

informal notes

Board	CIPFA/LASAAC Local Authority Code Board	
Date	1 March 2011	
Time	11.00am	
Venue	CIPFA Scotland office, Edinburgh	
Present	Lynn Hine (Chair)	<i>PricewaterhouseCoopers</i>
CIPFA Nominees	Angela Brown Peter Davies Nick Gibbins David Jones Mike Langley	<i>Independent Consultant Monmouthshire CC Hampshire CC Wales Audit Office Audit Commission</i>
LASAAC Nominees	Russell Frith Bruce West	<i>Audit Scotland Argyle and Bute Council</i>
LASAAC Reserves	Grant Macrae	<i>KPMG</i>
DOE (NI) Nominees	Rodney Allen Robert Dowey	<i>Northern Ireland Audit Office Newry and Mourne DC</i>
Co-optee	Tim Day	<i>Independent Consultant</i>
Observers	Graham Fletcher Hazel Black	<i>DCLG Scottish Government</i>
In attendance	Paul Mason (Secretary) Gareth Davies Sarah Sheen Julian Smith	<i>CIPFA CIPFA Scotland CIPFA Associate CIPFA</i>

		Action
1	Apologies for absence	
	Apologies were received from Nick Bennett, Lynn Bradley, Derek Yule, Ian Robbie, Larry Pinkney, Joanna Spencer and Amanda Whittle. The Chair welcomed Rodney Allen to his first Board meeting. Tim Day would be added to future agenda lists as a Co-optee.	

2	Minutes	
	The minutes of the meeting held on 27 October 2010 were approved.	
3	matters arising	
3a	terms of reference	
3.1	<p>The terms of reference for the Board had been updated as agreed at the previous meeting.</p> <p>The FRAB Review Group had produced a report to FRAB and the relevant authorities on the composition of FRAB. This would be circulated to CIPFA/LASAAC members.</p>	PM to circulate the FRAB Review Group report
3.2	Mike Langley would circulate a report on schools accounting issues to the Board (see also discussion at 8.2).	ML to circulate report
3.3	<p>Publication of minutes and fuller notes.</p> <p>It was noted that CIPFA's approach to minutes was to include brief reports of discussions at meetings and focus on decisions. CIPFA/LASAAC members preferred fuller minutes. Therefore informal notes would also be used to report the debate at CIPFA/LASAAC meetings. The Board agreed that it wished to publish minutes and fuller notes of meetings on the CIPFA website as separate documents.</p>	PM to publish online minutes, and fuller informal notes of meetings
3.4	<p>An update on CIPFA/LASAAC Membership was presented to the meeting.</p> <p>Rodney Allen was succeeding John Buchanan who had retired. Ian Skinner's replacement is awaited – Amanda Whittle is a temporary replacement.</p> <p>The Board noted that there is a growing difficulty across CIPFA Panels and Boards in finding people with enough time to devote to attending meetings. It noted that it would be beneficial for future meetings to be set as far in advance as possible to give a clear idea to prospective members of likely meeting dates. It would also be useful to advise them of the meetings workload, ie to expect around 3 meetings each year. When setting meetings the Board advised the Secretariat, if possible, to avoid late June as many practitioners are working on accounts being approved at that time.</p> <p>It was noted that Nick Gibbins will be stepping down at the next Board meeting.</p> <p>The Chair encouraged members to volunteer as Vice-Chair. After debating the proposals in the report, the Board concluded that the aim should be where possible for the Chair and Vice-Chair to come from different</p>	PM to aim to fill vacancies for next Board meeting

