

minutes

CL 02 11 13

Board	CIPFA/LASAAC Local Authority Code Board	
Date	10 June 2013	
Time	11.30am	
Venue	Robert Street	
Present	Lynn Pamment (Chair)	<i>PwC</i>
CIPFA Nominees	David Aldous David Jones Greg Mackintosh	<i>Audit Commission Wales Audit Office KPMG</i>
LASAAC Nominees	Nick Bennett Russell Frith Derek Yule	<i>Scott Moncrieff Audit Scotland Highland Council</i>
DOE(NI) Nominees	Rodney Allen Graham Coulter	<i>Northern Ireland Audit Office Banbridge District Council</i>
Observers	Graham Fletcher Hazel Black Hilary Lower Joanna Spencer [Until Item 8 Inclusive]	<i>DCLG Scottish Government National Audit Office FRC</i>
In attendance	Ian Carruthers [Until Item 8 Inclusive] Paul Mason Gareth Davies Sarah Sheen Matthew Allen	<i>CIPFA CIPFA CIPFA Scotland CIPFA (Secretary) CIPFA</i>

		Action
1	Declarations of interest and apologies for absence	
1.1	There were no declarations of interest apparent to members from the agenda	
2	Apologies for absence	
2.1	Apologies were received from Tim Day, Fiona Kordiak, Dean Pletts, Philip Trotter and Bruce West.	

3	Minutes and matters arising	
3.1	The minutes of the meeting held on 5 March 2013 were approved. No matters arising were raised. The Secretary confirmed that the next full meeting of CIPFA/LASAAC would take place on the 12 November 2013 in Edinburgh at 11.00am.	
4	Review of outstanding actions	
4.1	Action 6. Paul Mason confirmed that he would still welcome examples of good practice for his publication within the next couple of weeks. Gareth Davies added that LASAAC were also seeking examples of good practice with particular reference to explanatory forwards. The Board noted remainder of the action points.	Board
5	Membership	
5.1	The Secretary reported that there had been three formal expressions of interest in the vacancy for English Unitary Authorities and one for the vacancy for a Welsh authority. There would therefore need to be interviews for the vacant positions. It was anticipated that the process for filling the vacancies would be complete by the November meeting.	Secretariat, PFMB
6	FRAB Representation (and Vice Chair)	
6.1	Derek Yule and Bruce West had each expressed an interest in the roles of Vice Chair or FRAB representative. The Board agreed to leave the allocation of the roles for the two of them to decide.	DY/BW
7	Code of Practice on Transport Infrastructure Assets	
7.1	<p>The Secretary opened discussion of the topic by reminding the Board that implementation had not taken place in 2013/14 because the Board had not received sufficient assurance that it would be done without an unacceptable level of qualification.</p> <p>Ian Carruthers noted that this delay needed to be set in the context that the issue was one of the larger qualifications to WGA – one that would become more prominent as others were resolved. In addition, it remained more than simply a reporting issue since the new methodology offered prospects for better asset management.</p>	
7.2	<p>He then drew the attention of the Board to the following statement from the Chair of UKRB (ADEPT/TAG) Asset Management sub group:</p> <p><i>"The ADEPT/TAG Asset management group has reinforced the need for a decision from CIPFA/LASAAC regarding the setting of a firm timetable for the local authority accounting move to ensure the benefits and work by the HAMFIG does not lose momentum at this crossroads in time. If a positive decision is not made swiftly it must be recognised that those authorities not already embracing WGA are unlikely to do so and it would take several years to resurrect and continue the significant progress made</i></p>	

