/16 Code that this should be undertaken by the Secretariat and the changes should be circulated for comment.	<b>Sec</b>
6.27	CIPFA/LASAAC also requested that if any changes required an update to the Code that an appropriate report be issued to CIPFA/LASAAC to consider the potential need to change the Code.	<b>Sec</b>
6.28	CIPFA/LASAAC approved the changes to the Code as a result of the Local Authority Accounts (Scotland) Regulations 2014 and agreed that an additional consultative process was not necessary for these changes (ref CD 7).	<b>Sec</b>
6.29	CIPFA/LASAAC had no comments to make on the issues listed in Appendix D in areas of further guidance.	<b>Sec</b>
6.30	CIPFA/LASAAC considered the proposals for two of the disclosures in paragraph 3.4.2.40 (ref CD 8) and agreed to the new text as drafted.	<b>Sec</b>
	<i>Pensions Fund Accounting</i>	
6.31	CIPFA/LASAAC agreed not to change the provisions of IFRS 13 as adopted in the Code for pension funds ie IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i> . GM noted that this was subject to the confirmation with his technical team that this was a correct interpretation of the Standard.	<b>Sec</b>
	<i>Financial Instruments</i>	
6.32	The Secretary noted that clarification was required in the Code in relation to the recognition of transaction costs and financial instruments.	<b>Sec</b>
6.33	CIPFA/LASAAC agreed that this change should be submitted for	<b>Sec</b>

	consideration as a part of CIPFA/LASAAC's approval of the 2015/16 Code.	
	<i>Remaining Approval Processes for the Code</i>	
6.34	The Chair concluded the discussion by reminding CIPFA/LASAAC that they should respond to the Secretariat's request to approve the Code. In the event of insufficient support explicit being received, or the identification of issues requiring discussion, then it would be necessary to convene a special CIPFA/LASAAC meeting via conference call.	<b>CIPFA/ LASAAC</b>
<b>7</b>	<b>Simplification and Streamlining the Financial Statements and Narrative Reporting.</b>	
7.1	The Secretary presented a summary of the recent roundtable discussion, which she amplified using examples tabled at the meeting. In considering the Consolidated Income and Expenditure Statement, CIPFA/LASAAC focused on the critical importance of explaining to the user the significance of the difference between the accounting and regulatory/funding basis and on presenting the implications of this over time.	
7.2	Turning to the Movement in Reserves Statement, Graham Fletcher reported that his department was reviewing the current regulatory adjustments in order to identify those that were obsolete. He noted that he would urge CIPFA/LASAAC to ensure that its deliberations on a simplified approach would demonstrate that a local authority's budget is balanced.	
7.3	In broadening the discussion, members of CIPFA/LASAAC stressed the need for a bold approach in which the full range of options; including the production of "pure" IFRS based accounts are considered.	
7.4	Finally, CIPFA/LASAAC confirmed that the use of the Service Reporting Code of Practice (SeRCOP) was included in the review of financial statements although it was acknowledged that the information defined by it would still need to be collected for the purposes of central government statistical returns and for inter-authority comparisons	
<b>8</b>	<b>Measurement of Transport Infrastructure Assets</b>	
8.1	Alison Scott gave the Board an outline of the latest work of the PISG, noting that the Department of Transport had re-iterated their intention to use the valuation data for resource allocation. She added that the WGA information would be circulated to the Panel when it becomes available.	
	<i>Treating the Network as the Asset</i>	
8.2	CIPFA/LASAAC was content that carriageways could be treated as a single	

	asset, following the rationale outlined in the report. However, the Board sought further information from the Secretariat on the benefits of treating the remaining parts of the network as a part of this single asset as opposed to treating them as individual assets ie following the normal approach in the Code. The Secretariat confirmed that it would send an out of meeting paper to Board members for their consideration on this issue. Alternatively, it could be considered at CIPFA/LASAAC's next meeting.	<b>AS</b>
	<i>Treatment of Accumulated Depreciation on Revaluation</i>	
8.3	CIPFA/LASAAC endorsed the second recommendation in the report for the reporting of accumulated depreciation and impairment ie by using the option in IAS 16 <i>Property, Plant and Equipment</i> which permits the restatement of accumulated depreciation. This measurement process starts from a Gross Replacement Cost base. However, the Board sought assurances that IAS 16 permitted authorities to choose different options (of the two permitted in IAS 16) for the treatment of accumulated depreciation for different classes of assets. The Board considered that there were examples including WGA where this was the case.	<b>AS</b>
	<i>The Approach to the De-recognition of Infrastructure Assets</i>	
8.4	CIPFA/LASAAC was content to proceed with the final recommendation that for subsequent expenditure to an existing asset, the costs of the expenditure are used as a proxy for the value of the part replaced.	
9	Development of the 2016/17 Code of Practice on Local Authority Accounting in the UK	
9.1	The Secretary advised CIPFA/LASAAC that it was not envisaged that any major new standards would need to be adopted by the 2016/17 Code. The examination of complex transactions required by IFRS 15 <i>Revenue from Contracts with Customers</i> would be a matter for the 2017/18 Code.	
9.2	She then canvassed CIPFA/LASAAC for information about possible further developments for 2016/17, and was advised on the likelihood of Equal Pay Regulations on Scotland and the possible consequences of the recent ruling on the calculation of holiday pay.	
10	CIPFA Position Statements	
10.1	CIPFA/LASAAC offered the following topics as suggestions for the Secretariat to consider: Schools Accounting, IFRS 13, Materiality, Telling the Story and the Streamlining and Simplification Review.	
11	Accounting and Auditing Standards Update	
11.1	In response to a question the Secretary clarified that it was not yet known when the leasing changes would be implemented.	

12	Any Other Business	
12.1	CIPFA/LASAAC considered how it could engage with the external audit community after the abolition of the Audit Commission. Alison Scott reported that she had initiated a future process for bi-annual meetings between the chairs of CIPFA/LASAAC and LAAP to provide strategic engagement, but members of CIPFA/LASAAC stressed that the formal architecture of any ongoing commitment had to include the audit agencies in the devolved administrations and the new NAO led local auditor group.	
12.2	CIPFA/LASAAC concluded its meeting by recording its appreciation of Graham Fletcher longstanding and valuable contributions to its work and to local authority accounting generally.	
<b>13</b>	<b>Dates of Next Meetings</b>	
13.1	<ul style="list-style-type: none"> <li>• 4 March 2015 (Edinburgh)</li> <li>• 2 June 2015 (London)</li> <li>• 4 November 2015 (Edinburgh)</li> </ul>	