

minutes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	15 June 2010	
Time	11.00am	
Venue	Barcelo Carlton Hotel, North Bridge, Edinburgh	
Present	Lynn Hine (Chair)	<i>PricewaterhouseCoopers</i>
CIPFA Nominees	Angela Brown Peter Davies Mike Langley	<i>Independent Consultant Monmouthshire CC Audit Commission</i>
LASAAC Nominees	Nick Bennett Lynn Bradley Russell Frith Bruce West	<i>Scott Moncrieff Audit Scotland Audit Scotland Argyll and Bute Council (by telephone)</i>
DOE (NI) Nominees	Robert Dowey	<i>Newry and Mourne DC</i>
Observers	Larry Pinkney Karen Sanderson Ian Skinner Hazel Black	<i>HM Treasury HM Treasury Welsh Assembly Government Scottish Government</i>
In attendance	Paul Mason (Secretary) Ian Carruthers Gareth Davies Julian Smith	<i>CIPFA CIPFA CIPFA Scotland CIPFA</i>

Action

1 apologies for absence

Apologies were received from Lynn Brown, John Buchanan, Tim Day, Paul Dransfield, Graham Fletcher, Nick Gibbins, David Jones, Andrew Lennard and Grant Macrae.

2 minutes

The minutes of the meeting held on 23 February 2010 were approved.

3 matters arising

- 3.1 IFRS Code Guidance Notes – the first draft chapter was currently with the CIPFA Local Authority Accounting Panel (LAAP) for comments, with other draft chapters to follow over the next few weeks, aiming for publication around September 2010.
- 3.2 Guidance (including joint working with RICS) – a LAAP Bulletin on component accounting was imminent, to assist accountants in their work with property colleagues. This Bulletin benefitted from input by LAAP members, by CIPFA Property staff and by RICS. Later in 2010 this would be followed up by a more detailed publication, again aiming to benefit from the three above groups' ideas.
- 3.3 FRAB's work – Larry Pinkney reported on recent and upcoming FRAB work, including items likely to be considered at its October 2010 meeting (Update on move to IFRS, a resource accounts review of treatment for consolidation of charitable funds, accounting for European Union funding, FReM guidance for year 2011/12, an alignment project on accounting for tax credits, accounting for the Carbon Reduction Commitment, a review of FRAB's role and structure, possibly considering whether a true-and-fair override is needed in the FReM, accounting for investments "outside the boundary" and a related FReM Exposure Draft). Larry Pinkney would liaise with Paul Mason on matters as needed, for example on Carbon Reduction Commitment accounting. Ian Carruthers would be part of the working group reviewing charitable funds treatment – whilst this was understood to be focusing more on health-related charities, there would still be some crossover interest for local government accounting and the wider public sector. Larry would contact Russell Frith regarding possible OCSR representation of the working group. The meeting noted that the Local Authority Code overseen by this Board includes a true-and-fair override.
- 3.4 Disclosure requirements – work on this subject was on hold for the time being, and in due course could be linked to work on CIPFA's Telling the Whole Story initiative as well as to work by IPSASB on the conceptual framework. Early views were that care would be needed with the policy, legal reporting, and clarity aspects of work on disclosure requirements.

4 exposure draft of the code of practice on local authority accounting 2011/12

- 4.1 The Secretary's paper was discussed, including section 2 which put into action the Board's decision on heritage assets. FRS 30 was mostly presentational in its effects, but could lead to greater recognition in some cases for local authorities' heritage assets.
- 4.2 On the paper's question about re-statement, and whether a third balance sheet is needed, the Secretary reported that this would only be needed if deemed material, at the first time an authority recognises a heritage asset. The Secretary would amend the wording here to show authorities that this was more about clarification than interpretation.
- 4.3 On the paper's question about reconciliation of opening and closing balances, members questioned whether this would require 4 columns (tangible and intangible heritage assets carried at both cost and valuation). It was considered that the number of intangible assets would be close to zero in practice, and therefore only 2 columns would be needed instead of 4.

