

minutes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	8 March 2017	
Time	10:30 am	
Venue	CIPFA Scotland, 160 Dundee Street, Edinburgh	
Present		
Chair	Lynn Pamment	<i>PwC</i>
CIPFA Nominees	David Aldous Christine Golding Conrad Hall Joseph Holmes Michael Hudson David Jones Colette Kane Leah Scott Martin Stephens	<i>National Audit Office Essex County Council* London Borough of Brent Winchester City Council* Wiltshire Council* Wales Audit Office Northern Ireland Audit Office Lisburn and Castlereagh City Council Birmingham City Council</i>
LASAAC Nominees	Nick Bennett Russell Frith Ian Lorimer George Murphy Gillian Woolman	<i>Scott Moncrieff Audit Scotland Angus Council Stirling Council Audit Scotland</i>
Co-optee	Tim Day	<i>Independent Consultant</i>
Observers	Hazel Black Gareth Caller Jenny Carter Jeff Glass Robert Hay	<i>Scottish Government DCLG FRC Department of the Environment NI Welsh Government</i>
In Attendance	Alison Scott Matthew Allen Gareth Davies Sarah Sheen	<i>CIPFA CIPFA CIPFA Scotland CIPFA (Secretary)*</i>

		Action
1	Declarations of interest	

1.1	There were no declarations of interest from members of the Board.	
2	Apologies for absence and Membership Matters	
2.1	Apologies were received from Amanda Whittle (sub. Robert Hay). Joseph McLachlan subsequently apologised for being unable to complete his journey to the meeting, but George Murphy was available to complete the LASAAC representation. Owen James also subsequently apologised for being unable to attend the meeting.	
2.2	The Secretary reported that illness had prevented Greg McIntosh joining the meeting. The Board asked that their best wishes for a speedy recovery were conveyed to him.	
3	Update on Membership Matters	
3.1	The Board welcomed Leah Scott, the new accounts preparer representative from Northern Ireland.	
4	Matters arising on Minutes of March Meeting of CIPFA/LASAAC	
4.1	There were no comments on the minutes of the meeting of 9 November, which had been published on the website.	
5	Review of Outstanding Actions	
5.1	All the pending outstanding actions in CL 05 03-17 were items on the agenda.	
6	Measurement of the Highways Network Asset	
6.1	To support the report Alison Scott updated the Board on recent efforts to obtain Department for Transport re-engagement with the project, and especially with the now time critical issue of the central rates and the associated assurance processes. She expressed a lack of confidence in the necessary level of commitment being obtained, given especially that its ongoing success required these central rates to be periodically updated.	
6.2	David Aldous provided a summary of the audit perspective on the state of preparedness in England. While recognising the progress that had been made, he stressed that significant challenges remained in respect of the role and assurance of the central rates, as well as the materiality issue. A more detailed list of the audit issues was presented to the Board in paper CL 06 03-17B on the Highways Network Asset Auditor Workshop	
6.3	The Board collectively stressed that they had appreciated the work done by both accounts preparers in local government and their auditors. In reaching a decision on the way forward the Board felt it important to recognise the potential benefits of the information gathered so far for asset management. At the same time, one accounts preparer member stressed that it was at the point of commissioning expensive surveys to verify inventory information that represented a significant cost at a time of limited resources.	

6.4	Members of the Board noted that the original Department for Transport funding for the project had been a consequence of its asset management implications, and so questioned why there had been an apparent lack of support more recently. The Board recognised that HM Treasury had an interest in respect to the Whole of Government Accounts (WGA) implications. However, it considered that this may be able to be addressed outside of the specifications of the (Accounting) Code. AS stressed that the CIPFA Secretariat would continue to support the Treasury in its WGA requirements for the Highways Network Asset. CIPFA/LASAAC noted that the current (Accounting) Code measurement requirements of depreciated historical cost were compliant with IFRS and specifically IAS 16 <i>Property, Plant and Equipment</i> . Nonetheless the Board accepted that, in recognition of its understanding of HM Treasury expectations, the search for consistency with WGA had been an important supplementary driver of the project.	
6.5	In weighing up these considerations the Board determined that primary consideration should be given to the balance of the potential benefits against the costs and risks of proceeding for financial reporting.	
6.6	The Board decided that it would not proceed with its current proposals for the implementation of the measurement requirements for the Highways Network Asset. CIPFA/LASAAC was clear that these requirements would only be taken forward if it receives evidence that the benefits for financial reporting outweigh the cost and a commitment from those stakeholders on whom implementation would depend.	Sec
6.7	Noting the work already undertaken by accounts preparers and auditors, the Board had with reluctance reached its decision given the lack of support from key stakeholders, recent information about the cost of implementation and an assessment of the audit risks. In order to be unambiguous it would be stressed that the Board did not intend to carry out its own ongoing assessment of the situation and that a decision to re-embark on the project would require compelling evidence to be presented by stakeholders to CIPFA/LASAAC.	
6.8	The Board then turned to assessing the risks and implications of its decision. The Highways Network Asset Code would have to be updated to reflect CIPFA/LASAAC's decision. The Board agreed that references to the Highways Network Asset measurement requirements in the 2017/18 Code should be removed. The Secretary noted that in drafting terms this was straightforward but that it would be important that the prospective changes are communicated before the forthcoming meeting of Government's Financial Reporting Advisory Board (FRAB). CIPFA/LASAAC could not see the case for producing the separate publication containing the measurement provisions for the Highways Network Asset as outlined in the report.	Sec
6.9	It was agreed that the Board would issue a prompt announcement to minimise abortive work in advance of a more substantial account of its reasoning.	Board/ Sec
7	Technical Information Note 17 (01) – [aka The Informal Commentary on the 2017/18 Code]	
7.1	The Secretary explained that this commentary, CL 07 03-17, was	Sec

