

# minutes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	12 March 2017	
Time	10:30 am	
Venue	PwC Office, Cardiff, 1 Kingsway, Cardiff CF10 3PW	
Present		
Chair	Lynn Pamment	<i>PwC</i>
CIPFA Nominees	Christine Golding Owen James Colette Kane Greg McIntosh Martin Stephens	<i>Essex County Council Newport City Council Northern Ireland Audit Office KPMG Birmingham City Council</i>
LASAAC Nominees	Nick Bennett Ian Lorimer Joseph McLachlan Paul O'Brien Gillian Woolman	<i>Scott Moncrieff Angus Council (Part) East Ayrshire Council Audit Scotland Audit Scotland</i>
Co-opted	Tim Day	<i>Independent Consultant</i>
Observers	Hazel Black Gareth Caller Jenny Carter Deryck Evans Amanda Whittle	<i>Scottish Government MHCLG FRC Wales Audit Office Welsh Government</i>
In Attendance	Matthew Allen Gareth Davies Sarah Sheen	<i>CIPFA CIPFA 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 David Aldous, Conrad Hall, David Jones, Joseph Holmes, and Vikki Lewis.	
<b>3</b>	<b>Matters Arising on minutes of November 2017 meeting of</b>	

	<b>CIPFA/LASAAC</b>	
3.1	The Board identified no matters arising on the minutes of November 2017 <sup>1</sup> which were not already on the agenda.	
<b>4</b>	<b>Review of outstanding actions and list of activities between meetings</b>	
4.1	The Board considered paper CL 04 03-18 setting out the outstanding actions and agreed that to avoid clutter first two action points (1) and (2) could be deleted as the matters referred to were no longer of current interest.	<b>Sec</b>
<b>5</b>	<b>Update of Membership Issues</b>	
5.1	The Secretary reported that an accounts preparer appointment from Northern Ireland was close to being made but that it remained difficult to attract interest from English account preparers. She had extended the closing date but welcomed suggestions on how interest could be stimulated.	
5.2	While the Board acknowledged that those who submitted thoughtful responses to consultations were potential candidates, it would prefer that the appointment brought in someone who was not already engaged with the standard setting process since this would bring a fresh perspective. The Chair and Secretary would have a separate discussion outside the meeting to re-invigorate the recruitment process.	<b>Chair/ Sec</b>
5.3	The Secretary then clarified that it was necessary to use the additional co-opted member to ensure to continued representation of auditors with audit contracts in England. The chair would speak to David Aldous about this CIPFA/LASAAC appointment.	<b>Chair</b>
<b>6</b>	<b>Technical Information Note 18 (01) – approval of feedback statement</b>	
6.1	The Secretary explained that it had been necessary to cover two years of Code development in order to give a comprehensive feedback on consultation responses received in the development of the 2018/19 Code and as set out in the draft Feedback Statement.	
6.2	The Board congratulated the Secretary on this more informative and comprehensive feedback than provided in previous years. It would be enhanced by being more explicit about the actions taken by the Board following the relevant consultation responses.	<b>Sec</b>
6.3	Turning to detail, two issues were identified on which the text needed to be altered <ul style="list-style-type: none"> <li>It was agreed to clarify the definition of 'proper practices' in paragraph 4 would be adjusted to reinforce the primacy of any relevant legislation or regulations.</li> </ul>	<b>Sec</b>

<sup>1</sup> <http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/minutes-and-papers-2017>

