

Item 2. LASAAC 25/05/16

To: LASAAC

From: Gareth Davies

Date: 25 May 2016

Subject: LASAAC Activities 2015/16: Summary Report

Purpose of Report

1. The LASAAC Terms of Reference require that an annual report of LASAAC activities is provided to the funding bodies.
2. Additionally LASAAC considers that the annual report should also clearly support self-assessment of the achievement of LASAAC objectives.
3. This report therefore provides a summary of LASAAC activities during 2015/16, with reference to the achievement of LASAAC objectives.

Outcomes and Objectives of LASAAC Activities

4. The outcome expected of LASAAC activities is:

“The determination and application of proper accounting practices to support appropriate financial reporting by Scottish local government.”

5. The objectives in the Terms of Reference are summarised as:

A	Develop and promote proper accounting practice, in line with legislation, for Scottish local government
B	Contribute to development of the Code of Practice on Local Authority Accounting in the UK ('the Code')
C	Strive for improvement in the quality and relevance of Scottish local government financial reporting
D	To advise and assist in quantification of the financial

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	impact of changes in financial reporting requirements
E	To act as a discussion forum on local government accounting matters

LASAAC Activities

6. Provided as Appendix A is a tabular summary, with hyperlinks, of key LASAAC activities undertaken in support of the objectives and outcomes.
7. Participation in, and support for, CIPFA-LASAAC is integral to the achievement of LASAAC objectives. Consequently a summary of CIPFA-LASAAC activity for 2015 is attached as Appendix B.

Requested Action

- 8. LASAAC is requested to approve or amend this report as a summary of activities for 2015/16:**

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APPENDIX A**LASAAC Activities in Support of Objectives 2015/16**

	Topic	Activity	Primary Objectives Supported
1	Code of Practice 2015/16 Update	<p>LASAAC supported and advised CIPFA-LASAAC in the publication of a Code Update for 2015/16, which amended the formal requirements of the Code 2015/16 for developments arising during the year.</p> <p>The Update incorporated changes arising from the publication of Scottish Government guidance on the Management Commentary requirements.</p> <p>In addition disclosure requirements in 2015/16 relating to Highways Network Asset (Transport Infrastructure) were reduced following a CIPFA-LASAAC decision, influenced by LASAAC representatives, to remove the requirement to restate 2015/16 figures on implementation in the 2016/17 accounts.</p>	A, B, E

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	Topic	Activity	Primary Objectives Supported
2	Code of Practice 2016/17 Development	<p>LASAAC contributed to the development and publication of the 2016/17 Code of Practice through active representation on CIPFA-LASAAC, discussion at LASAAC and the Code public consultation process. For 2016/17 the key aspects of change have been</p> <ul style="list-style-type: none"> a. Simplification of the accounts (see below) b. Current valuation of the Highways Network Asset (see below) c. Local Government Pension Scheme (LGPS) fund accounts – amendment and clarification of presentation and accounting requirements <p>LASAAC representatives have also been involved at an early stage in the development of the 2017/18 Code of Practice public consultation. This is expected to include early planning feedback on the implementation of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers both due for implementation in 2018/19. IFRS 16 Leases implementation is also on the CIPFA-LASAAC work plan.</p>	A, B, E

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	Topic	Activity	Primary Objectives Supported
2	Streamlining and Simplification of the Accounts	<p>LASAAC continued to progress the streamlining and simplification of the accounts through active representation and influence on the CIPFA-LASAAC working group and via CIPFA-LASAAC board meetings. LASAAC member participation resulted in amendments to the proposals put forward for public consultation.</p> <p>On the basis of the consultation responses received CIPFA-LASAAC made changes to simplify the accounts by amending the Code requirements for 2016/17, including:</p> <ul style="list-style-type: none"> a. Removal of the requirement to comply with the Service Expenditure Analysis in the accounts b. Introduction of an Expenditure and Funding Analysis to link the application of taxpayer resources to the cost of service provision, accompanied by a reduction in operating segment reporting requirements. c. A simpler Movement in Reserves Statement <p>LASAAC intends to continue work to simplify the accounts, with a review of statutory adjustments planned during 2016/17.</p>	B, C, E

