

# Minutes

Board CIPFA/LASAAC Local Authority Code Board

Date 5 June 2020

Time 10.30am

Venue Microsoft Teams Meeting

## Present

Chair Conrad Hall *London Borough of Newham*

CIPFA Nominees Deryck Evans *Wales Audit Office*  
John Farrar *Grant Thornton*  
Lucy Hume *North Norfolk District Council*  
Collette Kane *Northern Ireland Audit Office*  
Owen James *Newport City Council*  
Paul Mayers *National Audit Office*  
Martin Stevens *Birmingham City Council*  
JJ Tohill *Mid-Ulster Council*

LASAAC Nominees Hugh Dunn *City of Edinburgh Council*  
Nick Bennett *Scott-Moncrieff*  
Joseph McLachlan *East Ayrshire Council*  
Paul O'Brien *Audit Scotland*  
Gillian Woolman *Audit Scotland*

Co-opted Leigh Lloyd-Thomas *BDO*

Observers Hazel Black *Scottish Government*  
Jenny Carter *FRC*  
Matthew Hemsley *MHCLG*  
Vikki Lewis *HM Treasury*

In Attendance Sandra Beard *CIPFA*  
Steven Cain *CIPFA*  
Richard Lloyd-Bithell *CIPFA*  
Don Peebles *CIPFA\**  
Sarah Sheen *CIPFA*

		<b>Action</b>
<b>1</b>	<b>Apologies for absence</b>	
1.1	Christine Golding, Sarah Geisman, Joseph Holmes and Nicola Maslin.	
<b>2</b>	<b>Declarations of interest</b>	
2.1	There were no declarations of interest. Jenny Carter, however, confirmed that she had been appointed to FRAB.	
<b>3.</b>	<b>Membership</b>	
3.1	Sarah Sheen commented that Paul Mayers had been nominated as a member by the National Audit Office. She also noted that Alison Scott Director of Finance, Three Rivers District Council and Watford Borough Council was being recommended to PFMB as the CFO member.	
3.2	Sarah Sheen noted that no one had yet applied for the CIPFA/LASAAC vacancy as Vice Chair. Both SS and the Chair indicated how important this appointment was and indicated that they were both happy to discuss the appointment with interested members.	
<b>4</b>	<b>Minutes for approval:</b>	
4.1	Before commenting on the minutes Jenny Carter enquired whether notes would be provided for the two meetings which took place after the 6 March meeting. SS remarked that she hadn't attended the 27 March meeting and hadn't been leading on CIPFA/LASAAC issues at the 6 April meeting so she didn't have sufficient notes. It was agreed that CIPFA/LASAAC members would send their notes of the meeting and that SS would draft a note featuring the main actions and decisions taken at these two meetings.	<b>Sec</b>
4.2	The minutes of 6 March meeting were approved.	
<b>5</b>	<b>Action Points</b>	
5.1	Action point 1- <i>Review and contrast of UK GAAP and IPSAS</i> : Vikki Lewis noted that from a FRAB secretariat perspective it is an ambition of FRAB to undertake this action but current circumstances mean that they do not have the opportunity to do so. It was anticipated that this would be undertaken later in the year.	
5.2	Action point 3 - <i>Review of the format of the Code</i> : SS noted that this item would be considered later on the agenda (New Item 11).	
5.3	Action point 7 - <i>Vice Chair vacancy</i> : This item had already been discussed at minute 3.2.	
5.4	Action point 14 - <i>Pension lump sum contributions, referral to the Local Authority Accounting Panel (LAAP)</i> : the Chair enquired whether this had been referred to LAAP. SS noted that LAAP had met on 3 April 2020 but that she was unclear as to whether this had been raised by a colleague of	

