



To: LASAAC Funding Bodies

From: Gareth Davies, LASAAC Secretary

Date: May 2015

Subject: LASAAC Activities 2014/15: 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 2014/15, with reference to the achievement of LASAAC objectives.

LASAAC: Operational Changes in 2014/15

4. The Association of Chartered Certified Accountants (ACCA) withdrew as a funding body prior to 2014/15. Consequently a review of LASAAC operations and funding was undertaken, with the ACCA representatives stepping down.
5. This review resulted in agreement that:
 - LASAAC's available resources would be reduced, enabling the contribution per funding body to remain static.
 - More co-options should be allowed and utilised to maintain and widen finance practitioner representation. Three additional local authority practitioners and one additional audit practitioner were co-opted.
 - More flexible working and support arrangements should be implemented to focus on key objectives.
 - The previous constitution was replaced with new Terms of Reference for LASAAC, including updated objectives.

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Outcomes and Objectives of LASAAC Activities

6. The implementation of updated outcomes and objectives during 2014/15 should be noted. It is however suggested that the core purpose of LASAAC remains the same. Therefore the full year's activities may reasonably be assessed against the achievement of the revised objectives.

7. The outcome expected of LASAAC activities is:

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

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

LASAAC Activities

9. Provided as Appendix A is a tabular summary, with hyperlinks, of key LASAAC activities undertaken in support of the objectives and outcomes.

10. Participation in, and support for, CIPFA-LASAAC is integral to the achievement of LASAAC objectives. Consequently a summary of CIPFA-LASAAC activity for 2014/15 is attached as Appendix B.

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Committee Review

11. The Committee has reviewed this report and considers that it fairly represents LASAAC activities during 2014/15.

Requested Action

12. The Funding Bodies are requested to:

- **Note the contents of the report**

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APPENDIX A**LASAAC Activities in Support of Objectives 2014/15**

	Topic	Activity	Primary Objectives Supported
1	Code of Practice Development	<p>LASAAC contributed to the development and publication of the 2015/16 Code of Practice through active representation on CIPFA-LASAAC, discussion at LASAAC and the Code public consultation process. For 2015/16 the implementation of IFRS 13 Fair Value Measurement in a manner appropriate for Scottish local government was a key aspect, as well as reinforcing the application of materiality.</p> <p>LASAAC representatives also actively engaged in early consideration of the 2016/17 Code of practice consultation with key areas anticipated to include the presentation of Transport Infrastructure Assets under current value; proposals for streamlining and simplification of the accounts, pension fund financial reporting and legislative amendments as required.</p>	A, B, E
2	Streamlining and Simplification of the Accounts	<p>LASAAC progressed the streamlining and simplification of the accounts through active representation on the CIPFA-LASAAC working group. CIPFA-LASAAC undertook a consultation on ways to simplify the accounts, as well as holding meetings with practitioners, including LASAAC representatives. This is a key CIPFA-LASAAC project with an updated version of 'How To Tell The Story' issued to encourage and support good practice.</p> <p>The working group and CIPFA-LASAAC discussed the feedback received, with proposals for streamlining and simplification now being developed for consultation over summer 2015 to implement changes for 2016/17.</p>	C, E

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	Topic	Activity	Primary Objectives Supported
3	Transport Infrastructure Assets Current Valuation	<p>The implementation of 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). The previous LASAAC representative has stepped down and an authority practitioner representative is being sought. b) influence at CIPFA-LASAAC when considering the financial reporting requirements and agreeing on key judgements needed for the development of detailed guidance. 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. 	B, C, E

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	Topic	Activity	Primary Objectives Supported
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. LASAAC therefore has a direct interest in the financial reporting changes that are necessary. LASAAC:</p> <ul style="list-style-type: none"> a) Reviewed the proposed secondary legislation and submitted a consultation response. In particular the comments addressed the Integration Scheme content regarding principal or agency status, as well as the impact of the proposed casting vote arrangement. b) Liaised with the NHS Technical Accounting Group (TAG) following the publication of the secondary legislation. The TAG-LASAAC working group developed joint principles based financial reporting guidance, which is included within the IRAG Guidance (Integrated Resources Advisory Group). This includes a clear indication of the anticipated default accounting treatment by local authorities and Integration Joint Boards. <p>Further LASAAC work in 2015/16 is anticipated in order to provide more detailed guidance.</p>	A, C, E
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. Consequently:</p> <ul style="list-style-type: none"> a) LASAAC have discussed the proposals in depth with RICS Scotland representatives at two meetings (August 2014, March 2015). b) LASAAC will consider the impact of any resulting changes in RICS and ACES (Association of Chief Estates Surveyors Scotland) recommended valuation practices, with due consideration of the practical impact on Scottish local government. 	C, D, E