	<p>backgrounds (ie practitioners and auditors).</p> <p>It was agreed that PM will seek members' views on whether or not they know of any current practitioner members who may be interested in the role.</p> <p>Although the appointments process is a formal one, it would be helpful for members with other members in mind to let the Secretary know informally in advance.</p> <p>AB will ask the Association of Local Authority Treasurers' Societies (ALATS) colleagues for suggestions for new members in addition to the formal advertisement for the appointments.</p> <p>The Board noted that its representative on FRAB needs to be a practitioner.</p> <p>The Board debated the report's proposals on the nominations and invitees criteria. It agreed a minor amendment to the nominations criteria ie removing last point (see report paragraph 4.4). It also agreed that the invitees criteria only needed to refer to point 5.2 (i).</p> <p>It was noted that co-optees / ad hoc members can allow for wider academic etc input to the Panel.</p> <p>It was agreed that at the next meeting the Board would review its position on co-optees.</p> <p>The Board agreed that personal details of appointees should not be published on the website.</p>	<p>PM to seek members views on practitioners that may be interested in the Vice Chair appointment.</p> <p>PM to amend nominations and invitees criteria</p>
3b	<p>transport infrastructure assets</p> <p>This report sought the Board's views on the adoption of current cost reporting in accordance with Code of Practice on Transport Infrastructure Assets in the Code. The Board noted the report which included a summary of the results of the 2009/10 Whole of Government Accounts (WGA) exercise in relation to transport infrastructure assets. The Board agreed that the results of the WGA exercise should be considered in September/October 2013, following the 2012/13 audits with a view to it being able to finalise its decision on adoption in the Code.</p> <p>The Board reflected on the commentary in the June 2010 report to the Board on the infrastructure Code that some authorities might use the fact that no date for moving to a current cost basis in the Code has been agreed, as a reason for delaying implementation of the infrastructure Code.</p> <p>Board members considered hearing from a practitioner speaker on their application of current cost accounting</p>	<p>PM (SS) to action in the ITC.</p>

	<p>for infrastructure assets. The Board agreed that it needed to have closer liaison with the Project Implementation Steering Group on Transport Infrastructure Assets.</p> <p>The Board concluded that the Invitation to Comment (ITC) on the 2012/13 Code would:</p> <ul style="list-style-type: none"> • be drafted to include a commentary that CIPFA/LASAAC wanted to move in the direction of the adoption of a valuation basis for infrastructure assets based on the <i>Code of Practice on Transport Infrastructure Assets</i>; • indicate that CIPFA/LASAAC wanted to consult with practitioners on the most appropriate timing for such a move (including options for the timing of the adoption of the valuation basis ie for a 2013/14 or 2014/15 commencement date); • seek views of respondents on the practical issues faced by practitioners in meeting the suggested timetables; and • include options for early adoption (seeking practitioners' views on whether or not early adoption would be best achieved by full adoption or disclosure). <p>The Board concluded that full early adoption should also retain historic cost figures in notes to the accounts. This would ensure that information would be available for national statistics.</p>	
3c	<p>telling the whole story (stakeholder reporting)</p> <p>The CIPFA Secretariat was in the process of finalising the consultation on the Telling the Whole Story Project. It was anticipated that the project would recommend the production of an Annual Report which would include summary financial statements. The project would seek to develop best practice in stakeholder reporting.</p> <p>Timescales on the implementation of the recommendations of the project were to be decided. It was noted that possibilities suggested introduction for the 2011/12 financial year. The Board discussed the interaction of the recommendations of the project and the Code. It noted that the detailed implementation had yet to be finalised.</p> <p>It was noted that effective narrative reporting including summary accounts would probably have linkages to the Coalition Government's transparency agenda. The Board also suggested that LAAP might be the most appropriate Panel to take the lead in later stages of the project.</p>	PM to circulate the consultation paper when issued to CIPFA/LASAAC Board

3d	<p>carbon reduction commitment (CRC) scheme 2011/12</p> <p>PM updated the Board on the Secretariat's latest understanding of developments in the CRC scheme. CIPFA Secretariat had met with officials from DECC. The Secretariat's understanding was that the first year CRC emissions will give rise to a liability to purchase and surrender CRC carbon allowances will be 2011/12. The CRC allowance price for 2011/12 was subject to the budget process. For 2011/12 financial year allowances will be made available for purchase from government between April 2012 and July 2012. For 2012/13 the position was not yet clear as the CRC scheme was subject to a review.</p> <p>The Board agreed:</p> <ul style="list-style-type: none"> • to include CRC in the ITC for the 2012/13 Code if information on the development of the Scheme is available in time for the June meeting of CIPFA/LASAAC. • if the information on the development of the Scheme was issued after the meeting the proposed amendments to the Code and the updated ITC will be circulated electronically to Board members for approval. <p>It was noted that if clarity on the development of the scheme was only available after the ITC was issued a supplementary consultation might need to be issued on the CRC Scheme.</p> <p>The Board agreed that the 2011/12 treatment for CRC scheme would be an accrued expense and a liability and this could be appropriately covered in a LAAP Bulletin as this treatment is covered by the general provisions of the Code.</p>	PM (SS) to include in the ITC or as a separate consultation paper when the position on the Scheme is known
4	development of the code of practice on local authority accounting – management commentary	
	<p>The Board noted the review and considered the options for management commentary provisions presented in the paper.</p> <p>CIPFA/LASAAC members discussed the approaches in the public and private sector in relation to the provision of a management commentary. It noted that the NHS uses a separate annual report with summary financial statements. The annual report tends to contain information that would go into a management commentary.</p> <p>It was noted that the current readership of the financial statements is limited. An effective management</p>	PM (SS) to include the options outlined in the draft ITC which will be considered at the June meeting.

