

notes of meeting

Board	CIPFA/LASAAC Local Authority Code Board	
Date	27 October 2010	
Time	11.00am	
Venue	CIPFA, 3 Robert Street, London WC2N 6RL	
Present	Lynn Hine (Chair)	<i>PricewaterhouseCoopers</i>
CIPFA Nominees	Angela Brown Nick Gibbins Mike Langley	<i>Independent Consultant Hampshire CC Audit Commission</i>
LASAAC Nominees	Nick Bennett Lynn Bradley Russell Frith	<i>Scott Moncrieff Audit Scotland Audit Scotland</i>
LASAAC Reserves	Grant Macrae	<i>KPMG</i>
DOE (NI) Nominees	Robert Dowey	<i>Newry and Mourne DC (by telephone)</i>
Co-optee	Tim Day	<i>Independent Consultant</i>
Observers	Joanna Spencer Graham Fletcher Ian Skinner Hazel Black	<i>ASB DCLG Welsh Assembly Government Scottish Government (by telephone)</i>
In attendance	Paul Mason (Secretary) Una Foy Gareth Davies Julian Smith	<i>CIPFA CIPFA CIPFA Scotland CIPFA</i>

Action

1 apologies for absence

Apologies were received from Peter Davies, Paul Dransfield, Ken Finch, David Jones, Bruce West, Derek Yule, John Buchanan and Larry Pinkney.

2 minutes

The minutes of the meeting held on 15 June 2010 were approved.

3 matters arising

- 3.1 **CIPFA/LASAAC Terms of Reference and Membership** – Tim Day declared an interest and left the meeting for item 3.1's duration. The Board noted the approval of the Terms of Reference and nominations to the Board by PFMB, and the ending of the Best Value Steering Group through which Tim had been a Board member. The Board decided to retain Tim's knowledge and experience for the Board as a co-optee, on a one year renewable term basis. The other co-optee vacancy would be left deliberately open for the time being to allow for specialist colleagues to be invited as appropriate to future meetings. The Secretary would amend item 6.3 of the Terms of Reference to reflect the June minutes' item 5.2, to refer to "members" rather than "independent consultants", to reflect the Board's wish for flexibility over co-opting up to 2 members. It was noted that one vacancy amongst the CIPFA nominees would be recruited through liaison with the Treasurer Societies and another would be filled from the audit firms. Noting the Government's decision to abolish the Audit Commission, the Board agreed that Mike Langley should remain on the Board for the time being, and that the Commission's place on the Board would be reviewed at a time when more detail of the abolition timetable is known. The Government's re-naming of CLG to DCLG was also noted for its place on the Board. The Secretary would introduce a standing agenda item starting with the next meeting, to review attendance so that the 3 meetings non-attendance rule could be considered as appropriate. As appropriate to future Board business, the Board could invite non-voting observers to attend one or more meetings, for example if specialist police sector or fire and rescue sector colleagues' contributions would be of help. At a future meeting, the Secretary would table a review of the co-optee places, to allow the Board to agree the criteria to be taken into account when considering co-optees. The appointment of a vice chair would be considered at the same time.
- 3.2 **Transport Infrastructure Assets (verbal update)** – The Secretary reported information provided by Mandy Bretherton of CIPFA on the percentages of authorities already providing this information in England and Wales, with thanks to DCLG and the Welsh Assembly Government. For the Scottish Government, Hazel Black would be looking at the equivalent information returns from authorities in Scotland in due course. It was anticipated that, providing CIPFA/LASAAC agreed to adopt this approach in the Code, authorities could be providing transport infrastructure information in their financial statements from around 2013/14. Greater audit consideration of these figures in the WGA returns in the next financial year in some jurisdictions would be an incentive to encourage all authorities to fill in the information concerned. The Board agreed to consider whether the transport infrastructure figures could be incorporated (on a voluntary basis) into the Local Authority Accounting Code for the year 2012/13. In the short term, for the next meeting the Secretary would look at notes from a paper by Karen Sanderson on this subject, to help draft a "critical path timetable" which when agreed by the Board in due course could be flagged up to authorities.
- 3.3 **Telling the Story (Stakeholder Reporting)** – The paper from Alison Scott of CIPFA was considered. The Board noted that information provided by practitioners involved in the project suggested that the process may slip into mid-November, beyond the paper's original planned timetable. The resulting document would sit alongside the Local Authority Accounting Code and the accounts, perhaps with best practice status, rather than being a statutory element of the accounts themselves. Internet publication was the preferred option to help keep costs down and make the document as accessible as possible. Care would be needed if some information currently recorded in the main "Code accounts" is transferred to such a new document, so that mandatory information

is still reported. For its preparation of the 2012/13 Code, the Board decided to consider this work alongside developments on sustainability reporting, LASAAC's, FRAB's and IASB's own work on stakeholder reporting / different current information sets produced by local government, and how councillors and the public can be helped to interpret information, to help manage the risk of duplication by the Board of other bodies' own work. For the next meeting, the Secretary was asked to table a discussion item on what information the Board considers the Code should cover, and what information should be better reported outside the Code.