- 4.4 On the matter of community assets, heritage assets, and whether to define these in more detail, the Secretary would circulate an electronic draft covering this for an “e-vote” by Board members in the next few weeks.
- 4.5 The Board agreed to the paper’s proposal on reconciliation for all assets.
- 4.6 In question 1 of the Invitation to Comment (ITC), consultees should be asked whether they agree with the way FRS 30 has been implemented.
- 4.7 On other questions in the ITC, consultees should be advised that where they agree with a proposal, there is no need to supply supporting reasons, but where they disagree with a proposal, it would be helpful if they explain why they disagree.
- 4.8 On Carbon Reduction Commitment (CRC) scheme allowances, the approach suggested is roughly akin to that for the Landfill Allowance Trading Scheme. Should the CRC allowances be viewed as a short term asset, or as an intangible asset? The latter treatment would see the allowances become part of the capital framework, which could have effects in future on borrowing requirements. The Secretary would include both the “short term” and “intangible” options in the ITC and seek consultees’ views, given that there are arguments for and against each, including wider considerations such as the effect on Whole of Government Accounts (WGA). Subject to these wider considerations, the Board expressed a preference for classifying the assets as current assets, and the Secretary will reflect this in the drafting of the Exposure Draft. The Secretary would liaise with Larry Pinkney as the FReM Exposure Draft could also address this question. The ITC wording should aim to focus initially on the short term nature of the CRC allowance scheme, then move on to the intangible aspect. The Secretary would also report the Board’s thinking to the four governments on a possible negative impact for capital, on possible 2-year write-downs, and regarding un-supported borrowing.
- 4.9 On emissions and recycling, in connection with CRC income it was agreed to suggest the “when receivable” accounting option, i.e. October each year.
- 4.10 At 2.4.2.12 in the paper, it was agreed to add text that the liability is also an expense, as well as a provision.
- 4.11 On accounting for the Community Infrastructure Levy, it was agreed to include a paragraph in the ITC noting that the Levy was being reviewed by the Government, and is subject to change or withdrawal. If there are definite changes in place in time, the Code itself would be edited before publication to reflect these.
- 4.12 On the following question in the Secretary’s paper, it was agreed to allow for a disclosure to be made as part of capital receipts unapplied, to avoid the need for creation of a new account.
- 4.13 On Business Rates Supplements, the meeting agreed to the Secretary’s suggested approach.
- 4.14 The meeting discussed accounting for “exit packages” for local government officers. The Secretary would draft ITC text on this matter after checking a related FRAB paper with Larry Pinkney.
- 4.15 Ian Skinner was happy with the following point related to Authorised for Issue matters in Wales.

- 4.16 The meeting agreed to the Secretary's approach on how to handle future changes to mitigation from IFRS.
- 4.17 The meeting agreed to the Secretary's approach on holidays and related matters, and for a statutory mitigation account – which would be accompanied by an explanation, in the Notes, of which matters it covers. Matters which should not be included in such a general list would be: capital adjustments and capital receipts.
- 4.18 The paper's content on the Chief Finance Officer / compliance with CIPFA's Statement would be re-drafted into a separate point for the ITC, so that it would stand out more clearly for consultees.
- 4.19 The meeting agreed to the paper's approach on Related Party Disclosures.
- 4.20 The meeting agreed to the paper's approach on annual improvements and related points in part 11. EU adoption of this accounting approach may be known by December 2010.
- 4.21 It was decided that whilst it was helpful for the Board to look at smaller organisations regarding the application of the Code, no decisions should affect the 2011/12 Code. This would allow for CIPFA/LASAAC to tie-in its work with that of the Audit Commission and CLG / HM Treasury on the same subject area. Smaller central government organisations would be important to consider as well, and to learn from similar work in New Zealand on the application of its own audit and financial reporting regimes.
- 4.22 The ITC process would also include a question to consultees on any suggestions they would make for simplification / reducing the burden of the IFRS Code system.
- 4.23 The Secretary would update the February meeting's edition of the Board's work plan and provide it for discussion at the October meeting.
- 4.24 On the paper's point 16, this would be re-drafted from a question into a statement.
- 4.25 The Secretary would provide members with an electronic copy of the re-drafted ITC paper, for approval by a majority of the Board before it is submitted to the Public Finance and Management Board of CIPFA and to LASAAC.

5 cipfa/lasaac terms of reference

- 5.1 Should the Board's remit be expanded to match that of FRAB, offering advice to the 4 governments on accounting and reporting matters? The meeting was open to this suggestion in principle, subject to more detailed consideration, including in light of how FRAB's own review proceeds. The Secretary and Ian Carruthers would prepare options for an appropriate future Board meeting to allow for decisions, including options for how the Board should best fit in to the work of the 4 governments, to the development of Whole of Government Accounting, and of the wider "standards community" of organisations. Ideally this paper could accompany one on the Telling the Whole Story initiative being prepared for the Board's October 2010 meeting.

