



Approved by LASAAC on 22 May 2019

Minutes

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| Committee | Local Authority (Scotland) Accounts Advisory Committee | |
| Date | 27 February 2019 | |
| Time | 14:00 pm | |
| Venue | CIPFA, 160 Dundee Street, Edinburgh | |
| Members | Gillian Woolman | Audit Scotland (Chair) |
| In Attendance | Hugh Dunn | City of Edinburgh Council (Vice Chair) |
| | Paul O'Brien | Audit Scotland |
| | Ian Lorimer | Angus Council |
| | Hazel Black | Scottish Government |
| | Fiona Kordiak | Audit Scotland |
| | Joseph McLachlan* | East Ayrshire Council |
| | Tina Duncan | Glasgow City Council |
| | Nick Bennett | Scott-Moncrieff |
| | Gary Devlin* | Scott-Moncrieff |
| | Jennifer Ogilvie | West Dunbartonshire Council |
| | Elise Black* | Scottish Government |
| | *joined via conference call | |
| Apologies | Stephen Reid | EY |
| | Kirsty Flanagan | Argyll and Bute Council |
| | Lesley Bairden | East Renfrewshire Integration Joint Board |
| Secretary | Gareth Davies | CIPFA |

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) is funded by the Chartered Institute of Public Finance & Accountancy (CIPFA), Audit Scotland and the Scottish Government.

The members of LASAAC are volunteers representing the funding bodies or participating as appointed or co-opted members. LASAAC is primarily concerned with the development and promotion of proper accounting practices for Scottish local authorities. A key task in achieving this is LASAAC's contribution to the development of the 'Code of Practice on Local Authority Accounting in the United Kingdom' ('the Code').

LASAAC meetings are to be conducted in accordance with LASAAC's Terms of Reference as approved by LASAAC and ratified by the funding bodies.

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| 1 | Item 1. Apologies | |
| 1.1 | Stephen Reid, Kirsty Flanagan, Lesley Bairden | |
| 2 | Item 2. Minutes and Actions | |
| 2.1 | The minutes were approved for upload to the website. | 1 |
| 2.2 | Matter arising (para 12.1): The legal requirements relating to Significant Trading Operation modifications is to be examined by Fiona and Paul. | 2 |
| 2.3 | Jennifer Ogilvie's membership was approved. | |
| 2.4 | Action Item 3 Good practice examples <ul style="list-style-type: none"> Paul had requested auditors to identify good practice examples of conciseness. Stirling and East Lothian councils were noted as examples. A recent CIPFA publication on streamlining of the accounts has been issued. Audit Scotland have issued a report on good practice in management commentaries by Scottish central government bodies. A similar review is proposed for local government. | |
| 2.5 | Action Item 10: Financial Instruments <ul style="list-style-type: none"> Data had been collated. Historic loan modifications: No indication of widespread or significant impact of requirements arising as a result of IASB indication of expected practice under IFRS 9 LOBO conversions: A significant number of conversions were reported. Scottish Government intend clarifying that the FIAA may require adjustment where credits arise from conversion. | 3 |
| 3 | Item 3. Membership and Attendance | |
| 3.1 | The papers were noted. | |
| 3.2 | Members to notify secretary of availability to fill the remaining nominated CIPFA/LASAAC substitute role. | 4 |
| 4 | Item 4. Work Plan 2018/19 | |
| 4.1 | In discussion: <ul style="list-style-type: none"> C2- Multi-employer pension schemes – any change in approach (eg re teachers' scheme) would depend on actuarial advice. Fiona proposed discussing multi-employer schemes with actuaries. B3 – Simplification of the accounts – logged actions should refer to CIPFA-LASAAC, not for Hazel specifically to progress | 5,6 |
| 4.2 | Taxation changes (eg transient visitor tax) is to be added to the workplan | 7 |

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| | as a watching brief item. | |
| 4.3 | The workplan was approved. | |
| 5 | Item 5. CIPFA/LASAAC Code Board | |
| 5.1 | The issued agenda and the items arising for CIPFA-LASAAC were noted, including IFRS 16 Leases – Subsequent measurement of the right of use asset; and potential early adoption (in 19/20) by some local government bodies. | |
| 6 | Item 6. IFRS 9 Financial Instruments 2018/19: Feedback Received | |
| 6.1 | <p>The responses to the consultation were discussed, with the following arising:</p> <ul style="list-style-type: none"> Planned IFRS 9 FVPL (Fair Value Through Profit or Loss) guidance to be rephrased to clarify that the intention is to treat unrealised losses 'in the round' as part of the overall picture of all unrealised gains and losses, not on an asset by asset basis As a result of the responses the basis for relying on LASAAC guidance in preference to a statutory adjustment was re-examined. It was concluded that the original rationale was still applicable, in that a statutory adjustment would be more complex to specify and comply with, and less open to future amendment. It was noted that a similar situation (no statutory adjustment) would exist in England. Once the time-bound adjustment for a limited number of financial instruments (Pooled Investment Vehicles) expires, the application of gains /losses in budget setting in England will also rely on CFO advice and judgement. The potential use, in the LASAAC guidance, of the Financial Instruments Adjustments Account for unrealised gains / losses was discussed. The mandatory nature of the LASAAC guidance was regarded as important to support and clarify for all stakeholders and decision makers that separating out unrealised gains /losses (net) was not optional or voluntary. The low number of responses was noted as a concern. It was confirmed the DoF Section had discussed the plans. It was suggested that many councils did not consider that they had (material) financial instruments that would be treated as FVPL. The proposals had been specifically discussed with at least one council which would be significantly affected. The apparent contradiction of describing the General Fund as a 'usable' reserve while earmarking part as unusable for budget setting was noted. Clear explanation in the accounts would be required. It was noted that LASAAC had consulted only specifically on this IFRS 9 FVPL approach. Expansion to pensions or capital items had not been raised. The potential expansion of an 'earmarking' approach as a substitute for statutory adjustments would require separate and specific stakeholder engagement in the event it is considered. The IFRS 9 FVPL LASAAC guidance would remain as 'stand-alone' | 8 |