<p>commentary might be a useful way of communicating with a non-technical readership.</p> <p>The Board debated the practical issues relating to the production of a management commentary for local authorities, particularly, the increased reporting burden with the 30 June deadline. The Board noted that an alternative argument might be that councils already know the information that ought to be presented in a management commentary and therefore caution needs to be exercised in relation to overstating that burden.</p> <p>The Board noted that the review and the approach in the Code to a management commentary should avoid duplicating CIPFA's Telling the Whole Story project.</p> <p>The Board was interested in the external pressures to update the Code's provisions on the production of a management commentary. PM noted that there had been discussions with the Treasury indicating that the Board was to review the Code's provisions on the management commentary/explanatory foreword. There were currently no significant pressures to review this area other than those cited in the report.</p> <p>It was noted that the improvement in narrative reporting by means of the management commentary might be complimentary to the Department for Communities and Local Government data transparency initiative as effective narrative reporting could encourage council tax payers to take an interest in the financial statements.</p> <p>The Board considered that the criterion in paragraph 8.13 of the report is the most relevant to any decision ie – that CIPFA/LASAAC has consistently promoted best practice in financial reporting including effective narrative reporting. The Board, considering its earlier point in relation to duplication with CIPFA's Telling the Whole Story Project, took the view that amending the Code's provisions on the production of a management commentary was within their remit as it was a part of financial reporting.</p> <p>The Board considered options for approaches and possible timescales for the introduction of new provisions in relation to the management commentary in the Code. They noted the potential impact of the issues considered under Chatham House Rules.</p> <p>The Board agreed to consult on the inclusion of a management commentary in the 2012/13 Code based on the IASB Practice Statement – <i>Management Commentary</i> - two options are to be brought to June meeting, based on:</p> <ol style="list-style-type: none"> 1. the requirements of the FReM following the 	
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	<p>option presented in the report; and</p> <p>2. the IASB Practice Statement.</p> <p>The Board also wished to seek respondents' views on who should authorise the management commentary in the financial statements.</p> <p>CIPFA/LASAAC discussed options for providing good practice guidance on the production of a management commentary. It took the view that this guidance should focus on key messages in the financial statements. PM would also consider pre-publicity work in appropriate CIPFA media.</p> <p>It was noted that LASAAC is producing a guide for councillors that may provide useful guidance in relation to focussing on the key messages in the financial statements that might be able to be adapted for use in England, Wales and Northern Ireland.</p>	<p>PM to consider options for pre-publicity work via CIPFA media.</p>
5	development of 2012/13 code of practice on local authority accounting	
	<p>The Board noted the report and considered the list of issues recommended for inclusion in the 2012/13 Code. It agreed the items to be included in the ITC and draft Code for 2012/13 as set out in the report.</p> <p>In addition:</p> <ul style="list-style-type: none"> • The Board noted that the new Regulations relating to Remuneration Reporting in Scotland had been laid. HB would provide SS with progress on Scottish Remuneration Reporting legislation. It was noted that as the remuneration report was to be included as a part of the statutory accounts and not as a note to the accounts it would need to be given the prominence of a separate statement in a manner similar to the other statements eg the statement of internal financial control. • The HRA reform process outcome in England is likely to influence the development of the Code. The Secretariat would continue to liaise with the DCLG during the development of the proposals. Particular Code issues are likely to impact on: <ul style="list-style-type: none"> - local government debt for any debt redemption, - possible mitigations for accounting treatment of depreciation for housing assets not funded from borrowing and impairment in the HRA, 	<p>PM (SS) to produce ITC and draft Code for consideration at the next meeting.</p>

