

minutes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	12 November 2013	
Time	11.00am	
Venue	CIPFA Scotland offices, Edinburgh	
Present	Lynn Pamment (Chair)	<i>PwC</i>
CIPFA Nominees	David Aldous Greg McIntosh Angie Sinclair David Wood	<i>Audit Commission KPMG Devon County Council Newport City Council</i>
LASAAC Nominees	Russell Frith Fiona Kordiak Bruce West Derek Yule (Vice-Chair)	<i>Audit Scotland Audit Scotland Argyll and Bute Council (by telephone) The Highland Council (by telephone)</i>
DOE(NI) Nominees	Rodney Allen	<i>Northern Ireland Audit Office</i>
Observers	Hazel Black Hilary Lower	<i>Scottish Government National Audit Office</i>
In attendance	Ian Carruthers Paul Mason Gareth Davies Alison Scott Sarah Sheen Julian Smith	<i>CIPFA CIPFA (by telephone) CIPFA Scotland CIPFA CIPFA (Secretary) CIPFA</i>

		Action
1	Declarations of interest	
	There were no declarations of interest apparent to members from the agenda.	
2	Apologies for absence	
	Apologies were received from Angela George, David Jones, Nick Bennett,	

	Graham Fletcher and Philip Trotter.	
3	Minutes	
	The minutes of the meeting held on 10 June 2013 were approved.	
4	Matters arising	
4.1	Health and Social Care integration – there is no legislation yet however the Board will need to monitor what guidance is issued to local authorities.	
4.2	For the Memorandum of Understanding between the Relevant Authorities (MoU) the actions had focussed on the “new” paragraph 9 is now in place enacting the removal of the hierarchy from the earlier edition of the MoU. Although the Board will want to monitor how the updated MoU operates with FRAB and other interested parties, the standing agenda item to review the MoU’s operation can now be removed.	
5	Review of outstanding actions	
	The development programme for 2015/16 had been tabled for consideration at this meeting.	
6	Membership	
	<p>Three new members had joined the Board, with two resignations (Shane Flynn and Dean Pletts). It was agreed that the Board would look to co-opt Dean for assistance in future when financial statements’ presentation is considered, to make use of his expertise in this field. This would leave one vacancy to fill, ie for an English local authority finance practitioner – it was noted that this practitioner should ideally be from an authority with housing responsibilities.</p> <p>It was noted that following decisions at the June meeting Derek Yule was the new Vice-Chair of the Board and Bruce West was the new FRAB representative. Paul Mason was congratulated on his new role at IPSASB based in Canada – Alison Scott was now the CIPFA Assistant Director supporting the Board.</p>	
7	Development programme for the 2015/16 Code	
7.1	The meeting noted the report on the development programme for the 2015/16 Code. The legislative changes included the consolidation of Accounts and Audit Regulations in Wales, and the Local Authority (Accounts) Scotland Regulations which had been issued for consultation in July. For the latter the Board noted that the proposed changes in Scotland may not all come into force at the same time. CIPFA/LASAAC considered that the best way of communicating the changes for Scottish Authorities may not be to issue a 2014/15 Code Update on the legislative changes. Feedback supports the view that local authority finance practitioners prefer the issue of guidance (for example via LAAP Bulletins) to Code Updates. The following additional points were raised:	
7.2	In Northern Ireland the Local Government Bill is unlikely to impact on	

