CIPFA The Chartered Institute of Public Finance & Accountancy

Board	CIPFA/LASAAC Local Authority Code Board	
Date	4 June 2014	
Time	10.30am	
Venue	CIPFA Scotland, Edinburgh	
Present	Lynn Pamment (Chair)	*PwC*
CIPFA Nominees	Conrad Hall	*London Borough Brent*
	Joseph Holmes	*Slough Borough Council*
	David Jones	*Wales Audit Office*
	Greg McIntosh	*KPMG*
	Angie Sinclair	*Devon County Council*
LASAAC Nominees	Nick Bennett	*Scott Moncrieff*
	Russell Frith	*Audit Scotland*
	Fiona Kordiak	*Audit Scotland*
	Ian Robbie	*Henderson, Loggie*
DOE(NI) Nominees	Rodney Allen	*Northern Ireland Audit Office*
Observers	Hazel Black	*Scottish Government*
	Graham Fletcher	*DCLG*
	Jeff Glass	*Department of the Environment NI*
	Hilary Lower	*National Audit Office*
	Philip Trotter	*HM Treasury*
In attendance	Ian Carruthers	*CIPFA*
	Gareth Davies	*CIPFA*
	Alison Scott	*CIPFA*
	Sarah Sheen	*CIPFA (Secretary)*
	Matthew Allen	*CIPFA*

		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 Davis Aldous, Graham Coulter, Tim Day, Derek Yule, Bruce West and David Wood.	
3	**Minutes and Notes of Teleconference on 4h April**	

3.1	The Board confirmed the accuracy of the notes of the teleconference on 4th April – and noted that the minutes from the 20 February had already been approved. It had no matters arising.	
4	**Review of outstanding actions**	
4.1	**Action 2** - The Secretary clarified that the Integrated Health and Social Case (Scotland) relates to the 2015/16 financial year and Code.	Sec
4.2	**Action 5** - The Secretary intends to progress this once the ITC had been issued. She clarified that would need to be English district – the Board accepting that one with an HRA desirable but not essential.	Sec
4.3	**Action 7** - The work is progressing but is still waiting for a meeting to take place with HMT and DCLG.	Sec
4.4	**Further Actions** - How to tell the Story – Alison Scott reported that the Secretary was now taking the final comments before publication.	Sec
5	**Development of 2015/16 Code of Practice on Local Authority Accounting**	
5.1	The Board considered the issues in the order set out in the covering report to the ITC, focusing their attention on those on which the Secretary needed guidance on the approach to adopt.	
	IFRS 13 Fair Value Measurement	
5.2	The Secretary reminded the Board that approach was developed in the light of the discussion at its last meeting and the consideration of the issue by FRAB.	
5.3	Use of the term 'Current Use Value' was regarded as potentially confusing as current value was a term which covered a number of measurement bases with 'Existing Use Value' being one of the bases. The Secretary was requested to set out this approach in the light of the FRAB paper currently in production and the IPSASB conceptual framework.	Sec
5.4	In communicating this change of approach a diagram was thought essential to illustrate the valuation requirements and terminology for the variety of assets within property, plant and equipment. It would be important to communicate that the approach was not to adopt IFRS 13 for operational assets but rather to maintain the current adaptation of IAS 16. In addition the Board confirmed that it wished to retain the approach in earlier versions of IAS 16 which prescribed the use of valuations normally being undertaken by professional valuers per paragraph 3.4 of the report.	Sec
5.5	This approach is reliant on the RICS definitions and the need for alignment with the "Red Book" and that such an alignment and the current definitions needed to be maintained. The Secretary noted the need to ensure that the "Red Book" and the Code continued to be aligned and that the Secretariat would need to have the relevant discussions (with HM Treasury colleagues and RICS).	Sec
5.6	The Board discussed at length the issue of disclosures and decided after debate that they would not seek to include the disclosures at fair value (ie highest and best use) where this was different to current use.	
5.7	The Board agreed to include in the consultation proposals the disclosure objective in IFRS 13 ie for users of the financial statements understand	

