



To: LASAAC

From: Gareth Davies

Date: 7 June 2012

Subject: Summary Report on LASAAC Activities 2011/12

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### **1. Background**

1. This report was submitted to the funding bodies in March 2012. Some minor 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. This report therefore provides a brief high level summary of LASAAC activities during 2011/12 which is presented to the committee for approval.

### **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:
  - 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. "Holding To Account" - A Guide to the Use and Interpretation of IFRS Financial Statements**

6. This publication, which was largely developed during 2010/11, was subject to a consultation process. Following consideration of the responses the Committee finalised the document in 2011/12. Key actions in 2011/12 included:
  - pdf version developed for public download
  - on-line version provided with quick links for use as an on-line reference tool
  - press release issued
7. As a result of the press release a senior employee of the National Republic of [South] Korea contacted LASAAC to discuss LASAAC's activities, structures and role in providing guidance on accounting matters. A meeting was held in Edinburgh to cover these matters, including consideration of the impact of moving from cash based to accrual based government accounts.

## **B. Review of Scottish Local Authority 2010/11 Financial Statements Presentation**

8. The Committee undertook a review of IFRS presentation practices. The review identified some significant differences in the perceived needs of statement users. Elements of potential good practice were identified and suggested for possible adoption where appropriate. It was noted that generally the objectives of being open and clear were generally well supported, but that ensuring presentation practices were focused and engaging were more challenging to achieve. This work is now being used to inform the CIPFA-LASAAC review of IFRS Implementation which is expected to affect future local authority accounting requirements.

## **C. Council Dwelling Valuations**

9. An early comparison of unaudited 31 March 2011 Council Dwelling valuations was undertaken. The analysis identified that there was significant variation in the discount factors used to adjust the market vacant possession value of housing. Further analysis identified that the differences in the 'per unit' value of housing stock were not solely due to the determination of the discount factor, with the initial (non-discounted) vacant possession also varying significantly. The work identified the need to consider all the factors affecting council dwelling values when comparing different authorities.

## **D. Community Empowerment and Renewal Bill**

10. Following an invitation from the Scottish Minister, LASAAC submitted a response to the proposals which would enable community ownership of underused and unused authority assets. The response noted that the potential existed to clarify the status of common good assets. In addition the practical issues for authorities of clarifying their legal ownership responsibilities, the potential requirements of OSCR relating to charity assets and the IFRS classification of assets were also commented upon.

## **E. Tax Incremental Financing (TIF)**

11. The potential accounting treatment of Scottish Tax Incremental Financing was considered. A spreadsheet model of the accounting entries for the lifetime of a hypothetical scheme was developed to illustrate the accounting implications arising. The model was made available to Scottish councils to assist in the development of TIF project applications.

## **F. LASAAC Website**

12. The LASAAC website has been remodelled to be more accessible and usable by practitioners and other stakeholders. Subject to final development measures the new website is expected to be launched early in 2012/13. *[Update: Release date now expected to be 21 June].*

## **F. Other areas**

13. Other areas of LASAAC work during 2011/12 included:
  - a. Code of practice 2012/13 development
  - b. Treatment of insurance receipts for non-current assets. It was identified that policy guidance from the Scottish Government was required.
  - c. Liaison with SCOTS [Scottish Chief Officers of Transportation Society] on the use of current value for transportation infrastructure, primarily roads and paths.
  - d. Consideration of accounting developments and future plans including IPSASB, IASB and ASB future work projects and anticipated standards
  - e. IPSASB Conceptual Framework (Presentation) – a brief response is to be submitted
  - f. Review of CIPFA's 'Pensions Finance Skills Framework' for LGPS finance professionals with a submission being made suggesting some clarifications and improvements.
  - g. Participation in the Scottish Government review of Loans Fund operation and accounting.
  - h. Liaison with OSCR [Office of the Scottish Charity Regulator] concerning the requirements affecting Scottish local authority charities
  - i. Communication with and reports to the Scottish local authority Directors of Finance. Items included the Loans Fund, Carbon Reduction Commitment, Scottish Futures Trust and NHS Hub projects
  - j. Liaison with the Scottish NHS 'TAG' group regarding developments in Scottish NHS accounting requirements
  - k. Responding to queries concerning LASAAC work and guidance issued.
  - l. Undertaking presentation duties to promote proper accounting practice
  - m. Maintenance of existing LASAAC website
  - 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.