	<i>to date by HAMFIG.”</i>	
7.3	<p>CIPFA/LASAAC debated the approach in the Invitation to Comment (ITC) on the adoption of the measurement requirements of the Code of Practice on Transport Infrastructure Assets (Transport Infrastructure Code), ie at Depreciated Replacement Cost (DRC) in detail.</p> <p>It recognised that in the last two consultation papers on the (Accounting) Code it had supported a move to DRC measurement for transport infrastructure assets in principle. However, the Board also noted that any move had to take into account the practical implementation issues, the reliability of information and the need for the information that emanated from the move to be relevant to the users of local authority financial statements.</p> <p>It therefore agreed:</p> <ul style="list-style-type: none"> ▪ to propose formal adoption of the measurement principles of the Transport Infrastructure Code in the 2015/16 (Accounting) Code (with retrospective restatement for 2014/15) in the consultation but stressed that a phased process was needed; ▪ in order to facilitate the phased implementation, the consultation on the (Accounting) Code would also propose a dry run exercise for 2014/15; ▪ the dry run information would be specified in the Explanatory Foreword; ▪ to consult on an extension of the phased process by means of adopting the requirements for carriageways first with structures (eg bridges) adopted in subsequent years (Secretariat Note the consultation has assumed this to be in 2016/17); ▪ drafted in accordance with the requirements of the Board the consultation would provide more details on the process for moving to a DRC measurement; ▪ this would be facilitated by extracting the key accounting draft chapters in the updated consultation draft of the Transport Infrastructure Code. 	Sec
8	Development of 2014/15 Code of Practice on Local Authority Accounting Update (Code)	
8.1	The Board considered the supporting paper and agreed the following:	
8.2	<p><i>IFRS 13 Fair Value Measurement</i></p> <p>The Board:</p> <ul style="list-style-type: none"> ▪ supported the overall approach but requested that the adoption of the measurement requirements of the standard under the approach outlined should include a presumption that the standard should be followed; ▪ considered that “one stop shops” were not suitable examples of the Route 3 approach and requested that this be replaced with community centres; ▪ requested that the treatment of surplus assets be added to Appendix A of the ITC; ▪ agreed with the approach to liabilities with some minor rewording of that section; 	Sec

	<ul style="list-style-type: none"> ▪ requested that the “directors’ valuation” be referred to as a desk top exercise; ▪ requested that in paragraph 19 references to the use of the reliability of income approach be amended to reflect that this is with the exception of the HRA assets; ▪ agreed that it was unlikely that an adaptation would be applicable for disclosures but wished to seek interested parties views on the disclosures relating to unobservable inputs as the Board was concerned to avoid overburdening the financial statements with unnecessary detail; ▪ requested that references to exit values be removed from paragraph 11 in the Executive Summary. 	
8.8	<p><i>Group Accounts</i></p> <p>The Board agreed with the approach in the supporting paper with the exception of the proposed minor adaptation for unconsolidated structured entities. It proposed that this be raised as a consultation issue for interested parties.</p>	Sec
8.9	<p><i>IAS 32 Financial Instruments</i></p> <p>The Board agreed with the proposed approach to the adoption of IAS 32.</p>	
8.10	<p><i>Annual Improvements to IFRSs 2009-2012 Cycle</i></p> <p>The Board considered Appendix B of the ITC and agreed with the Secretariat’s proposal that all that was required was clarification of IAS 1 <i>Presentation of Financial Statements</i>.</p>	
8.11	<p><i>IFRIC 21 and Amendments to IAS 36</i></p> <p>The Board agreed to note these items in the consultation paper but not to consult on any proposed amendments as it was unlikely that the IFRIC and the amended standard would be EU adopted.</p>	
8.12	<p><i>Local Government and Other Public Sector Combinations – Merger Accounting</i></p> <ul style="list-style-type: none"> ▪ The Board agreed the approach in the consultation paper in relation to the treatment of public sector combinations; ▪ After much debate it agreed to maintain its current approach to the treatment of gains or losses as a result of the transfer (ie to be recognised in reserves) and noted that this was different to the approach in the FReM. 	
8.13	<p><i>Minor Amendments and other issues: Appendix B to paper CL 08 06 13</i></p> <ol style="list-style-type: none"> 1. The Board amended the proposal to reflect that “Statement of Accounts” has a statutory meaning in only England and Wales but considered it to be a minor issue not requiring consultation. 2. The Board recognised that this is a minor rather than essential amendment, but decided that it should be included in the ITC for the 	

	<p>revision to be made.</p> <ol style="list-style-type: none"> 3. The proposal was agreed by the Board. 4. The Board agreed with the proposed change, with the inclusion of statutory statements or notes in the IAS 1 complete list of financial statements per paragraph 3.4.2.17. 5. The Board agreed that no change was required. 6. It was decided that CIPFA in Scotland would be consulted to ensure that the wording clearly reflected the separation of pension fund accounts in Scotland, but in principle the minor clarifications to the drafting were agreed. 7. The proposed clarification that the treatment of common goods funds as an adaptation was agreed. 8. It was agreed that DCLG would confirm the secretariat's expectation that there would be no changes to the requirements for a management commentary, as a consequence of the Local Audit and Accountability Bill, before 2015/16. Given confirmation, the Board accepted that no change would be required in the ITC for 2014/15. In preparation for this, it was noted that CIPFA and DCLG needed to liaise to ensure that the emerging legislative framework would cover the full range of possible options for when the Board returned to the issues next year. 9. The Board agreed the proposal to make no change but noted that the issue would have to be revisited in the context of any changes to the leasing standard 10. It was agreed that no change to the reporting of retirement benefits was necessary. 11. The Secretariat briefed the Board on the context of this proposal, to which CIPFA in Scotland added evidence of inconsistencies by practitioners in the application of IFRIC 1. Nonetheless, it was agreed that this was a matter for minor drafting changes and then application guidance. 	<p>Sec</p> <p>GF/Sec</p>
	<p><i>Post Implementation Review – The Movement in Reserves Statement</i></p> <p>The Board agreed to the approach to the MiRS in the consultation paper (ITC)</p>	<p>Sec</p>
	<p><i>Statutory Changes</i></p> <p>The secretariat clarified the practice of making reference to anticipated legislation in this case the consultation on the Local Authority Accounts (Scotland) Regulations in the ITC even if there were no consequential changes to the Code. The Board agreed to maintain its approach in last year's consultation on the Code and was content with the approach in the ITC.</p>	<p>Sec</p>