	<ul style="list-style-type: none"> - Local Government and Housing Act 1989 itemised debits and credits, - The relationship between the major repairs allowance and depreciation and impairment. <ul style="list-style-type: none"> • It was noted that in Scotland that there were potential accounting issues arising from the implementation of Tax Increment Financing. Similar issues will arise elsewhere, but probably at a later date. HB would confirm for the Secretariat. • SS updated the Board on timing of the effective dates of a number of anticipated new IFRS, based on information that was only available following the issue of the report to members: <ul style="list-style-type: none"> - IFRS 10 <i>Consolidated Financial Statements</i>, - IFRS 11 <i>Joint Arrangements</i>, - IFRS 12 <i>Disclosure of Interests with Other Entities</i>, - IAS 27 <i>Consolidated and Separate Financial Statements</i> (as amended in 2011); and - IAS 28 <i>Interests in Associates</i> (as amended in 2011). <p>were anticipated to be issued in the near future but these standards would have an effective date of 1 January 2013. In addition the effective date of the anticipated amendments to IAS 19 <i>Employee Benefits</i> had been deferred but would be no earlier than 1 January 2013. Therefore there were only two standards that were likely to be issued in the near future that could have an effective date which would need to be included in the development of the 2012/13 Code ie the amendments to IAS 1 <i>Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)</i>; and the new fair value standard.</p> • It was noted that if the new fair value standard was issued in time for adoption in the Code it would need to be evaluated in detail because it was based on market (exit) values which whilst suitable for some of the assets and liabilities in local authorities balance sheets was not likely to be an appropriate measurement base for property, plant and equipment, for example. The Board also considered that it will need to consider the work of IPSASB and its developments to its 	
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	<p>Conceptual Framework in this area.</p> <ul style="list-style-type: none"> • The new general power of competence in the Localism Bill might require additional guidance to be included in the Code for some groups of transactions. • ML noted that the Code would also need to consider its references to the Area Based Grant and the treatment of grants in general on the face of the financial statements as there had been a reduction in ring-fenced grants. • The Board noted that the IPSASB is currently looking at ED 43 (Service Concessions). If the new standard is issued in time for inclusion in the ITC, the Board may wish to consider early adoption of this standard in the Code. 	
6	workshops on the consultation on the 2012/13 code	
	<p>The meeting noted the paper setting out a range of workshops and other seminars to encourage practitioners' participation in the forthcoming consultation on the Code.</p> <p>Possible methods of encouraging participation to increase responses to the Code consultation include – presentations at:</p> <ul style="list-style-type: none"> • Workshops e.g. via CIPFAs Finance Advisory Network • Regional Society/CIPFA Branch Meetings • Treasurers Societies • Board members hosting events. <p>with the Secretariat aiming to support as many of these events/workshops as possible</p> <p>The Secretariat would prepare common slides packs for use at events/workshops.</p> <p>The Board was of the view that the internet could be used to make slides and materials easily available, and to encourage organisations to refer members to them.</p>	<p>PM to use each year's mid-year meeting to look ahead to the next ITC's content</p> <p>Members to contact PM if they are able to assist at roadshow consultation events</p>
7	accounting and auditing standards update	
	<p>The Board noted the update and debated the inclusion of this report as a standing item on the agenda. It concluded that it wished to retain this as a for information item for future meeting agendas.</p>	PM to retain the update

8	any other business	
8.1	<p>The Board considered UITF 48 <i>Accounting implications of the replacement of the Retail Prices Index with the Consumer Prices Index for Retirement Benefits</i>.</p> <p>It was noted that LASAAC had already discussed this issue.</p> <p>The Board debated whether or not the treatment across the public sector should be consistent on this issue. It was understood that some Local Government Pension Schemes refer to the "RPI Link" as do some police and fire schemes. It was understood by the Board that the Scottish Teachers Pension Scheme refers to the indexation basis being subject to ministerial decision.</p> <p>The Board noted that the CIPFA Pensions Panel and LAAP are also considering the issue.</p> <p>ML indicated that the Audit Commission is of the view that the change is a change in pension's benefits.</p> <p>The Board debated the arguments for consistency in accounting treatment. It was of the view that custom and practice tended to refer to Retail Price Index (RPI)'s usage and movements in RPI. This might be able to be argued as leading to a constructive obligation to increase pensions benefits based on the RPI index in future for scheme members, as they would have been expecting this indexation for their pensions payments.</p> <p>The Board noted that arguably, the budget statement commentary about a move from RPI to Consumer Price Index (CPI) was in itself an indication of the expectation that scheme members had in relation to indexation of the scheme.</p> <p>After debate CIPFA/LASAAC's view was that it was likely that in most cases in local government that the replacement of the RPI with the CPI would represent a reduction in a liability. It was concerned about the consistency of treatment across local authorities. It was of the view that where the circumstances relating to local authority pension schemes were the same then it would anticipate consistency in accounting treatment.</p> <p>The Board considered the options for advising local authorities on the interpretation of the UITF in local authority circumstances.</p> <p>It noted that LAAP was drafting a Bulletin on the issue which should assist consistency of approach for local authorities. The Board concluded that this issue was best communicated to authorities by means of this</p>	PM to advise LAAP of the Board's position on the issue