	the Secretariat at that meeting. The Chair enquired whether there was a Chair of LAAP at the moment. SS confirmed that this appointment was vacant. Decisions are made via the Vice Chair.	
5.5	Action point 26 – <i>Update to the 2019/20 Code and 2020/21 Code</i> . For the 2020/21 Code SS referred to the deferral of IFRS 16 and noted that these provisions had to be taken out of the Code and replaced with IAS 17 <i>Leases</i> . Both the 2020/21 Code and the update to the 2019/20 Code for TfL in relation to changes for IFRS 16 adoption (including the impact of deferral) had been circulated to CIPFA/LASAAC members with a request for approval by 9 <sup>th</sup> June 2020. These amendments were largely about taking forward the impact of deferral and not introducing new changes.	
<b>6</b>	<b>Update from FRAB.</b>	
6.1	VL commented that at the last FRAB meeting in April discussions were had with regard to the 2019/20 FReM. After a considerable amount of engagement across government departments and stakeholders, HM Treasury had tried to reduce the level of reporting requirements for 2019/20 but eventually concluded that the focus needed to be on reducing the requirements of the performance reports. No substantive changes to the financial statements were proposed. HM Treasury has notified Parliament about this proposed change. No formal response had yet been received from the Public Accounts Committee. HM Treasury has issued an addendum to the FReM which included supplementary guidance on performance reporting.	
6.2	FRAB’s 18 <sup>th</sup> June 2020 meeting will address issues arising relating to the application of IFRS 16 ie irrecoverable VAT, discount rates and the measuring PFI/PPP liabilities etc. These matters will be brought to the June meeting together with an update on 2019/20 and proposals for 2020/21 FReMs.	
<b>7.</b>	<b>New Agenda Item 7: Update on the 2019/20 Code Transport for London</b>	
7.1	A short note from the CIPFA Secretariat and the transcript from an email from TfL had been provided to the Board as urgent business earlier that day. Steven Cain presented its contents to the Board.	
7.2	TfL has been sent a draft of the Update on the 2019/20 Code it has not applied the public sector adaptation for the treatment of peppercorn leases for a particular transaction. It was noted that TfL has applied IFRS 16 as it applies to the private sector for these transactions ie that to meet the definition of a lease there has to be a consideration. TfL has already issued its unaudited accounts and therefore this matter is urgent. TfL has requested that CIPFA/LASAAC remove the public sector adaptation in relation to peppercorn leases for them as a dispensation in 2019/20 and 2020/21.	
7.3	It was noted that this adaptation had been clearly seen in the Code’s provisions for IFRS 16 which was issued alongside the consultation on the	

	2020/21 Code in July 2020. It appeared that TfL had not responded to this issue as a part of the Code consultation.	
7.4	The Code had followed the public sector adaptation and SC commented that it appeared that the consultation on these proposed changes to the FReM was a practical solution to an issue applied to typical central government circumstances rather than a conceptual issue in IFRS 16 though he noted that he had not been a party to the debates on IFRS 16 which might have considered the issue from a more conceptual basis.	
7.5	CIPFA/LASAAC debated the issue and noted that it was sympathetic to TfL but it didn't think that the authority had presented a principles based argument for the dispensation they requested. CIPFA/LASAAC noted the issue that TfL had flagged in relation to the potential qualification and agreed that this issue must be considered carefully and urgently.	
7.6	The Chair noted that there were two issues emanating from this request as this dispensation only related to TfL. This would provide the Board with the opportunity to test the application issues that arise from this adaptation and particularly consider whether this might be an issue for other local authorities. But it could be seen to be a difficult precedent to set if CIPFA/LASAAC agree on the basis that it's convenient for one single body rather than by reference to a principle of the application of the standard itself.	
7.7	When asked what the practicalities would be SS noted that if the Board decided to allow TfL not to apply this then the Secretariat suggested that any dispensation would only be for 2019/20. This should give the Board time to find out if the issue exists for other local government bodies. Subject to CIPFA/LASAAC decisions, the changes to the Update should be relatively easy to make. SS laid out the approval process to members for the Update to the 2019/20 Code. SS noted that the timetable for approval by FRAB would require issue of a report by 11 June 2020. Note that the FRAB Secretary through the chat function confirmed that there may be a possibility of issuing the report later.	
7.8	Jenny Carter asked whether there were any transitional issues relating to the transaction. SS noted that there might be but that the CIPFA Secretariat had only recently been made aware of the issue so a full assessment had yet to be made.	
7.9	The Chair concluded that the Board probably did not have enough information to take the decision at the meeting. He requested that the Secretariat seek more information on the transaction and that the authority be asked to present their request for a dispensation on a principled basis. This should be reported to CIPFA/LASAAC in an out of meeting paper due to the urgency of the issue.	<b>Sec</b>
<b>8.</b>	<b>New Agenda Item – Dedicated Schools' Grant</b>	
8.1	The Chair invited Paul Mayers to set out the request he had posed to the Secretariat relating to the reporting of the Dedicated Schools Grant (DSG). PM noted that at the end of the emergency CIPFA/LASAAC meeting on 6 April 2020 CIPFA/LASAAC had agreed in principle to provide application guidance in the Code relating to the DSG following the treatment set out in <a href="#">CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements</a> . He noted	