	local authority accounting, however, the Board will want to monitor the Bill as it proceeds in case some Code impact arises.	
7.3	In Wales there the Board noted that there is a possibility that self-financing regime for Welsh authorities with a Housing Revenue may commence on 1 April 2014.	
7.4	In Scotland, the new bodies corporate related to Health and Social Care are not yet known about in detail – for example, whether they would be classified as part of local government and thus enter into the scope of the Code.	
7.5	In England, the Secretary would liaise with Graham Fletcher at DCLG to look ahead to Accounts and Audit Regulations that are expected to follow on from the Local Audit and Accountability Bill.	
7.6	The review of disclosures not required by financial reporting standards but as a result of Whole of Government Accounts reporting needs will be retained on the Board development plan.	
8	Accounting for Schools in Local Authorities	
8.1	The Invitation to Comment set out CIPFA/LASAAC's plans to consult local authorities and other interested parties on the working group's outputs in the Autumn of 2013. The Secretary outlined some of the issues that were arising as a result of the debate of the Working Group. This subject area remains a complex one, with debate occurring over a variety of aspects, such as what were the variable returns emanating from local authority maintained schools and whether schools were entities capable of being consolidated into local authority financial statements. CIPFA/LASAAC Members were concerned to see the outputs of the Working Group as soon as possible ideally with a clear way forward for accounts preparers in schools and local authorities. The Board requested that their concerns be relayed to the Working Group as the CIPFA/LASAAC Members were of the view that this issue needed resolution for accounts preparers.	
8.2	The Board was keen to ensure that at the February 2014 CIPFA/LASAAC meeting, they would be able to see the final report and the Working Group's view on any preferred solution. The February 2014 meeting will also consider the need for an issue Technical Alert to be drafted by the Chair and Secretary – this could be issued earlier if needed, to inform local authorities and other interested parties of the Board's thinking on the timetable for resolving the accounting for schools matter.	
9	Development of 2014/15 Code of Practice on Local Authority Accounting Update (Code)	
9.1	The consultation had produced 53 responses, up by 10 compared to last year, with the Chair's letter about the consultation having proved helpful in raising the profile of the process with colleagues in the Treasurer Societies, for example.	
9.2	The Board agreed the following in respect of the amendments to the Code.	
	<i>Group Accounts Standards</i>	
9.2.1	The addition of the definition of "decision maker" at paragraph 9.1.2.3.	

9.2.2	The augmentation of the provisions in the draft Code about "relevant activities" under IFRS 10 <i>Consolidated Financial Statements</i> as suggested by one of the firms, using the relevant provisions in the Standard - see paragraphs 9.1.2.32 and 9.1.2.33.	
9.2.3	The update to the transitional provisions on the Code suggested by one of the firms on clarifying the standards to be used if an authority's consolidation decisions change as a result of the new requirements in the Code - see paragraph 9.1.2.68.	
9.2.4	The Board agreed the approach taken in the paper on the impact on capital financing if the changes to IFRS 11 <i>Joint arrangements</i> meant that a jointly controlled entity needed to be reclassified as a joint operation. The Secretary would liaise with Graham Fletcher of DCLG on the potential of any capital financing implications as a result of this change but the Board agreed that it could not see any significant implications. The Members of the Group agreed that that borrowing limits may be changed "on paper" but that this would not have an effect on the Capital Financing Requirement and suggested that information be issued on these points via Guidance Notes and via a Treasury Management bulletin.	SJS/GF
9.2.5	To remove IFRS 12 <i>Disclosure of Interests in Other Entities</i> disclosure content regarding exemption in IAS 28 <i>Investments in Associates and Joint Ventures</i> from the Code, as the Board considered that this was not applicable to local authorities – see paragraph 9.1.4.21 b).	
9.2.6	The Board agreed that no further amendments should be made to the IFRS 12 disclosures.	
	<i>IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Liabilities</i>	
9.2.7	The Board agreed no further changes were required.	
	<i>Annual Improvements to IFRSs 2009 – 2011 Cycle</i>	
9.2.8	The Board agreed to maintain the Code as drafted and not to include explicit references to paragraphs 38A and 40A to 40D.	
	<i>Complete List of Financial Statements</i>	
9.2.9	The Board agreed to the re-ordering of the complete list of financial statements in accordance with the report.	
	<i>Local Government Reorganisations and Other Combinations – Clarification of the Code's Requirements and Alignment with Other Public Sector Bodies</i>	
9.2.10	The Board agreed not to change the drafted provisions of the Code on local government reorganisation. The Board considered that it was likely that the criteria for the use of merger accounting or transfer by absorption would be clear as a result of the specifications of central government for each transfer.	