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	Topic	Activity	Primary Objectives Supported
6	OSCR Review of ALEOs	<p>During 2014/15 OSCR undertook a review of Scottish local government charitable Arm's Length External Organisations. An OSCR representative was invited to the August 2014 LASAAC meeting to discuss the remit and potential implications of the review.</p> <p>The subsequent OSCR report addressed various aspects of authority and ALEO relationships and governance, including an assessment of the extent of control that authorities may exercise over an ALEO.</p>	E
7	Asset Decommissioning Obligations	<p>LASAAC issued guidance on accounting for Asset Decommissioning Obligations. The guidance clarified the accounting requirements expressed in the Code of Practice and the IFRS standards.</p> <p>Prior to issuing the guidance LASAAC undertook a practical exercise with an authority, using a real life example of a landfill waste site. This provided LASAAC with a basis for assessing the financial implications if an authority was required to restate or change its accounting treatment of a relevant asset.</p> <p>This resulted in a request to the Scottish Government for statutory mitigation. This was granted (Finance Circular 8/2014) and was appended to the LASAAC Guidance for ease of reference.</p>	A, C, D, E

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	Topic	Activity	Primary Objectives Supported
8	Management Commentary	<p>Following a request from LASAAC, the Scottish Government reviewed, and then consulted on, legislative changes to the Scottish local authority accounts regulations. The Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) came into force on 10 October 2014. The Scottish Government worked with LASAAC representatives on the guidance which accompanied the regulations (Finance Circular 7/2014).</p> <p>The regulations include a new requirement for a Management Commentary. This was discussed by LASAAC. The Scottish Government consulted with a LASAAC representative on the detailed content of the guidance issued for 2014/15. (Finance Circular 5/2015).</p> <p>It is anticipated that further guidance and examples of good practice will be developed in conjunction with LASAAC in 2015/16.</p>	A, C, E
9	Self-Directed Support (SDS)	<p>LASAAC issued guidance on accounting for SDS relating to the authority acting as 'principal', rather than as an agent, when incurring expenditure under the supported person's direction (Option 2 of SDS).</p>	A, C
10	Community Safety Expenditure	<p>Following a request to review the reporting of community safety expenditure LASAAC issued a consultation on current practices and to quantify the amount of expenditure involved.</p> <p>Subsequently LASAAC issued interim guidance on the classification of Community Safety Expenditure. The guidance supports consistent classification of such expenditure for 2014/15, except where change might affect the grant distribution arrangements.</p> <p>LASAAC plans to review the quantitative impact on 2014/15 of reclassifying community safety expenditure prior to issuing longer term guidance in 2015/16.</p>	C, D, E

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	Topic	Activity	Primary Objectives Supported
11	Stakeholder Contact	LASAAC has developed a mailing list of Directors of Finance of Scottish local government and other nominated contacts. E-mails advising of LASAAC meetings and guidance have been issued.	A, E
12	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. • 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). This also ensures that LASAAC is informed of issues arising. • LASAAC website maintenance, including public availability of meeting minutes and papers. 	A, C, E

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APPENDIX B

CIPFA-LASAAC Activity Programme 2014/15 [NB Excludes England & Wales Specific Activities]	
Month	Activity
January 2014	Single issue conference call meeting on the treatment of IFRS 13 <i>Fair Value Measurement</i> in the 2014/15 and 2015/16 Codes
February 2014	CIPFA/LASAAC Meeting – meeting highlights – approval of the development programme for the 2015/16 Code
March 2014	Technical Alert on Frequency of Valuation with agreement by interested members and Chair and Vice Chair of CIPFA/LASAAC and Chair of LAAP
April 2014	Issue of the 2014/15 <i>Code of Practice on Local Authority Accounting in the United Kingdom</i>
June 2014	CIPFA/LASAAC Meeting – meeting highlights – initial consideration of the annual 2015/16 Code consultation and the Simplification and Streamlining Consultation
June 2014	<i>How to Tell the Story Second Edition</i> updated and issued at the request of CIPFA/LASAAC
June 2014	CIPFA/LASAAC Terms of Reference updated and approved by the Board (subsequently approved by PFMB and LASAAC) following the CIPFA/LASAAC review
July 2014	Consultation on the 2015/16 Code issued – Main Change – IFRS 13 <i>Fair Value Measurement</i> and the Measurement of Property Plant and Equipment
July 2014	Consultation simplifying and streamlining the presentation of local authority financial statements issued
July 2014	Open Letter sent to Treasurers' Societies on the two Consultations (sent to Presidents and Secretaries and issued on the website)
August 2014	Blog and letter to Chief Finance and other senior finance officers via marketing alert on Code consultations
October 2014	Simplifying and streamlining the presentation of local authority financial statements workshop included CIPFA/LASAAC volunteers

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November 2014	CIPFA/LASAAC Meeting – meeting highlights: consideration of the two consultations and update on transport infrastructure measurement adoption (39 respondents for consultation on the 2015/16 Code and 51 on Simplifying and Streamlining the Presentation of Local Authority Financial Statements)
February 2015	Working group conference call meeting on simplifying and streamlining the presentation of local authority financial statements
March 2015	CIPFA/LASAAC Meeting – meeting highlights: consideration of the development of the 2016/17 Code of Practice; Simplifying and Streamlining the Presentation of Local Authority Financial Statements; and Transport Infrastructure Assets valuation.

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