	that this would clarify the accounting treatment as auditors viewed this treatment as contentious. The Code could mandate the treatment and then remove any further debate.	
8.2	SS commented that CIPFA agreed where expenditure exceeded income on a grant that this meant that there was a negative balance on that account and where such a negative balance exists in financial reporting terms it reduced available funds in the General Fund Balance. SS noted that the Secretariat was wary of codifying application guidance for a particular transaction in the Code and for just one account. SS set out that earmarked reserves are merely a way that local authorities use to separate accounts within the General Fund, they have no formal place either in financial reporting terms or under statute. SS suggested that the Secretariat could amend the Code to indicate that these reserves could on (exceptional) occasions have negative balances and where this was the case local authorities should clearly report the impact on the General Fund Balance.	<b>Sec</b>
8.2	It was noted that some commentators did not agree with the use of the words 'negative' and 'reserve' to describe these balances. John Farrar commented that there were a number of issues. The Code sets out the classification of reserves between usable and unusable, so a negative earmarked reserve would not be usable by the authority and would be misleading to the users of the accounts as the negative reserve would be offsetting the amounts in the other usable reserves. He was of the view that it would be a dangerous precedent to include in the Code.	
8.3	JJ Tohill commented that SS's suggestion seemed reasonable. One negative balance within a portfolio of usable reserves would not cause concern so long as it was not material.  Chat box commentary: Owen James noted we don't have DSG in Wales, but agree with Sarah's point that there will be negative figures within the general fund, which make up the usable funds.	
8.4	PM considered that this was an important issue for the DSG and that guidance should be produced that clarified the position	
8.5	JF noted that a longer term solution would be for regulation to designate this as an unusable balance which does not count against the General Fund. Leigh Lloyd-Thomas commented that a purist view is that you can't have negative reserves unless there is an asset in the top half of the balance sheet to underwrite the amount. Clearly, however, this is happening and so there needs to be clear narrative as to what the true overall amount available to the authority and which explains to the user that there is an amount in the General Fund which is not available for use by the authority.	
8.6	SS noted that the legislation didn't and couldn't take the DSG outside of the General Fund. Even the HRA with its tight ring-fence of both revenue and capital balances was actually within the General Fund. As a revenue grant in financial reporting terms [though not budgetary terms] the negative balance within the General Fund was correct.	
8.7	HB wondered whether the relationship between local authorities and DSG was that of agent rather than principal.	