	<ul style="list-style-type: none"> <li>Para 56 the references to FRS 101 <i>Reduced Disclosure Framework</i> needed to be clarified.</li> </ul>	
6.4	Finally, the board reflected on how it should report its decision making process on IFRS 9 given that this is likely to be of primary interest to readers. The Feedback Statement should set out the breadth of the CIPFA/LASAAC debates on IFRS 9 and be clear that the Board had considered both the technical and practical issues raised and the approach to statutory mitigation. The briefing note from the telephone conference of 18 January 2018 should provide much of the material required.	<b>Sec</b>
6.5	The observers from governments then confirmed their position in relation to proposals for statutory mitigation under IFRS 9 on both a transitional and ongoing basis.	
6.6	The Secretary then concluded her presentation on the development of the 2018/19 Code by telling the Board that it was now in the production process as the approval process had been completed with the receipt of the signed statement from the Chair of FRAB.	
6.7	The Board asked the FRAB statement with the FRAB Chair's signature should be circulated to Board members. In addition when publishing 2018/19 Code it should be made clear that the separate Code Guidance Notes producing application guidance for the Code is available.	<b>Sec</b>
6.8	The Board approved the Feedback Statement on the 2018/19 Code subject to the issues raised by the Board being addressed.	<b>Sec</b>
<b>7</b>	<b>Annual Review – Performance debate</b>	
7.1	The Chair opened the debate by reminding the Board that its terms of reference required that it annually debates its performance during the preceding calendar year.	
7.2	Gillian Woolman opened the discussion of the annual review by briefing the Board the LASAAC views set out in Appendix 2 of Paper CL 07 03-18. She noted in particular the need to recognise the scrutiny on financial reporting which will follow from the collapse of Carillion and on the necessity of the Board doing more 'blue sky' thinking and outreach.	
7.3	The Board re-iterated the need for a better communications approach to the Code consultations, noting that the closing narrative on IFRS 9 may have been easier to present if there had been better communication in the earlier stages, although the Board recognised the various approaches to communications which it had made. Nonetheless, the Board recognised the difficulty of communicating the content of the Code.	
7.4	One solution would be to focus on giving people a more effective insight into the standard setting process.	
7.5	IFRS 16 was acknowledged to be an important testbed to address the communication experiences with IFRS 9. The Secretary reported that her webinar for narrative reporting had been a success and had engaged	

	practitioners. The Board considered that a webinar may be useful to communicate the key issues arising on adoption of IFRS 16.	
7.6	The Board and Secretariat consider that they needed to evaluate the best mechanisms to support accounts preparers potentially by engaging with local practitioner networks. Members of the Board would make good ambassadors for its work.	
7.7	The Board recognised the value of the proposed impact assessment and the need for modelling or piloting changes to gain evidence of their impact and stressed that clear examples of the impact of the standard may help to bring life to the consultation process for practitioners.	<b>Sec</b>
7.8	The Board made several detailed suggestions as to how the current consultation process can be improved: <ul style="list-style-type: none"> <li>• identify key stakeholders early</li> <li>• improve engagement with the Treasury Management advisers</li> <li>• be 'on the front foot' in setting the media agenda</li> <li>• targeted engagement with audit firms with local audit contracts.</li> <li>• the practice of consulting early on major issues should be followed as regularly as possible.</li> </ul>	
7.9	Turning to the wider standard setting environment, the Board considered that its experience in the standard setting environment for the public sector meant that it was ideally placed to provide comments to the major standard setters. It also considered that if they were able to provide the relevant feedback this might mean that the public sector position in the UK could be better reflected.	
7.10	The Board noted the LASAAC point for ensuring that the Board was aware of the comments and actions agreed at the Government's Financial Reporting Advisory Board. It was agreed that a standing FRAB update item should be added to the agenda [Secretariat Note that this is in addition to the separate telephone conference call meeting to follow FRAB that the Board initiated last year].	<b>Sec</b>
7.11	The Board revisited the question of whether it should follow Government's Financial Reporting Manual (the FReM's) approach to the presentation of its accounting provisions. Relatively recent revisions to the FReM's structure were such that the standards are listed and the FReM only includes additional provisions where there is an adaption or interpretation of the standards' requirements or where reporting issues are outside of IFRS.  This contrasts with the current approach in the Code of providing a standalone document in which the major provisions of the relevant standards as they apply to local authority general circumstances are included. The Board noted that it was asked this question annually by a respondent to the consultation and following a further debate confirmed that they were content with the current approach in the Code.	
7.13	The Board considered the publication timetable given early closing in England and concluded that the commitment made to under the	