	<p>Bulletin. The Board wished to view the LAAP Bulletin before its issue.</p> <p>The Board noted that care would be needed over narrative explaining this type of 'change in benefits'.</p>	
8.2	<p>ML outlined the Audit Commission's (AC) report on accounting issues for schools.</p> <p>Issues outlined in the verbal report at the meeting included:</p> <p>(a) Consideration of principal/agency arrangement (in relation to the Dedicated Schools Grant (DSG));</p> <p>(b) The treatment of different types of non-PFI schools (non-current assets) under IFRS; and</p> <p>(c) PFI schools moving out of local authority control</p> <p>Item (a) - ML noted that the DSG rules give local authorities very little discretion for funding decisions. This is with the exception of community schools. The view expressed in the report is that funding for 'non-community schools' amounts to an agency agreement and therefore those schools' DSG funding should not be accounted for in local authority financial statements. He noted that this raises issues for central government, particularly in relation to WGA.</p> <p>Item (b) - the report considers the recognition of non-current school's assets on the balance sheet against the requirements of IFRIC 12 <i>Service Concession Arrangements</i>, IFRIC 4 <i>Determining Whether or Not an Arrangement Contains a Lease</i>, IAS 17 <i>Leases</i> and IAS 16 <i>Property, Plant and Equipment</i> across the various categories of schools. The highlights of the views expressed were:</p> <ul style="list-style-type: none"> • community schools – property plant and equipment should be recognised on the balance sheet of local authorities. • voluntary aided schools – only school playing fields should remain on local authority's balance sheets. • academies - the situation needed to be considered on a case of case-by-case basis. <p>Item (c) - ML highlighted the situation where a PFI school (which was previously a community school) subsequently became an academy. In these instances the property, plant and equipment should no longer be recognised on the local authority balance sheet. However, it was noted that there had been occasions</p>	<p>ML to circulate the report via PM to Board members</p>

	<p>where an authority retained the liability to keep paying for the PFI agreement, if the council had not negotiated itself out of the liability. It was noted that government PFI-related grant would continue to be payable to the authority in these cases.</p> <p>The Board agreed that:</p> <ul style="list-style-type: none"> • ML would circulate the AC paper to Board members via PM; • Members were invited provide feedback to ML (and CIPFA Secretariat); • PM consider opportunities to alert Councils to the issue for 2011/12 for possible fuller consultation in the ITC to the 2012/13 Code. 	<p>PM to consider an Alert for Councils PM (SS) to include consideration of the issue in the ITC on the Code.</p>
8.3	<p>Following the last item the Board concluded that there were a number of areas being considered for amendment in the 2012/13 Code that had an effective date of the 2011/12 financial year or earlier. It therefore decided that for the areas where the only change was as a result of the legislative amendments these items would be issued in the ITC as an Update to the 2011/12 Code. With regard to the schools' issues discussed above, if on consideration of the issues, the recommended treatment required full retrospective restatement then they would be considered for inclusion in the 2012/13 Code.</p>	<p>PM (SS) to include in ITC for consideration at the next meeting</p>
8.4	<p>Thanks to former Board members</p>	<p>PM to pass on thanks of Board to Paul Dransfield and John Buchanan for their service</p>
9	<p>dates of future meetings</p>	
	<p>28 June 2011 (London) 1 November 2011 (Edinburgh)</p> <p>The Board supported holding future consultation roadshows in Cardiff or Belfast in 2011 if possible, and decided to consider both cities for Board meeting venues in 2012 subject to agreement with Welsh Assembly Government and Northern Ireland Executive colleagues.</p>	<p>Board to consider at its next meeting.</p>