8.8	The Chair considered that there was not a consensus view and requested that SS present the Secretariat's suggested option and an option for no change so that the Board could vote on either approach.	<b>Sec/ Board</b>
<b>9.</b>	<b>Feedback Statement 2020/21 Code – Options for Presentation (note that this was previously agenda item 7)</b>	
9.1	SS noted that to ensure the Secretariat delivered a Feedback Statement in accordance with CIPFA/LASAAC's comments at the last meeting that it had decided to provide an extract which it considered might be able to meet CIPFA/LASAAC's prescriptions. The comments at the last meeting were that the Feedback Statement was too process driven with not enough commentary. However, the Secretariat thought that a tabular approach may still be useful present the breadth of information required and be more easily accessible to readers.	
9.2	JC indicated that this version of the Feedback Statement was much improved with the possible exception of the statistics on the responses.  Chat box message from Lucy Hume commented that potentially the numbers could be presented in a bar chart instead, if a more visual presentation was preferred.	
9.3	The Chair referred to the questions not necessarily reflecting the changes proposed to the Code and wondered if there would be some means of cross referencing to the original question.  Chat box response from OJ commented that a hyperlink could be included to the original proposal.	
9.4	The Secretariat was invited to consider the Board's comments and proceed with the finalisation of the Feedback Statement.	<b>Sec</b>
<b>10.</b>	<b>Terms of Reference – Housing Revenue Account Leases Sub Group (note this was previously agenda item 8)</b>	
10.1	Richard Lloyd-Bithell presented the Terms of Reference (ToR) for the Housing Sub Group which: <ul style="list-style-type: none"> <li>• set out events that had led to the need to establish the Group</li> <li>• summarised the commentaries which had been made on the issue (particularly including comments by FRAB), and</li> <li>• specified the objectives of the sub group.</li> </ul>	
10.2	JC commented that in some places the ToR appear to try to pre-empt the outcomes of the review. She considered that it would be better instead to aim for high quality accounting for HRA tenancies rather than sounding as though the sub group had identified the answer before its work had commenced.  She also noted that the ToR stated that the outcomes would be included as a part of the consultation on the 2021/20 Code and questioned whether that was feasible. JC had offered to be a member of the group but noted that she was going to struggle for time. However, JC proposed that Easton	

	Bilsborough from the FRC would be able to substitute for her. It was noted that Easton was not a member of CIPFA/LASAAC.	
10.3	LL-T enquired whether the ToR need to be extended to consider the impact of the outcomes against the requirements of the Local Government and Housing Act 1989 (LGHA 1989) which specifies the debits and credits that can be charged to the Housing Revenue Account.	
10.4	SS responded that it would be most useful if the Sub Group could produce outcomes in time for the consultation on the 2021/22 Code so that they could be included in the full adoption of the standard in that edition of the Code. But she recognised that the timescale would be very tight and that it might be difficult to achieve.  She noted that Easton had previously been a member of the CIPFA Secretariat and was an experienced member of staff but that the decision to include a non-member was a Board decision. SS noted that the LGHA 1989 was an important consideration for HRAs in England and could be a useful addition to the ToRs.	
10.5	The Chair invited the Secretariat to amend the ToRs to take into account the comments of the Board and recirculate it for approval. He noted that it would be useful if the Board could invite nominees to spread the workload and considered that these would may not need to be CIPFA/LASAAC members. The Board agreed that Easton Bilsborough be invited to join the group. The Board noted that the Sub Group could agree their own chair if one was deemed to be necessary.	<b>Sec</b>
10.6	Chat Box comment: it was noted that the position in Scotland was different to that of England but this would be addressed by Scottish Membership of the Sub Group.	
<b>11.</b>	<b>Approach to the development of the 2021/22 Code and the Development of the Strategic Plan (note this was previously item 9)</b>	
11.1	SC presented the Secretariat's comments on the approach to the Strategic Plan and the Board's priorities. The Board was invited to comment.	
11.2	The Chair noted that he considered that it was important that Board members contribute to outreach projects. The pandemic made this more difficult but that outreach could mean events such as the biannual local authority accounting conference which traditionally updated local authority stakeholders about the work of CIPFA/LASAAC. SS noted that this year the conference had been turned into a half-day webinar on 23 June 2020. The webinar programme covered Code developments in detail.	
11.3	The discussion relating to the Strategic Plan priorities considered the following: <ul style="list-style-type: none"> <li>• The Chair was of the view that the consultation on the 2021/22 Code should not introduce new workloads for local authorities due to the impact of the COVID-19 pandemic.</li> <li>• JC referred to IBOR Reform Phase 2: she was not aware to what extent local authorities have contracts that are linked to LIBOR or similar but IBOR phase 2 would have an effective date of 01.01.2022. Part of the</li> </ul>	