	essentially a report on CIPFA/LASAAC's decisions following as a result of the consultation. It allowed those interested to track the relationship between the comments received and the decisions made. She recognised that, given resource constraints, this was not the equivalent of a basis of conclusions like those provided in financial reporting standards. The Board recognised that whilst it was too late to produce such statement for 2017/18 it requested that options for alternative reports on its decisions should be submitted to a future meeting. In the meantime, the Board suggested a change in name of the publication to "Feedback on Consultation".	
7.2	In addition to the changes consequent on the Highways Network Asset decision, the Board suggested a number of minor points of clarification. The consideration of Narrative Reporting should make clear that the situation in Scotland is unchanged. While acknowledging the technical accuracy of the commentary on the going concern assumption, the Board felt that it did not acknowledge the wider scope of their debate in November. This could be addressed by recognising that the value of relevant information on financial resilience/sustainability should be reflected in the Narrative Report.	Sec
7.3	The commentary should also include the results of the Boards decisions on investment transaction costs for pension funds.	Sec
7.4	Finally, the Board suggested that publication made it clear that the narrow scope amendments that were not endorsed by the European Union in time for them to be included in the 2017/18 Code would instead be included in the development programme for the 2018/19 Code.	Sec
8	Annual Review	
8.1	The Chair reminded the Board of its commitment to an annual review of its activities and to an annual discussion at a meeting of the Board to evaluate its performance for the preceding 12 months. The Secretary added that the document CL 08 03-17 prepared for the Board was intended to be an aide memoire on events.	
8.2	The Board identified one of its principal strengths to be the detailed consideration given to each consultation response. This is something that should be communicated more widely as knowledge of this practice should encourage responses. Alison Scott identified her forthcoming <i>On Account</i> article in Public Finance to be a suitable means to achieve this.	AS
8.3	Turning to the other means by which consultations responses could be encouraged, the Board welcomed Michael Hudson's suggestion that he would liaise with the Society of County Treasurers' deputies group since experience suggested that these were the accounts preparers' with the best overview of financial reporting. The Secretary noted that the Chair writes to the treasurers' societies each year which included offers from the Secretariat to present to them on the annual consultation process. Members of the Board recognised that they had a personal responsibility to liaise with their respective constituencies.	MH
8.4	The Board requested in order to increase participation this year that the CIPFA/LASAAC pages of the CIPFA website includes an open invitation for comments and views of practitioners on the issues that should be	Sec

	addressed in the formal consultation later in the year.	
8.5	Turning to the working practices of the Board, the three meetings a year timetable was considered to be adequate given that so much business can be processed effectively outside formal meetings. Nonetheless, an enhancement would be to provide a more detailed timetable of the deadlines outside the formal meetings. In this way Board members would be better prepared to plan and manage their workloads.	Sec
8.6	The Board noted the issue of the late substantive change being suggested by a FRAB Member after the November FRAB meeting. The Board noted for that occasion the consequences were less serious as the suggestion related to IFRS 9 <i>Financial Instruments</i> which was not a formal part of the 2017/18 Code's provisions. However, the Chair noted her conversation with the Chair of FRAB and it was recognised that a more thorough consideration of the draft Code by FRAB at its June meeting would help by giving CIPFA/LASAAC an earlier insight into the views of FRAB on the emerging issues. The Chair recognised that the Secretary updated the Board if any of FRAB's debate had an impact on the Code but indicated that she would like to further formalise the process with a scheduled update from the Secretariat.	Sec
9	Development of the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom	
9.1	The Board systematically considered and confirmed the prospective issues for consideration in the 2018/19 Code presented in CL 09 03-17, with the following comments.	
9.2	The Board drew attention to the importance and complexity of the issues raised by the amendments (in England) to the public inspection period and amendments to the period for the consideration of objections. Confining itself to the issues within its remit, it regretted the additional disclosure requirements in respect of elected mayors.	
9.3	The update to the Accounts and Audit Regulations (Wales) 2014 was taking longer than anticipated because of the need to work through all the statutory implications of the separation of administering authority and pension fund accounts.	
9.4	The Board approved the proposed question on whether there needs to be any amendments to the Code for Local Government Pension Scheme pooling.	Sec
9.5	The Secretary would consider the work done by LASAAC on its proposals in relation to the statutory adjustments for financial reporting. This would recognise that the Expenditure and Funding Analysis has been introduced to meet the requirements of the non-expert reader. The Secretary noted that the provisions in the Code allowed and encouraged accounts preparers to combine disclosures to avoid duplication.	Sec
9.6	The Board saw no reason to revisit its overall approach to adoption of the IFRS 9 and to consult again on those provisions. The Board agreed to consult on the simplified approach to impairment and to gain evidence on the possible impact of adapting the Code in the same way that was being proposed for the FReM. The Board also agreed to consult on the possibility	Sec