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| | <p>guidance.</p> <ul style="list-style-type: none"> The IFRS 9 FVPL LASAAC guidance would lend itself to adjustment in 19/20 in the event that this is desirable. The definition of 'volatile' would be taken as its common term and be applied with CFO professional judgement. | |
| 7 | Item 7 Integration Guidance: Feedback Received | |
| 7.1 | <p>The responses received to the draft guidance were discussed:</p> <ul style="list-style-type: none"> Para 51 re management commentary business model. The footnote (no. 24) should refer to the original 2014 FRC Guidance , not the 2018 version. Para 87: regarding the requirement for directions if service commissioning expenditure is to be amended. Phrasing retained as it stands on the basis that it is stating the legislative requirement, it is not creating the requirement. Para 99: Transparency of costs and funding. Phrasing retained as it stands on the basis that it uses the term 'give consideration to', allowing scope for local assessment. Para 102. In year action to address a net liability position. It was agreed that this should not be stated as a requirement. Phrasing to be updated to "Where.....arises <i>it is anticipated an IJB will make every effort to remedy..</i>" Other items raised were also discussed The revised Integration Guidance is to be issued. | 9,10 |
| 8 | Item 8. Elimination of Internal Transactions / Insurance Accounting 2018/19: Feedback Pending | |
| 8.1 | <p>It was agreed that the existing LASAAC Guidance on Insurance Accounting should be formally withdrawn.</p> <p>Responses to the consultation will be considered by e-mail.</p> | 11 |
| 9 | Item 9 Financial Sustainability: Financial Reporting Considerations | |
| 9.1 | <p>The paper was discussed:</p> <ul style="list-style-type: none"> It was noted that group accounts should also be referenced, particularly where intra-group transactions directly affect the financial position of the council. The paper reflected the pressures on councils A key objective is to link the budget, and budget-based outturn, to the financial performance and position shown in the annual accounts The management commentary requirements play a critical role and may be subject to review The second sentence in para 16 regarding going concern should be amended or deleted There is a current FRC Exposure Draft relating to auditor assessment of going concern No LASAAC action is proposed at this stage | |

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| 10 | Item 10 Potential Items affecting 2018/19 accounts | |
| 10.1 | <Joseph McLachlan left the meeting> The paper was discussed. | |
| 10.2 | Loans fund rescheduling <ul style="list-style-type: none"> • The Scottish Government have written to COSLA confirming that new regulations concerning flexibility to reschedule pre-2016 loans fund advances will be progressed. • Any new regulations will be in 2019/20, and will not apply to 2018/19. • The 19/20 planned regulations will not have the same financial impact since they are not retrospective. This could lead to ongoing audit issues where any existing rescheduling is not reversed. • Paul noted that reliance on rescheduled pre 2016 loans fund advances in the presentation of 18/19 accounts would be anticipated to give rise to a qualification. • This is expected to apply to councils which rescheduled in 17/18 and continue to place reliance on the revisions • It was noted that some councils indicated legal opinions or advice supported the ability to reschedule • It was noted that the models and underlying rationale of the re-scheduling undertaken to date by some councils was not being questioned, it was the capacity to do so that was of concern. | |
| 10.3 | Other items <ul style="list-style-type: none"> • Pension asset valuations: Some councils are likely to close their accounts based on early estimates and, if necessary, undertake adjustments during the audit process. This will incur additional costs. • Historic abuse claims: The issue is complex and identifying relevant historic insurance cover is problematic. Additionally the municipal mutual administration situation may involve contributions increasing. Interest on the amounts awarded may be significant. | |
| 11 | Item 13. Audit Scotland Update | |
| 11.1 | Relevant items noted earlier. | |
| 12 | Item 14. Scottish Government | |
| 12.1 | Updated statutory guidance on funding equal pay has been issued as finance circular 1/2019. | |
| 13 | Item 15. CIPFA Update | |
| 13.1 | It was noted that the planned LASAAC guidance on IFRS 9 FVPL may require amendments to the existing LAAP Bulletin 99 and to existing LASAAC guidance on reserves. | 12 |

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| 14 | Dates of next meetings | | | | | | | | | | | | | | | | | |
| 14.1 | All at CIPFA, Edinburgh, 160 Dundee Street | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Day</th> <th>Date</th> <th>Time</th> <th>CIPFA-LASAAC</th> </tr> </thead> <tbody> <tr> <td>Wednesday</td> <td>22/5/19</td> <td>2pm</td> <td>4/6/19 London</td> </tr> <tr> <td>Tuesday</td> <td>20/8/19</td> <td>2pm</td> <td></td> </tr> <tr> <td>Wednesday</td> <td>23/10/19</td> <td>2pm</td> <td>6/11/19 Edinburgh</td> </tr> </tbody> </table> | Day | Date | Time | CIPFA-LASAAC | Wednesday | 22/5/19 | 2pm | 4/6/19 London | Tuesday | 20/8/19 | 2pm | | Wednesday | 23/10/19 | 2pm | 6/11/19 Edinburgh | |
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