



To: LASAAC Funding Bodies

From: Gareth Davies, LASAAC Secretary

Date: 27 March 2013

Subject: Summary Report on LASAAC Activities 2012/13

1. Background

1. The LASAAC constitution in paragraph 6.3 requires that a summary of projects undertaken during the past year is provided to the funding bodies.
2. Paragraph 9.3 of the constitution requires a historical summary of activities to be included in an annual report which is subject to Committee approval.
3. LASAAC funders will be aware that in order to focus resources more definitively towards the achievement of LASAAC objectives it has been agreed that a 'booklet' style annual report will no longer be prepared.
4. This report therefore provides a brief high level summary of LASAAC activities during 2012/13 which, it is intended, will be presented to the committee for approval in June 2013.

2. Objectives of LASAAC Activities

5. The activities throughout the year have been undertaken with the intention of meeting the Committee's objectives as stated in section 3 of the constitution. These are summarised as:
 - Development and promotion of proper accounting practice for Scottish local government
 - Contribution to the UK IFRS based 'Code of Practice' for local government
 - Responding to discussion papers, consultation papers and exposure drafts issued by a variety of bodies
 - Improving the quality and relevance of local government financial information for stakeholders
 - Interface between the Scottish Government and Scottish local government on accounting matters
 - Participation in relevant working groups

A. "Scottish Local Government Pension Scheme: Using the Financial Statements"

(<http://www.cipfa.org/-/media/files/regions/scotland/lasaac/3r%20lasaac%20scottish%20lgps%20%20using%20the%20financial%20statements.pdf>)

6. This publication, which commenced development during 2011/12, was issued to support the use of Local Government Pension Scheme (LGPS) financial statements. The objective was to support, but not replace, training for elected members and other parties in using LGPS financial statements.
7. A wide ranging consultation process contributed to the development and improvement of the guidance. Engagement was undertaken with a wide variety of stakeholders including local authorities, treasury management practitioners, investment management advisors and actuarial firms.
8. The publication identifies and expands upon four key elements to assist readers in using LGPS financial statements:
 - LGPS Pension Benefits
 - Estimation of LGPS Promised Retirement Benefits
 - LGPS Investments
 - Funding Arrangements

B. Guidance on Accounting for Heritage Assets

(<http://www.cipfa.org/-/media/files/regions/scotland/lasaac/3a%20lasaac%20guidance%20heritage%20assets.pdf>)

9. The Committee developed and issued this guidance to assist practitioners and auditors in adopting an appropriate and proportionate approach to the implementation of the Code of Practice requirements for Heritage Assets. These requirements, new for the 2011/12 financial year, were based on UK GAAP (FRS 30 Heritage Assets).
10. The guidance provided information and advice relating to:
 - the objectives of the requirements
 - the appropriate qualitative characteristics of financial information
 - cost – benefit consideration
 - practices regarding the financial reporting of heritage assets in other public organisations

C. Police & Fire Reform

11. The Committee has maintained an active interest in the accounting and financial reporting considerations arising from the transfer of police and fire service provision from local government to central government.
12. This was demonstrated by early identification of the issues arising in respect of the 2012/13 financial year closedown process. In particular the need for finance staff availability, clear responsibility for approving

the financial statements and appropriate facilities to complete the audit process were highlighted. The Scottish Government has addressed these issues in draft statutory guidance for the transition period.

D. Non-Domestic Rates (NDR)

13. The current economic environment has seen various initiatives implemented in relation to Non-Domestic Rates. These include Tax Incremental Financing (TIF) and the Business Rates Incentivisation Scheme (BRIS).
14. These schemes have altered the perception that the full amount of NDR is collected by authorities acting as an agent for the Scottish Government. The right to retain some NDR income is regarded as creating a need to differentiate between NDR collected on behalf of the Scottish Government and NDR collected for the authority itself (i.e. as principal).
15. LASAAC has worked during 2013/14 to develop guidance and spreadsheet accounting models for local authorities. These have sought to address both the practical issues arising and the need for transparency and clarity in the financial statements. Formal guidance and examples are expected to be issued early in 2013/14 to assist authorities and auditors.

E. Simplification of the Accounts / Summary Accounts

16. The implementation of IFRS in both the public and private sector has raised concerns regarding the interpretation and usability of financial statements. Many bodies including ICAS, ACCA and the FRC, have issued guidance and consultations on simplification or interpretation in order to enhance an understanding of the financial statements.
17. LASAAC has determined that work to support these objectives is a key task for the Committee. During 2012/13 the Committee has commenced the establishment of an evidence base to inform and support change by statement preparers and auditors to reach these goals.
18. A survey of readers of local authority financial statements has been drafted and approved for issue. This will initiate a consultation process with relevant stakeholders. The survey is planned for the first quarter of 2013/14, with a workshop envisaged to discuss the findings, potentially in liaison with interested funding bodies.

F. Response to IPSASB Consultation on Presentation

19. A response was submitted to an IPSASB consultation on 'Presentation in General Purpose Financial Reports'. The response indicated that:
 - professional judgement by statement preparers and auditors was a key element in achieving appropriate presentation
 - guidance rather than specification was considered more appropriate to improve presentation
 - an objective in improving presentation should be to simplify and shorten complex financial statements
 - guidance on assessing user needs would be beneficial

G. Other areas

20. Other areas of LASAAC work during 2012/13 included:

- a. Code of practice 2013/14 development including assessment and interpretation of the following for UK local authorities:
 - IPSAS 32 in relation to Service Concession Arrangements (PFI schemes etc)
 - IFRS 13 Fair Value Measurement
 - IAS 19 Employee Benefit amendments, particularly in relation to presentation of post-employment benefits (e.g. pensions)
- b. LASAAC website – new website pages uploaded and operational with a review of content and presentation undertaken
- c. Changes to the Scottish Service Analysis to ensure consistency with the Code of Practice requirements
- d. Asset Decommissioning Costs: A survey of authority practice in relation to decommissioning costs for landfill sites and other assets was undertaken. This is expected to inform advice or guidance during 2013/14.
- e. Embedded financial guarantees: The proposal by some authorities to participate in Local Authority Mortgage support schemes, which can entail a financial guarantee element, has been initially considered by LASAAC, which is of the opinion that the financial guarantee should be separated out where material.
- f. Lease Exit Payments: LASAAC confirmed the view that lease exit payments would not normally be expected to be capitalised.
- g. Common Good Depreciation: the fact that statutory mitigation does not apply to Common Good funds, and that therefore historic cost element of depreciation should be a charge to Common Good usable reserves, was reinforced by LASAAC.
- h. Significant Trading Operations: guidance drafted to provide clarity on the situations where a Significant Trading Operation is likely to be regarded as existing
- i. Consideration of accounting developments and future plans including IPSASB, IASB and ASB future work projects and anticipated standards
- j. Communication with and reports to the Scottish local authority Directors of Finance.
- k. Liaison with the Scottish NHS 'TAG' group regarding developments in Scottish NHS accounting requirements
- l. Responding to queries concerning LASAAC work and guidance issued.
- m. Undertaking presentation duties to promote proper accounting practice
- n. Representation and communication of LASAAC decisions and actions at various groups, including the Capital Finance Working Work (CFWG) and the Local Authority Accounting Panel (LAAP). This also ensures that LASAAC is informed of issues arising.