	that some housing rent debtors may be purchased or originated credit impaired financial assets. It decided not to consult on its approach to the impairment of non-contractual debtors, principally council tax and non-domestic rates as there had been no change in circumstances since the agreement on the current approach.	
9.7	The Board supported the proposal not to consult again on its provisions to adopt IFRS 15 <i>Revenue from Contracts with Customers</i> unless the Secretariat's research under US GAAP provides a rationale for revisiting CIPFA/LASAAC's decisions on disclosures under the Standard.	
9.8	As a general point of principle, to avoid cluttering the consultation, consideration should be given to a separate list of narrow scope amendments particularly those changes which do not impact substantially on the provisions in the Code.	
9.9	IPSAS 40 <i>Public Sector Combinations</i> had an effective date for the 2019/20 Code. The Board agreed with the report that it would be necessary to work with HM Treasury to ensure a cross public sector view on any augmentations to the Code arising from its consideration of IPSAS 40.	
9.10	The Board agreed with the proposals in the report to include post-implementation reviews of the relevant Code provisions in the consultation papers.	
9.11	The Board considered that it did not want to amend the Code paragraph 1.2.8 as outlined in the report as considered that it would be for the authority to choose the correct provisions under the relevant standard in accordance with the needs of the transaction in question.	
9.12	Gillian Woolman would ensure that any lessons from the Scottish integration joint boards would be fed, as necessary, into the consultation process.	GW
10	IFRS 16 Leases	
10.1	<p>In considering IFRS 16 <i>Leases</i>, the Board noted that the low threshold for exemptions from recognition of the right-of-use asset would be an important factor in relation to the workload for authorities when implementing the standard – although there would be scope to employ a local materiality by means of their <i>de minimis</i> accounting policies.</p> <p>The Board agreed that its early view in relation to subsequent measurement was to consider adapting the Code to require that the right-of-use asset be measured at current value by restricting the relevant accounting policy choice. It also considered that its preferred approach to application of this subsequent measurement choice was to follow the first option in the report ie to allow materiality to determine whether current values are actually applied in particular instances (as it currently does in the Code by allowing a proxy to be use for short-life/low value assets).</p> <p>The Board asked the Secretary what decisions it was being requested to make on the transitional reporting requirements. The Secretary reported that none were requested at this stage though she noted that the Board had taken decisions not to require full retrospective application of IFRSs 9 and 15 and that the Board might want to consider an approach consistent</p>	

	with its previous decisions on those standards. The Board indicated that its preferred approach was to follow the modified retrospective approach to adoption (again this was its early view). The Board recognised that different affordability issues would arise from using current value depreciation in comparison to private sector practice.	
10.2	The Board's accepted the need for a separate consultation, closely aligned to that of HM Treasury but focused on local authority issues. In addition the need for an audit member of the sub-group would be addressed in the first instance by David Aldous circulating his contacts.	Sec
11	July 2017 Technical Updates	
11.1	The Chair noted that she was now unable to present at these conferences so she sought a volunteer to present the session on the Code.	Board
11.2	When discussing the proposed conference programme, the Board suggested that preparing for the audit process would be a valuable session. It was also thought valuable to have a session on faster closing which encouraged an exchange between authorities that were encountering barriers. Finally, the Board was supportive, for future events, of the idea of having a topic such as intergenerational equity to emphasise the important role finance professionals play to communicate effectively, in this instance, the impact of decisions today, on the citizens of tomorrow.	
12	Encouraging dialogue with stakeholders	
12.1	The Board welcomed news of the successful webinar given by Michael Hudson and suggested that more webinars should be offered to carefully targeted audiences. The Board considered that during the consultation period a webinar might be a useful option for creating more interaction on the issues being raised.	
13	Accounting and auditing standards update CL 13 03-17	
13.1	Jenny Carter noted the Amendments to FRS 101 and FRS 102 – <i>Notification of shareholders</i> that was issued in December 2016 was a final pronouncement and not a consultation. The Secretary commented that this had been updated in the published document. The Board noted this edition of the accounting and auditing standards update.	
14	Any Other Business	
14.1	There were no items of other business.	
15	Dates of Next Meetings	
	The dates of the next meeting were confirmed to be: <ul style="list-style-type: none"> • 6 June 2017, London 10:30 to 15:00 • 7 November 2017, Edinburgh 10:30 to 15:00 (note this may be changed to 8 November 2017). 	

* attended by telephone conference call