5.2 The Board agreed to the following amendments to its terms of reference:

- To create a post of Vice-Chair
- To invite an observer from DOE Northern Ireland
- To try the suggested 3 year renewable term of membership approach, on a staggered basis reviewing a third of the membership each year, amending the wording to read “up to 3 years” to allow for more flexibility re: LASAAC terms of Chair and Vice-Chair, etc, also welcoming any membership term proposals from LASAAC at a convenient point, aiming for an appointments paper to go to CIPFA Council in October each year, followed up by an annual CIPFA/LASAAC discussion of its own membership around February
- To have a “3 meetings missed” trigger for reviewing membership of the Board
- To place an annual attendance report on the Board’s webpages each February
- Up to 2 co-opted, voting, places to be available on the Board for economists, academics etc, to be decided by a simple majority of the Board, as well as a temporary / ad hoc place available for an invited non-voting adviser to assist on specific work/projects as the need arises
- To address the Board’s wish for an ALATS place on the Board through either the October PFMB appointments process or by the February Board membership review process as appropriate – a co-option could be used to fill this place if needed
- To revisit the substitutes point in light of FRAB’s own review of its membership, with a view to avoiding the risk of semi-permanent substitutes
- Most meetings would continue to alternate between Edinburgh and London, and the Board could as and when it wished arrange to meet occasionally in Cardiff and Belfast
- To explore the scope for members to join meetings by video-link, which had recently become available between CIPFA buildings across the UK, ideally with multi-screen presentation where possible
- To keep the current wording on 4 meetings normally per year
- Although the Board was not covered by Freedom of Information legislation, it would normally make meeting papers available on its webpages, and respect any consultees’ / correspondents’ requests for their submissions to the Board to remain confidential
- To use the February membership review to consider whether there are any gaps in Audit organisations’ representation to the Board needing to be filled
- To keep the quorum at 7 for the time being, and aim for the “3 meetings missed” review of membership to raise any need for filling a vacancy thus created
- To allow that members attending by telephone or video-link would count as having attended.

6 transport infrastructure code update

Ian Carruthers updated the Board on this Code, which took the form of best practice guidance rather than having statutory force, and which was applicable across the UK. The Code also enabled useful data to be gathered for WGA. In this light, it may be that the Code in future forms the basis for financial reporting on transport infrastructure assets. A staged approach for the Code’s implementation for WGA purposes was in use, to recognise for example that different authorities will be implementing the Code at different paces. At this early phase of the Code’s use, Scotland and Wales had already adopted a co-ordinated approach to the Code. In England the Department for Transport was to use a survey to follow the implementation of the Code there. It would be helpful for the Board members to be provided with a mock set of an authority’s accounts, one using the Infrastructure Code, one in the traditional style, to assess the potential major differences implied by including transport infrastructure assets in

the balance sheet. Such differences between authorities' reporting could create challenges for the WGA process for example. Differences in priority may arise between the accounting and operational sides of the debate – the operational side could cite the need to make best use of staff and resources in the tight financial climate at present, whilst the WGA / accounting side could cite the need to have good data to enable good transport infrastructure asset management. Materiality considerations could be viewed differently at the WGA level than at individual authority level. Given the long timescales recognised for the Code to be fully used across local government around all of the UK, the Board should have an annual review report at its February meetings. Karen Sanderson was invited to supply a report on early data received, to the October 2010 Board meeting. Bruce West was invited to obtain information on the picture to date in Scotland.

7 telling the whole story update

Ian Carruthers reported on contacts with a number of local authorities, which showed some concerns about the cycle of financial year end reporting, including from the range of guidance provided for authorities by different organisations. Ideas generated from these discussions include:

Can a better definition be provided of the difference between general reporting and financial reporting?

Could a new style of annual report be developed for general use, to link in to more detailed financial reporting for those who need it?

Could user groups help to develop more reader-friendly reporting? (One authority has offered access to the meetings of its customer group)

Is there scope for more web-based reporting?

Ian Carruthers / Alison Scott will aim to attend some meetings of Treasurer Societies and the Scottish Directors of Finance Group to discuss these ideas further

The October 2010 Board meeting will consider a paper on draft guidance arising from this work – in turn, this could help the Board consider extending its future remit

8 accounting and auditing standards update report

The report was noted. The Secretary would obtain a glossary from colleagues at CIPFA for the next report. The Board encouraged CIPFA to seek input to ICAS's look at assurance by alternative means. The Board wished to keep up to date with the related European Union Green Paper process. CIPFA was encouraged to look at assurance to date for sustainability reporting – how developed was this so far, and how relevant?

9 any other business

Board members were encouraged to let the Secretary know if interested in being part of an IASB Outreach event to take place on 27 July 2010 at CIPFA's Robert Street offices in London. It was hoped this event would help IASB consider public sector matters more in its future work.

10 date of next meeting:

27 October 2010, London

For 2011 meeting planning, the Secretary would contact the Chair and Board members, to identify and book suitable days.