	Memorandum of Understanding between the Relevant Authorities to aim for 1 April of the reporting year was consistent with the minimum requirements of user; earlier publication may lead to emerging issues being missed. The Board acknowledged that if the possibility presents itself a 'steady state' Code would be welcomed by the sector, but at present the prospects appeared to be low.	
<b>8</b>	<b>Development of the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom – work programme.</b>	
8.1	The Chair guided the Board through each of the sections of Paper CL 08 03 18 and sought views on how the proposed work plan could be refined.	
	<i>Legislative Developments</i>	
8.2	The Board supported the consideration of the removal of the sections on CRC Scheme and landfill.	<b>Sec</b>
8.3	The Secretary set out that the accounting for the Apprenticeship Levy is an application issue which was why it had not been included in an earlier edition of the Code as only rarely does the Code cover application guidance. She noted that there were two views on the accounting treatment for the levy. The year-end CIPFA Bulletin had provided the relevant application guidance which was consistent with application guidance included in the FReM. The Board concluded where there where alternative treatments exists that it would be beneficial for the Code to include the relevant approach to promote consistency across the sector. This approach would also be consistent with the FReM and Department of Health manual. The Board requested that the guidance be included in the body of the Code rather than as an Appendix.	<b>Sec</b>
8.4	The board then considered the definition of the 'publication' cited in paragraphs 2.25 to 2.27 of the report on the <i>Trade Union (Facility Time Publication Requirements)</i> since this would determine whether it was in its remit. It was decided that that the Secretary should consult the Cabinet Office for its views. Gareth Caller would seek to establish a contact in the Cabinet Office for the Secretary.	<b>Sec</b>
8.5	A discussion on whether gender pay reporting in local authorities needs to be added to the work programme led to a recognition that a comprehensive review of remuneration reporting should be brought to the June meeting.	<b>Sec</b>
	<i>Other Policy Developments</i>	
8.6	The Board considered that the CIPFA Panels should be canvassed for information about other policy developments.	
	<i>Financial Reporting Developments in the 2019/20 Code</i>	
8.7	The Board agreed the programme for narrow scope amendments to IFRS. It was noted that the amendments to IAS 19 <i>Employee Benefits</i> were	

	likely to increase the reporting burden due to the need for a restatement each time, for example, when staff transfer to an academy. As this was such a substantial issue the Board considered that the ITC should be structured and presented to ensure that the importance of this issue is clear to interested parties.	
8.8	It also agreed that the principles and concepts section of the Code should be evaluated against the new IASB Conceptual Framework as outlined in the Code.	
8.9	Given the particular importance of a consistent application across the public sector of IPSAS 40 <i>Public Sector Combinations</i> the Board supported the Secretary to liaise closely with HM Treasury and the other relevant authorities.	
8.10	While the IASB Materiality Practice Statement was not a mandatory reporting requirement the Secretary's judgement was that the initiative was a sound one which brought together IFRS prescription on this issue. She noted that there were, however, issues relating to the users of the financial statements where the Code covered a wider set of users of the financial statements than private sector entities as referred to in the Practice Statement. The Board agreed that it was necessary to consider the application of the Practice Statement to local authorities and assess how the Code might make any recommendations on its use.	
	<i>Post Implementation Reviews</i>	
8.11	The Secretary reminded the Board that the Post Implementation Reviews of specific elements of the Code had been issued in December 2017 and noted that no responses had yet been received. The Board asked that it be re-publicised and drawn specifically to the attention of auditors, but it did not propose to extend the deadline since the results were needed to inform the work programme.	<b>Sec</b>
	<i>Telling the Story</i>	
8.12	The views on <i>Telling the Story</i> presented by the London treasurers had been considered in making the decision to clarify the existing arrangements in the 2018/19 Code. In making that decision the Board had been especially mindful of the benefits of stability for practitioners. The work programme on this subject would be limited to minor changes until outreach work took place to inform development of the 2020/21 Code.	
	Statutory Adjustments – LASAAC Presentation Issues	
8.13	The Board briefly debated whether treatment of the statutory adjustment for pensions was consistent with that for other such adjustments. The Board decided that instead the Code should set out the principles for establishment of statutory adjustments and include description of the functions of the reserves and what they represent. The Secretariat was also requested to set out in the Code principles which establish adaptations or interpretation of a standard.	<b>Sec</b>