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	Topic	Activity	Primary Objectives Supported
3	Highways Network Asset (Transport Infrastructure Assets) Current Valuation	<p>The implementation of Highways Network Asset (Transport Infrastructure) current valuation, per the Code of Practice on Transport Infrastructure Assets, for 2016/17 is a significant change for Scottish local government. LASAAC considers that implementation should be proportionate. Consequently LASAAC has addressed this topic by different routes:</p> <ul style="list-style-type: none"> a) representation on the Project Implementation Steering Group (PISG). b) influence at CIPFA-LASAAC when considering the financial reporting requirements and agreeing on key judgements needed for the development of detailed guidance. In particular LASAAC representation supported the removal of the requirement to restate 2015/16 prior year figures. c) examination at LASAAC of proposed Transport Infrastructure practices, to assess if the proposed requirements for local authorities are materially more onerous than those for central government. <p>Following the Code public consultation process and acting on the responses received CIPFA-LASAAC implemented the requirement for current value of these assets in the 2016/17 Code.</p> <p>LASAAC recognises however that formal publication of the Code requirements is not, in itself, successful implementation. Consequently LASAAC has maintained open communication and liaison with the Society of Chief Officers for Transportation in Scotland (SCOTS), with SCOTS and Audit Scotland representatives attending the March 2016 LASAAC meeting. LASAAC plans to continue to maintain communications and to develop more detailed implementation guidance for issue in September 2016.</p>	B, C, E

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4	Integration of Adult Health & Social Care	<p>The changes in financial responsibilities arising from the integration of these services significantly affect accountability for the use of public resources. The status of Integration Joint Boards (IJBs) as local government bodies means that the LASAAC remit encompasses the formal financial reporting requirements.</p> <p>LASAAC therefore has a direct interest in the financial reporting changes that are necessary. Following from the joint work during 2014/15 with the NHS Technical Accounting Group (TAG) to provide outline guidance (included in Integrated Resources Advisory Group guidance) LASAAC continued work during 2015/16.</p> <p>A working group of various stakeholders, including auditors, authority practitioners, Scottish Government and health finance representatives, was formed. The working group was overseen by LASAAC with additional guidance on accounting for integration being published in September 2015, in good time to assist practitioners prepare for the closure of the 2015/16 accounts.</p> <p>LASAAC is actively engaging with the IJB finance community, with an IJB Chief Financial Officer due to attend the May 2016 meeting.</p>	A, C, E

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	Topic	Activity	Primary Objectives Supported
5	Council Dwellings Valuation	<p>LASAAC requires that Scottish councils use the Beacon Approach-Adjusted Vacant Possession (BA-AVP) methodology by 2015/16 at the latest. RICS Scotland have proposed some clarifications and amendment to the existing guidance on the application of the BA-AVP methodology.</p> <p>Following initial discussions last year LASAAC have continued to liaise with RICS Scotland on their proposals, with RICS representatives attending the November 2015 LASAAC meeting. RICS and ACES (Association of Chief Estates Surveyors Scotland) plan to support the proposed change with detailed guidance and training. Implementation by valuers is possible in 17/18.</p> <p>LASAAC will examine the detailed proposals and consider the impact on financial reporting, and any implications for the existing LASAAC guidance when detailed information is available.</p>	C, D, E
6	LGPS Statutory Mitigation	<p>Audit Scotland noted during the year that the existing legislation for the statutory adjustment for pension charges arising from the Local Government Pension Scheme (LGPS) did not apply to the new LGPS scheme implemented from 1 April 2015. This would therefore require full IAS 19 Employee Benefits based charges in 2015/16 to be met from taxpayer resources.</p> <p>LASAAC established a working group to support and inform the drafting of statutory guidance by the Scottish Government for 2015/16 to maintain the current position. The working group investigated and providing feedback. The Scottish Government has drafted statutory guidance, with Ministerial approval being anticipated to be provided to ensure that 2015/16 accounts are not affected.</p>	A, D, E