	<p>urgency is to make it available for early adoption. She sought views on how this might be dealt with.</p> <ul style="list-style-type: none"> <li>• SC responded is that the problem was that it was not clear what the risks are for local authorities. Another procedural issue is whether it has been approved in time for adoption as there is a good chance that it won't be for the EU.</li> <li>• SS considered that these issues should be included in the Invitation to Comment (ITC) to assess the possible implications for local authorities.</li> </ul> <p>LL-T commented in the chat box that some LOBOs have fair value disclosure comparing LIBOR to current rates.</p>	
11.4	<p>The Chair asked the Secretariat to comment on timescales. The Secretariat noted that if the Board agreed to take forward the approach which only included the proposals essential for the production of the Code she hoped that the consultation papers could be issued in August possibly early September (if this better suited consultees) with an eight week consultation period. The Board agreed to this approach.</p> <p>Chat box comment: LH commented that September could be workable.</p>	<b>Sec</b>
11.4	<p>GW noted that it would be a shame to miss out on the opportunity to consult on whether the pandemic had meant that local authorities had been able to develop good or best practice in line with the Strategic Plan objectives. The Chair agreed that it would be a shame not to take advantage of this opportunity. SS suggested that the consultation papers could include investigative questions under the Strategic Plan objectives/headings and to try and identify such good practice.</p> <p>Chat box comments from JC:</p> <ul style="list-style-type: none"> <li>• JC noted that the experience of this year's reporting might advance the materiality issue</li> <li>• JC enquired 'would we be able to turn general comments into changes to the Code without further consultation though?'</li> </ul>	
11.5	<p>SS was asked what this might look like. She cited the example of materiality the ITC could seek views or practice on how this had been addressed in local authorities and ask how successful such initiatives had been in increasing accessibility.</p>	
11.6	<p>The Chair indicated that the Board appeared to agree with that approach and that he would seek to work with the Secretariat on this issue but Board members were invited to send in their suggestions.</p>	<b>Chair/ Board/ Sec</b>
11.7	<p>The Code format was raised. SS noted that this would be addressed in the approach above. However, it would be useful if the Board could decide a set of objectives for reviewing and reformatting the Code might be, for example she assumed that it would be linked to accessibility for readers but the Board might have additional, specific objectives.</p>	
11.8	<p>The Chair invited SS to comment on the recent emails she had sent on the Update to the 2019/20 Code and the 2020/21 Code. SS noted that debate on new item 7 would impact on the Update of the 2019/20 Code. She</p>	<b>Board/ Sec</b>

	noted that approval, however, was sought for both Codes by 9 June 2020. This would be important to feed into CIPFA/LASAAC's report to FRAB.	
<b>12.</b>	<b>Dates of Subsequent Meetings</b>	
12.1	The next date of the formal meeting schedule was noted. The Secretariat was asked to schedule the post FRAB meeting. The Chair also requested that a further meeting by Microsoft Teams should be added to the meeting schedule to focus on a single issue ie that of the ITC on the 2021/22 Code.	<b>Sec</b>
<b>13.</b>	<b>CIPFA Accounting Webinar – 23 June 2020</b>	
13.1	This had already been covered in item 11 above.	
<b>14</b>	<b>Any Other Business</b>	
14.1	JC enquired whether there had been any feedback on the Redmond Review.	
14.2	SS noted that she had invited Sir Tony Redmond to this meeting of the Board. He was grateful for the invitation but thought at this particular juncture that this would be slightly too premature. SS invited Sir Tony Redmond to the next meeting of CIPFA/LASAAC in November. A member commented that they thought that the recommendations would be presented in September	
14.3	PM noted that any statements from CIPFA/LASAAC on the Code should be agreed with by the Board (he referred to the statement on the draft 'emergency' Code presented at the 6 April meeting). This was supported by Audit Scotland, Northern Ireland Audit Office, Audit Wales and Scottish government representatives. The latter indicated that this was also important as the Scottish Government was an Observer Member. The Chair agreed that in future any joint statements would be reviewed by the Board.	

\* Note that DP was unable to attend meeting due to IT issues.