	the valuation techniques and inputs used to develop those measurements and the impact of the changes of those techniques. It was anticipated that this information should be already available in the IAS 16 disclosures but that this would emphasise the need to ensure that this information was reported where material to local authority financial statements.	
5.8	The Board noted that the disclosure requirements of IFRS 13 were included in the Exposure Draft without substantial adaptation. The Secretary noted that this had been the decision of the Board previously and that this was because these disclosures applied to all assets and liabilities where fair value measurement was specified. The Board noted that it might be useful to explain how these disclosures would relate to surplus assets in Section 4.1 of the Code (for which it had decided that the consultation proposals would specify measurement at fair value). The application guidance from LAAP would be important in ensuring that a proportionate (non-excessive) level of disclosures was provided.	Sec
	Narrow Scope Amendments to IFRS	
5.9	The Board approved the proposals of the Secretary based on the draft Annexes to the ITC.	Sec
	IFRIC 21 Levies	
5.10	The Board noted that it wanted additional commentary to be included to highlight that IFRIC 21 relates to 'government levies' to be added.	Sec
	Other Standards Issues by IASB	
5.11	The Board agreed not to include the amendments in relation to *Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39* in the Code Exposure Drafts and was content with the comments in the ITC.	
5.12	*FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland* Greg McIntosh raised the issue of the right to earn revenue from third-party users of the service concession asset in relation to service concession arrangements. The Secretary agreed that the report did not recognise this issue. However, the Secretary reminded the Board of the previous debate on service concessions arrangements and that the view of the FRC in the FRS 102 differed from IPSAS 32 on this issue. Given that the Board was not aware of any authorities having the right to earn revenue from third party users the Code stipulates that if such circumstances do arise local authorities would need to consider the relevant part of IFRS in the Code (on a first principles basis) to recognise the income and if relevant the asset in the arrangement.	
5.13	The Board considered whether the Code was consistent with FRS 102 in its treatment of funding commitments/public benefit entity concessionary loans is Code consistent with FRS 102. The Secretary considered that authorities accounted in a manner that was consistent with FRS 102 for funding commitments and that there was no need to add further provisions in the Code on this matter. The Secretary indicated she would feedback further on the issue of concessionary loans. However, the provisions in the Code on this issue were long standing and robust.	
	Heritage assets	
5.14	The Secretary introduced this item by reporting that FRS 102 did not include the provisions in FRS 30 *Heritage Assets* ie to allow valuations by any means relevant per paragraphs 21 and 22 (FRS 30). These being the	

	paragraphs on which the Code had hitherto relied. The Secretariat noted that the current consultation draft of the Charities SORP appeared to include similar provisions to FRS 30.	
5.15	The Board considered that they favoured the current position in the Code and expressed a strong reluctance to re-open the issue of heritage assets measurement. It considered that this might be an unintended consequence of the CAPE decision and that the Board members had not seen much debate on the decision not to include these specific provisions in FRS 102.	
5.16	Phil Trotter confirmed that will be looking at heritage assets in FREM, with consistency being one of the objectives.	
5.17	It was agreed that the Secretariat would liaise with the FRC to discuss the provisions relating to Heritage Assets. However, following the Board's views on the current provisions in the Code and in the event of this not providing the required support then an interpretation of IAS 16 would be developed which reflected the fact that heritage asset valuations were extremely difficult to measure with limited amounts of market based evidence (or frequently no evidence) available to support the valuations.	Sec
	Value Added Tax and Accounting and Reporting by Local Authority Pension Funds	
5.18	The Board approved the proposals of the Secretary.	Sec
	Statutory Amendments to Local Authority Financial Reporting	
5.19	The Board opened their discussion by considering whether these were a matter on which it was necessary to consult in the ITC. Given that legislation took precedence over the Code it was accepted that one motivation for including them was simply to make the alignment of the reporting requirements explicit and to avoid confusion. However, there may be areas where what the Code's prescriptions might need to be subject to debate ie the strategic report or management commentary that accompanies the financial statements. If changes to the Code were required for these issues a consultative process would be required. The Board agreed with the text in the ITC but wanted a commentary to be included that it was not yet clear whether an additional consultative process on the Code would be required as a result of the legislative changes.	
5.20	The Board received a briefing on the situation in Scotland, noting that the Scottish Government could specify the source 'proper accounting practice' (e.g. either the Code or the FReM) for Scottish councils.	
5.21	The Public Bodies Joint Working legislation in Scotland would mean that the new bodies (Integrated Joint Boards) may be used to deliver integrated services and these bodies would need to be referred to in the 2015/16 Code. However, the models for integration would already be covered by existing prescriptions in the Code.	
	Other ITC Matters	
5.22	A small number of Members of the Board drew the attention of the Secretary to detailed drafting points.	Sec
5.23	The Secretary briefed the Board on the intended timetable, which envisaged the ITC being issued in mid to late July with responses to be received by 10 October 2014.	Sec
6	**Simplification and Streamlining the Financial Statements and**	

