



**Item 4(i). LASAAC 13/06/11**

To: LASAAC  
From: Gareth Davies  
Date: 13 June 2011  
Subject: Summary Report on LASAAC Activities 2010/11

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**1. Background**

1. This report was submitted to the funding bodies in March 2011. Some minor corrections and amendments have been made to present it to LASAAC.
2. The LASAAC constitution in paragraph 6.3 requires that a summary of projects undertaken during the past year is provided to the funding bodies.
3. 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.
4. LASAAC members 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.
5. This report therefore provides a brief high level summary of LASAAC activities during 2010/11 which is presented to the committee for approval.

**2. Objectives of LASAAC Activities**

6. 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:
  - a. Development and promotion of proper accounting practice for Scottish local government
  - b. Contribution to the UK IFRS based 'Code of Practice' for local government
  - c. Responding to discussion papers, consultation papers and exposure drafts issued by a variety of bodies
  - d. Improving the quality and relevance of local government financial information for stakeholders
  - e. Interface between the Scottish Government and Scottish local government on accounting matters
  - f. Participation in relevant working groups

## **A. Consultation Document on Using IFRS Financial Statements**

7. The development of guidance to assist elected members in using IFRS based financial statements for governance was a key achievement in 2010/11. A consultation version of the document, entitled "Holding To Account", was issued. Responses have now been considered with a final publication expected to be issued in June 2011.

Web link:

<https://www.cipfa.org.uk/scotland/download/110307%20DG%20Holding%20To%20Account%20-%20Consultation%20Draft.pdf>

## **B. IFRS Statutory Mitigation – Evidence Collation**

8. The Committee undertook the collation of evidence from a wide variety of Scottish local government bodies. This allowed discussion of the need for, and extent, of statutory mitigation to manage the funding impact of IFRS implementation illustrating the co-ordination role that LASAAC plays. This has ensured that, as far as possible, the implementation of IFRS for 2010/11 has no unanticipated funding consequences.

## **C. Loans Fund Operation**

9. Phase 1 of this project identified that there was a lack of consistency in Loans Fund practices across Scotland. During 2010/11 work, involving liaison with practitioners, focused on the three areas where further investigation was considered desirable: annuity scheduling; Interest on Revenue Balances; and the Loans Fund Pool Rate. Initial conclusions and recommendations have been developed for the first two areas, with work to be finalised on the third in the near future. The Committee will consider a full report on the three areas.

## **D. Police Service Expenditure Analysis (SEA) 2011/12**

10. Following requests from the Scottish Government and an initiative on the part of the finance practitioners group of ACPOS [Association of Chief Police Officers in Scotland] a formal consultation was held on changing the Scottish Police SEA for 2011/12. The proposed change was agreed and the Scottish SEA is now closely aligned to that used in England.

## **E. Council Dwelling Valuations**

11. The implementation of IFRS highlighted the wide scope for variation in 'per unit' council house valuations. This was evident even where all authorities adhered to the requirements of the 'Existing Use Value – Social Housing' (EUV-SH) as specified by the Code of Practice. LASAAC considered that the lack of consistency and comparability was undesirable and should be removed by specifying a common valuation methodology. The committee recognised that long-term implementation of such an approach was desirable to avoid incurring additional costs through early revaluations. LASAAC mandatory guidance was therefore issued requiring all relevant local authorities to

use a 'Beacon Approach – Adjusted Vacant Possession' methodology by 2015/16 at the latest.

Web link:

<https://www.cipfa.org.uk/scotland/download/101008%20DG%20LASAAC%20Guidance%20on%20Valuation%20Methodology%20for%20Council%20Dwellings.pdf>

## **F. Other areas**

12. Other areas of LASAAC work during 2010/11 included:

- a. Code of practice 2011/12 development
- b. Publication of illustrative examples of the application of Scottish PFI statutory guidance  
Web link:  
<https://www.cipfa.org.uk/scotland/download/100510%20DG%20PFI%20Statutory%20Guidance%20Illustrative%20Examples.xls>
- c. Local Government Pension Scheme – consideration of the application of IFRS to Scottish LGPS schemes, including the measurement of pension liabilities and development of 'blank' example statements
- d. Explanatory text for 2009/10 increases in pension liabilities  
Web link:  
<https://www.cipfa.org.uk/scotland/download/100611%20DG%20ACTION%20R.%20Pension%20Liability%20Increases%20Potential%20Explanatory%20Text.doc>
- e. Participation in the Scottish Government review of the 1985 regulations concerning the arrangements for the financial statements and audit. This review was requested by LASAAC.
- f. Liaison with OSCR [Office of the Scottish Charity Regulator] concerning the requirements affecting Scottish local authority charities
- g. Response to accounting papers, for example the ICAS discussion paper on multi-employer pension schemes
- h. Responding to queries concerning LASAAC work and guidance issued. During 2010/11 most queries related to council dwelling valuations.
- i. Undertaking presentation duties to promote proper accounting practice
- j. Maintenance of LASAAC website
- k. Initiation of work on the accounting implications of TIF [tax Incremental Financing]
- l. Production of the 2009/10 LASAAC annual report. [Note that annual report work will be significantly reduced in 2011/12].
- m. Representation and communication of LASAAC decisions and actions at various groups, including the Capital Finance Working Group (CFWG) and the Local Authority Accounting Panel (LAAP). This also ensures that LASAAC is informed of issues arising.

## **G. Committee Action**

13. **The Committee is requested to**

- **Approve this report**