3.4 **FRAB Review** – The Board agreed to submit its own response to the new FRAB Review consultation, including:

- to support Appendix A's approach from the accompanying paper
- to support each nominating body having the ultimate decision power over who it nominates to FRAB
- to support the approach that each FRAB member once nominated then serves in an individual capacity (noting for example the great difficulty a practitioner would have if expected to look for a single nationwide "practitioner view" on a particular matter before FRAB for consideration)
- to make clear the Board's title as the Code Board, no longer the SORP Board

(The Secretary would draft a Board response to the FRAB Review consultation, and circulate it for agreement before submitting to FRAB)

4 code of practice on local authority accounting 2011/12

4.1 **As part of next year's Code consultation process**, the Board requested that some workshop type events be used to help practitioners submit views direct to Board members in discussion, short of a formal response from their organisation, as part of a wider review of how the Code consultation process, and resulting implementation process, operates.

4.2 The Secretary would keep under consideration whether any in-year amendments would be needed this year on matters such as the Carbon Reduction Commitment.

4.3 On **community and heritage assets - and their valuation**, the Secretary was asked to draft text using FRS 30's own wording, keeping it as brief as possible, allowing for local judgment to be exercised. A good example would be exercising local judgment on how practical a "replacement valuation" could be, where a famous and popular asset such as a city centre's public gardens were concerned. Draft ideas should be agreed by the Board, but flagged up to authorities as something the Board will be deciding on for the "next but one" Code. The Secretary would also use the drafting process to address points received from the Charity Commission on community assets, and seek information from OSCR in case it had similar points to address.

4.4 **In 2010-11 the Board should inform authorities** to use a Note to the Accounts to address the valuation basis for heritage assets, to produce a restated balance sheet, and to consider what may need to happen regarding depreciation.

4.5 **The Secretary would amend Appendix C to the Code**, to alert authorities to accounting policy changes from years 2010-11 and 2011-12, and how these affect previous years. This Appendix should also be referred to in general Board **communications** about the Code – it was agreed to forewarn authorities about the new Appendix through a Board information bulletin, and to ask the Local

Authority Accounting Panel to also refer authorities to these points in its own end-of-year LAAP Bulletin. As part of this work **the Secretary would review** what the Board had said in the 2010-11 Code on forward disclosures, including to advise authorities to be open to readers of the accounts if they do not yet have heritage asset valuation details, but they expect to have valuations made in the coming year. Although this may not be required from International Standards, authorities do in practice need to look ahead at anticipated changes and disclose them in the accounts.

- 4.6 On **Carbon Reduction Commitment (CRC) scheme allowances**, the overall approach for 2011-12 is now known, although the detailed effects of the Comprehensive Spending Review still need to be assessed. For later years, the approach to take on CRC scheme allowances is not yet clear. This will depend on factors such as the extent to which these allowances will be fixed price. The Board decided to use email circulation and comments to the Secretary to **finalise a draft text addressing CRC scheme allowances and scenarios to illustrate matters to authorities**, as the way to agree this wording before publication of the Code if possible, or if needed, to alert authorities to look out for a post-Code information bulletin in-year to set out the approach to use. **This method of agreeing matters for the Code should also be used for any other matters still subject to changes** arising from Government policies / the CSR, such as LATS, and whether there is a need for a new revaluation reserve outside of the Prudential Code.
- 4.7 **The Secretary would consider** whether any of the matters to be handled as per the previous minute should be described as prior period adjustments.
- 4.8 On **accounting for the Community Infrastructure Levy**, the Secretary would amend the wording drafted so far, in liaison with Graham Fletcher, for email circulation to the Board for comment and agreement, and then for notifying to FRAB.
- 4.9 On **accounting for Business Rate Supplements**, the wording had been redrafted to fit the latest Regulations. **The Secretary would circulate the final draft wording for approval to the Board** once any further comments from an affected authority had been received and worked through.
- 4.10 On **remuneration reporting**, the Secretary would check with colleagues in CLG and the Welsh Assembly Government, in case any amendments on their related Regulations are issued in the next few months.
- 4.11 Where **additional disclosure(s)**, such as on exit packages, are introduced, the text and Guidance Notes should be drafted to make clear what are statutory disclosures and what are other disclosures – such as those set out in the Code. This clarification would also be used to show where different types of disclosure overlap or differ. **The Secretary would consult with Hazel Black to draft appropriate text** on reporting exit packages to stay within rules governing confidentiality and legislative changes.
- 4.12 The meeting agreed to the approach set out on **“Authorised for Issue (Wales)”** wording.
- 4.13 On the **role of the Chief Financial Officer**, references to the police service would need to be kept under review in case affected by the changes planned by government for police authorities, forces and the proposed police commissioners. **It was agreed not to change the proposed wording covering the police,**