	Narrative Reporting	
6.1	Alison Scott briefed on background to this initiative, drawing attention in particular and the relationship and implications with the anticipated new Accounts and Audit Regulations in England and Scotland and the possibilities for reviewing the performance statements. This would need to consider traditional measures of local authority performance ie movements on the General Fund and HRA balances. The ambition would be to achieve a change in the 2016/17 Code.	
6.2	The first step would be a consultation on a series of broad themes, such as including the simplification and streamlining objectives but also the need for effective narrative reporting. In doing this it would be explained how IFRS set the limits to the simplification of financial reporting but that there was scope within the context of narrative reporting. In considering the issues, the Board thought it valuable to be clear about the requirements of the different stakeholders – especially the broad distinction between the public and the regulators or auditors. This was most marked, for instance, in the case of SeRCOP for which there was a sharp distinction for reporting based on how authorities manage their services and the ONS/government reporting on which the development of the Service Expenditure Analysis is focussed.	
6.3	Members of the Board drew attention to the experience of the UK Corporate Governance Code being applied elsewhere in the public sector, while local authorities often produced publications tailored to local circumstances but typically with limited information. The Board recognised the need to avoid duplication by making links with other performance publications and to pick up distinctive features of local government and such as the transparency code. Important audit implications would also need to be addressed.	
6.4	The Board confirmed that the project fell within its remit and offered a good opportunity to reinforce the relevance of its work. Hazel Black, Russell Frith, Nick Bennett, Greg McIntosh, Graham Fletcher and Joseph Holmes volunteered to participate in the project. It was recognised that the success of the project would depend on the fully engagement with accountant and auditor practitioners in the sector.	AS
7	**CIPFA/LASAAC Review**	
7.1	The Secretary drew attention to the developments since the review. Board Members then raised other issues including recent comments from LASAAC as a funding body. Specifically these were that : • The terms of reference would state that minutes were to be posted to the website • Arrangements for self-evaluation to be referenced in the terms of reference. There was recognition of the benefits of a self-evaluation process of the Board's effectiveness in dealing with the issues it faced but that this had to be proportionate to a Board that met only three times a year. One way of doing his would be to combine it with other initiatives, such as the specification of the annual development programme for the Code.	Sec
7.2	Turning to detailed points, the Board stressed that the intention of 2.1	

	and 2.4 was to ensure that emerging issues were picked up early. The clarity of 2.2. and 2.3 may be improved moving the relevant text to follow the bullets. 3.1 should be redrafted to remove reference to geographic areas.	
7.3	The Board considered the FRC offer to attend if required and concluded that this would be satisfactory given that the transition to IFRS was now embedded.	
7.4	Both PFMB and LASAAC will need to approve the revised Terms of Reference reflecting these comments of the Code Board	Sec
8	**Measurement of Transport Infrastructure Assets**	
8.1	In introducing the paper Alison Scott first drew attention to the need for care in interpreting the survey results which were issued as background papers for the Board and not a part of the formal papers. While authorities are reported to be less ready than before, this has to be set against the fact that more information was required. In addition, the reported percentages were of those authorities that had responded to the survey. Alison would check the apparently confused GRC/road length figures.	A Scott
8.2	Given these difficulties, the Board considered the need to seek more information from the questionnaire - perhaps linked to the WGA return.	
8.3	The Board remained committed to implementation in 2016/17, which in turn would mean opening balances as at the end 2015/16. However, the Board considered that it was necessary for them to establish a work stream to evaluate the preparedness of local authorities. The LAAP Bulletin on this topic was of crucial importance to successful implementation and should therefore be reviewed by CIPFA LASAAC.	Alison Scott/ Sec
8.4	The Board remained concerned about the WGA implications for the measurement of infrastructure assets. However, it considered the importance of demonstrating that the financial information from the new measurement basis was important for taking economic decisions. Thus the Board remained reliant on HM Treasury and the Department for Transport (DfT) setting out the benefits of improved data quality, especially for the spending review process. The communications of HM Treasury and DfT situation should be reported to the Board in November.	Alison Scott
9	**Accounting and Auditing Standards Update**	
9.1	The Board noted this item after Ian Carruthers had provided an update on EPSAS.	
10	**Any Other Business**	
10.1	No other issues were raised.	
11	**Dates of future meetings**	
11.1	5 November 2014 11:00 - Robert Street, London	