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	Topic	Activity	Primary Objectives Supported
7	Other LASAAC Activities	<p>LASAAC also undertakes:</p> <ul style="list-style-type: none"> • An annual review of the Scottish Service Analysis to ensure consistency with the Code of Practice requirements, with changes made to reflect impact of the integration of health and social care. • Communication with and reports to the Scottish local authority Directors of Finance Section. • Responding to queries concerning LASAAC work and guidance issued. • Undertaking presentation duties to promote proper accounting practice. • Representation and communication of LASAAC decisions and actions at various groups, such as the Local Authority Accounting Panel (LAAP) and the West of Scotland Finance Officers Group. This also ensures that LASAAC is informed of issues arising. • LASAAC website maintenance, including public availability of meeting minutes and papers. <p>Additionally during 2015/16 LASAAC recognised the long service of Ian Robbie as an ICAS representative on LASAAC with an informal lunch and presentation.</p>	A, C, E

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APPENDIX B

	
Activity Programme 2015	
Month	Activity
January 2015	Final approval of the 2015/16 Code
February 2015	Meeting of the Streamlining and Simplification Review Working Group
March 2015	CIPFA/LASAAC Meeting – Meeting highlights: approval of the development programme for the 2016/17 Code, agreement of the project plan for the Telling the Story (then the Streamlining and Simplification Review), early draft of the provisions for the Highways Network Asset and three position statements considered
March 2015	Approval of position statements at CIPFA/LASAAC meeting: <ul style="list-style-type: none">▪ IFRS 13 Fair Value Measurement
1 April 2015	Publication of the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom
April 2015	Approval of the Materiality Position Statement
April 2015	Publication of the Informal Commentary on the Code of Practice on Local Authority Accounting in the United Kingdom
April/June 2015	Secretariat discussion with each of the four administrations across the UK on the role of the Service Reporting Code of Practice and the local authority financial statements.
June 2015	CIPFA/LASAAC Meeting – Meeting highlights: early consideration of the Main ITC on the Code including the provisions on the new Highways Network Asset, Review of the Accounting for Pensions Section of the Code, a number of narrow scope amendments and the separate consultation on Telling the Story
10 June 2015	Teleconference meeting to consider the approach to

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	depreciation on the Highways Network Asset and approval of the separate Invitation to Comment on Telling the Story
June 2015	Article on the anticipated Code consultation in June Public Finance
July 2015	Approval of issue of the two ITC's for consultation
July 2015	Consultation on the 2016/17 Code issued – Main Changes: Highway Network Asset, Accounting and Reporting for Pensions Section of the Code, a number of narrow scope amendments and the legislative changes.
July 2015	Consultation telling the story, improving the presentation of local authority financial statements issued
July 2015	Open Letter sent to Treasurers' Societies on the two Consultations (sent to Presidents and Secretaries and issued on the website)
July 2015	Report on the 2013-14 WGA returns on the Highways Network Asset – out of meeting paper
July – September 2015	Technical Working Groups on IFRS 9 <i>Financial Instruments</i> and IFRS 15 <i>Revenue from Contracts with Customers</i>
August 2015	Article in Spreadsheet on Code consultations
September 2015	Article in Public Finance on the Telling the Story consultation
September 2015	Mail shot to finance officials in local authorities on the two consultations on the Code
October 2015	Mail shot to finance officials in local authorities on the two consultations on the Code (precursor to the November Technical Update Days)
November 2015	CIPFA/LASAAC Meeting – Meeting highlights: consideration of the two consultations (72 respondents for consultation on the 2016/17 Code and 89 telling the story, improving the presentation of local authority financial statements), papers on IFRS 9 and IFRS 15, review of the post implementation review outcomes, developments for the 2017/18 Code.
November 2015	First email: approval of the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom and the Update to the 2015/16 Code email 11 November 2015 Second email: approval of the 2016/17 Code and Update to the 2015/16 Code following consideration by FRAB 23 11 November 2015

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December 2015	Consideration of the position statements on: <ul style="list-style-type: none"> ▪ Highways Network Asset ▪ Telling the Story
December 2015	Confirmation of the approval of the Update to the 2015/16 Code and 2016/17 Code

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