9	<b>IFRS 16 Leases – Consultation and Impact Assessment</b>	
9.1	<p>The Chair introduced Paper CL 09 03-18 by reminding the Board of the decision taken at the last meeting to pause and take stock of its position with regard to ensuring that the consultation and the effects of adopting IFRS 16 were effectively communicated to local authority stakeholders.</p> <p>The Secretary then elaborated on the proposed impact assessment, pointing out that this is the practice of other standard setters but not one hitherto formally used by the Board. In addition to motivating a more structured consultation process, the expectation is that the approach would provide information on the benefits as well as the costs of the new standard. The Board stressed the need to understand the behavioural factors driving the impact of the standard and to separate the initial familiarisation costs from the wider implementation issues.</p>	
9.2	<p>The Board agreed that it would be difficult to establish a value for low value leases under the standard and recognised that the limit included in the standard was an indicative figure provided in the basis of conclusions and not the standard itself. It requested CIPFA to provide some more research on this issue as part of its impact assessment.</p>	
9.3	<p>The Board confirmed that the proposed implementation date would have to be presented as 2019/20 financial year since consistency with the FREM would need to be the starting point but the consultation would seek evidence about local authorities' preparedness and whether this date was achievable.</p>	
9.4	<p>The Board agreed that given the IPSASB ED64 <i>Leases</i> was currently subject to consultation that the right-of-use lessor model should be referred in the consultation papers but that the papers should indicate that as these provisions had not yet been finalised that CIPFA/LASAAC would not take these proposals forward.</p>	
9.5	<p>Given the prevalence of concessionary leases in local government and that the accounting treatment for concessionary loans and non-exchange transactions were already included in the Code CIPFA/LASAAC agreed to include the proposals on ED64 for concessionary leases for lessors in both the Exposure Draft of the Code and the consultation papers. The Board requested that this position was clearly set out in the consultation papers.</p>	
9.6	<p>CIPFA/LASAAC agreed that where the Code could adopt the same approach as the FREM that it should do so and therefore agreed to mandate the option for the definition of the lease and two of the practical expedients on transition. It did not wish to mandate the use of hindsight but the Code consultation documents would highlight where the approaches in the Code were different from the FREM's anticipated approach.</p>	
9.7	<p>Before issuing the consultation the Secretary would consult with the sub-group and request a review for fatal-flaws. The Secretariat would also ensure that as far as possible the timetable aligns with the impact assessment timetable – given that the results need to be available in time to reflect in full the Code consultation responses. Finally CIPFA/LASAAC</p>	

	concluded that both the impact assessment and the consultation needed both the appropriate communications on their launch but also to maintain momentum.	
9.8	The Board agreed to the issue of the Exposure Draft and ITC on IFRS 16 on the basis established by its discussion.	<b>Sec</b>
<b>10</b>	<b>Review of CIPFA/LASAAC Terms of Reference</b>	
10.1	<p>The Board debated its existing Terms of Reference set out for convenience in Paper CL 10 03 18. The Board made several general observations for the Secretariat to consider in producing the first redraft for the Board to consider:</p> <ul style="list-style-type: none"> <li>• the current terms of reference were processed based and may fail to support the Board in all of its objectives and particularly its wider remit</li> <li>• consideration of the terms of reference from other standard setters might provide examples of best practice</li> <li>• the needs and views of auditors, preparers and (where possible) users of accounts need to be obtained</li> <li>• ethical issues need to be considered</li> <li>• its earlier discussion on the Board contributing to the wider standard setting debate should be considered for inclusion in the terms of reference.</li> </ul>	
10.2	The Secretary would confirm a date in May seeking comments from the Board. Following this the Chair and the Secretary would meet to provide the way forward for the review.	<b>Sec/Chair</b>
<b>11</b>	<b>Local Authority Update Days July Programme</b>	
11.1	The Secretary explained that the events in England were first (and moved to earlier in June) owing to early closing. She explained that these update days were intended to impart information to practitioners and that the workshop style events were run by FAN which had a full programme of events.	
11.2	The programme for the November Update Days would be brought to the June meeting after the Secretary had obtained the early views of the Board.	
<b>12</b>	<b>Accounting and Auditing Standards update – Standing Item</b>	
12.1	The Board noted the contents of paper CL 12 03 18.	
<b>13</b>	<b>Any Other Business</b>	
13.3	The Board discussed an emerging issue in the reporting of financial instrument. A formal position would be developed once the Secretary has considered the analysis of the accounting treatment from the auditor.	



<b>14</b>	<b>Dates of Next Meetings</b>	
14.1	<ul style="list-style-type: none"> <li>• 28 March 2018, 14:00 to 15:00 (telephone conference call meeting)</li> <li>• 5 June 2018, 10:30 to 15:00 (Edinburgh)</li> <li>• 28 June 2018, 28 June 16:00 to 17:00 (telephone conference call meeting)</li> <li>• 6 November 2018, 10:30 to 15:00 (London)</li> <li>• 29 November 2018 14:00 to 15:00 (telephone conference call meeting).</li> </ul>	