	<i>Accounting for Schools in Local Authorities (see item 9)</i>	
	<i>Code of Practice on Transport Infrastructure Assets (see item 7)</i>	
8.14	<i>Other Code Development Issues</i> The Board agreed the approach to the current wording in the ITC in relation to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.	
8.15	The proposal on service concession arrangements was confirmed by the Board.	
8.16	The Secretary gave an oral update on changes to the wording relating to the valuations required under IAS 19 in relation to the Public Service Pensions Act 2013 for police and fire services. It was noted that the move by GAD to quadrennial valuations matter of fact that could be included in the Code without inclusion in the ITC.	Sec
8.17	The wording of paragraph 1 of the ITC needs to be amended to better reflect that "proper practices" do not refer exclusively to the Code.	Sec
8.18	<u>Timetable</u> The Chair closed discussion of the draft ITC by seeking confirmation of the timetable. The Secretary explained that the draft of the Code (and the consultation documents) would be sent to FRAB Members for an opportunity to comment. This was anticipated to take place before the Board considered it for approval by telephone conference on the 26 June 2013. The expectation was that it would then be considered by PFMB with the intention of launching the consultation in mid-July that would close in the first week of October.	
9	Accounting for schools in local authorities	
9.1	The Board noted the papers sent to the schools working party. The Secretary noted that this had been followed by the issue of the Technical Alert on Accounting for schools which had been approved by the Board earlier in the year.	
9.2	The Secretary reported that the wider HM Treasury/ CIPFA/LASAAC Group had met once and was due to meet twice more in July. She explained that the timetable had been extended by the need for the Technical Accounting Group to meet before the full meetings of the wider Working Group to consider the issues raised by the new Group Accounts standards, particularly the concept of returns. In addition, since the size of the new working group and the inclusion of stakeholders unfamiliar with accounting standards meant that its first meeting had been scene setting only.	
9.3	She anticipated more rapid progress at its two July meetings. The next two meetings would consider the same issues as the CIPFA/LASAAC schools working party but under IFRS 10. As the meetings had not been	

	able to coincide with the production of the main consultation by CIPFA/LASAAC no proposals were included in the main ITC. But, given the imperative of 2014/15 implementation, a separate ITC would be required on this issue.	
9.4	The Board agreed that it would request that the schools working party convene in early September to consider the outputs of the wider group and make recommendations on the adoption of IFRS 10 for schools to CIPFA/LASAAC. The Board also agreed to schedule a conference call to agree an appropriate exposure draft and consultation papers on accounting for schools in local authorities in early October.	
9.5	In considering the draft ITC, the Board noted that the penultimate sentence to paragraph 92 should be amended to read that CIPFA/LASAAC intends (rather than needs) to achieve a consensus.	Sec
9.6	In concluding their consideration of the process and progress to date, the Board was concerned that the way forward on the accounting requirements for schools under the Group Accounts standards should be communicated as soon as possible to local authorities. It requested that its intention to consult on the way forward on the Standards should be included in the ITC and the section on IFRS 10 should refer to this.	Sec
10	Accounting and auditing standards update	
10.1	This update was noted.	
11	Any Other Business	
11.1	<p>The Secretary reminded the Board that there was still an intention to review its Terms of Reference but this had been deferred until the wider arrangements for joint working practices with HM Treasury and the other relevant authorities had themselves been determined.</p> <p>One change already introduced is a reduction in the number of FRAB meetings each year from 6 to 4 and the consequent need to keep the timings of CIPFA/LASAAC, LASAAC and PFMB under review to ensure compliance with governance arrangements.</p>	Sec
12	Dates of future meetings	
12.1	<ul style="list-style-type: none"> Provisionally 20 February 2014 (Robert Street, London) 11:00am 	