and the Secretary would ask the Secretary to the Local Authority Accounting Panel to liaise with the Police Panel when drafting Guidance.

- 4.14 On **disclosure and adjustment accounts**, the **Secretary would provide Hazel Black with the accounts template**, showing how adjustment accounts are presented on the face of the accounts and in the Notes to the accounts.
- 4.15 On **changes to Scottish legislation about various public pension schemes**, the Board asked **the Secretary to refer to the account at 6.5.2.2. as a memorandum account.**
- 4.16 On **valuing surplus assets**, to address uncertainties identified as part of IFRS implementation, it was agreed that the **Secretary would** amend the text to require the surplus assets to be valued on the basis of Existing Use Value in the asset's last operational use.
- 4.17 Further ahead, information was awaited on HM Treasury's review of charities in the NHS, changes from which may need to be incorporated into the 2012-13 Code.
- 4.18 On **investment properties that meet the criteria to be classified as assets held for sale**, these should be incorporated as optional disclosure matters.
- 4.19 Guidance for authorities on how to manage the component accounting approach here should advocate a reasonable approach based around material components, when to de-recognise these in cases of enhancement or replacement, and what to record when purchasing a new asset or revaluing an asset.
- 4.20 Where **page 37 of the current Code** refers to England and Wales and the CFO duty to sign-off accounts, **a reference to the situation in Scotland should be added.**
- 4.21 The Secretary clarified text on page 18 referring to usable reserves and whether these are really free in practice.
- 4.22 The Board was satisfied that comments made by consultees had been properly considered.
- 4.23 The timetable for the Secretary's working through this meeting's Code discussions and other points arising from editorial needs (such as removing / updating references to BVACOP and to the old SORP) would be: **to send to Board members a final draft text in mid-November, showing tracked changes, so that a Board-approved paper could then be sent in the second half of November to FRAB, PFMB and LASAAC.** If other relevant matters are only resolved later, such as new Regulations on the CRC scheme, **it may be necessary for the Chair to decide on some details.**
- 5 development of 2012/13 code of practice on local authority accounting
- 5.1 **Items for the Board to consider for the 2012/13 Code included:** Consolidation of pension liabilities within the group accounts (to reflect Whole of Government Accounting requirements). Gareth and Hazel could assist the Secretary to prepare guidance notes text and perhaps text for a LAAP end-of-year Bulletin. Other items for the 2012/13 Code would include the reform of the Housing Revenue Account system for England, and possibly Infrastructure Assets on a voluntary basis.

5.2 **The Secretary would prepare a paper for the next meeting setting out how to prepare the 2012/13 Code on the matters identified in the report.**

6 accounting and auditing standards update report

The report was received for information. The Secretary reported that consultation responses by CIPFA can be viewed on the CIPFA website.

7 any other business

7.1 **The board recorded its thanks to Ian Skinner** for his service, as this was his last meeting.

7.2 IFRS guidance notes were being prepared and in the near future a letter would be sent from CIPFA to authorities about various topics including these notes and BVACOP.

7.3 CIPFA will also use its website to publish a template for the statement of accounts prepared on an IFRS basis.

7.4 The Audit Commission would shortly be contacting CIPFA on the following matters as they concern some categories of school: the principal agency role and Dedicated Schools Grant; non-PFI schools' accounting; schools from the PFI Community School programme which then become Academies or Free Schools.

8 dates of future meetings

The Secretary would suggest meeting dates for 2011 to members, and it was agreed that the first 2011 meeting should be in March, in Edinburgh.

(Later confirmed as 1 March 2011, 28 June 2011, and 1 November 2011).