9.2.11	After much debate the Board agreed to retain the current wording on gains and losses arising from local government reorganisation and transfers, as a movement in reserves as drafted in the Code.	
9.2.12	The Board noted the issue in relation to academies but agreed that this would follow on from the upcoming decision on accounting for schools.	SS Schools Working Group
	<i>Pension Fund Financial Statements in Scotland - Statement on the System of Internal Financial Control</i>	
9.2.13	The Board agreed to maintain the provisions on the requirements of the Statement on the System of Internal Financial Control for pension fund financial statements in Scotland as drafted.	
	Other Issues	
9.2.14	The Board noted that LASAAC would be undertaking further work on accounting for landfill and decommissioning and this would be subject to review by CIPFA Secretariat.	Secretar iat
9.2.15	The Board agreed that the remaining matters outlined in Appendix C to the report (ie other issues raised in the consultation) matters should be considered for onward referral to LAAP.	SS and LAAP
9.2.16	The Secretary would follow developments on UK government policy towards green taxes in relation to the potential for changes to the accounting provisions in the Code for Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and update the Board as necessary.	SS
9.3	CIPFA/LASAAC was content in principle with the approach in the presentation provided at CL 09 (b) 11-13 in relation to the maintenance of the current adaptation to IAS 16 <i>Property, Plant and Equipment</i> and the application of IFRS 13 to those items of property, plant and equipment that did not provide services directly to the public. The Board was clear that this, however, was subject to the views of FRAB. CIPFA/LASAAC was also clear that it wanted further consideration of ensuring that exit values were included in the disclosure requirements of any future proposals. The approach to the adoption of IFRS 13 to property, plant and equipment will need to be finalised in a conference call in early January following consideration of FRAB's views at its December meeting.	
10	Transport Infrastructure Assets	
	CIPFA/LASAAC considered the consultation responses on the adoption of the measurement requirements of the Code of Practice on Transport Infrastructure Assets and considered the options for formal adoption ie measurement on a Depreciated Replacement Cost (DRC) basis. After some significant debate the Board agreed that formal adoption of the DRC measurement take place for 2016/17 financial year. This would require full retrospective restatement and would mean that the requirements of IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> and IAS 1 <i>Presentation of Financial Statements</i> would apply. CIPFA/LASAAC agreed that the 2014/15 Code would formally confirm the approach to adoption in an Appendix to the Code.	Sec

	<p>The Board also raised the issue of current value accounting for other transport infrastructure assets and requested a review of the options available to the Board in a concepts paper in February.</p> <p>The Board also discussed the response from the Passenger Transport Executives and indicated that the Secretary should discuss the issue with Graham Fletcher.</p>	<p>Sec</p> <p>Sec/GF</p>
11	Streamlining and Simplification of the Presentation of Local Authority Accounts	
	<p>The Secretary reported on major themes from consultation feedback:</p> <ul style="list-style-type: none"> • the length and complexity of local authority accounts • there appeared to be differing views on who were the users of the financial statements • a number of local authorities have succeeded in streamlining their accounts already • a wish for the Board or CIPFA to assist authorities when assessing materiality • that local authority financial statements did not clearly reflect the financial performance measure most frequently used by local authorities ie General Fund or Housing Revenue Account Balances • issues were also raised in relation to the reporting requirements of the <i>Service Reporting Code of Practice</i> adding to the reporting burden and that segmental reporting was a difficult issue. <p>The Secretariat was asked to draft an action plan to present options for taking forward the responses to the consultation. This would include a paper setting out the tools available for local authorities under IFRS and the Code.</p>	
12	Accounting and Auditing Standards Update	
	The Update was noted.	
13	Any Other Business	
13.1	The Board's working practices and terms of reference would not be amended at present, to allow time for the latest changes to settle in regarding work with HM Treasury. A working practices review could be considered at the summer 2014 CIPFA/LASAAC meeting.	
13.2	Financial statements would be reviewed with the review using as its source the next <i>Auditing the Accounts</i> publication by the Audit Commission and when the accounting for schools approach has been finalised.	
13.3	The February 2014 meeting agenda would include an item to consider the findings from the next set of audit bodies' reports on local government accounts from the different parts of the UK.	
14	Dates of future meetings	
	<ul style="list-style-type: none"> • 20 February 2014, 11.00 – Robert Street, London 	

	<ul style="list-style-type: none">• 4 June 2014 11:00 – CIPFA Scotland, Edinburgh• 5 November 2014 11:00 - Robert Street, London	
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