



Minutes – Approved on 19 May 2020

Committee	Local Authority (Scotland) Accounts Advisory Committee	
Date	18 February 2020	
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
	Nick Bennett	Scott-Moncrieff
	Gary Devlin	Scott-Moncrieff
	Fiona Kordiak	Audit Scotland
	Hazel Black	Scottish Government
	Elise Black	Scottish Government
	Joseph McLachlan	East Ayrshire Council
	Kirsty Flanagan*	Argyll and Bute Council
	David Forbes	North Ayrshire Council
	Christine McCourt	Renfrewshire Council
Apologies	Jennifer Ogilvie	West Dunbartonshire Council
	Tina Duncan	Glasgow City Council
	Ian Lorimer	Angus Council
	John Boyd	Grant Thornton
Secretary	Gareth Davies	CIPFA

* Participated by phone

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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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	Item	Action
1	Item 1. Apologies	
1.1		
2	Item 2. Minutes and Actions	
2.1	No amendments noted. The approved minutes are to be uploaded to the website.	1
2.2	Action 0.3 - LOBO conversions with credits arising: The capital receipts treatment for financial instruments is being redrafted to be consistent with other finance circulars. This will incorporate amendments to gains on the conversion of LOBOs to normal loans. Action 0.3 to be removed from action list. Financial instruments finance circular to be redrafted by Scottish Government and subjected to Scottish Government formal consultation.	2
3	Item 3. Membership & Attendance	
3.1	David Forbes and Christine McCourt were welcomed to the meeting. David was appointed as a local government practitioner stakeholder representative. Christine was appointed as a co-opted member.	
3.2	The papers were noted.	
4	Item 4. Workplan	
4.1	Chair's letter to DoFs noted in B8 is to be recognised instead under item A7 (LASAAC profile).	3
4.2	Dates to be added to the workplan to show scheduling.	4
4.2	The timeliness and effectiveness of the Code development feedback and consultation process was queried. It was noted that the relevant authorities working group was comparing existing processes and time schedules. As an example the FReM seeks to publish by 31 December, with the Code targeting 31 March. Potentially earlier Code finalisation may be desirable but the challenges in doing so were noted. Code development and consultation arrangements to be discussed at CIPFA/LASAAC.	5
5	Item 5. CIPFA/LASAAC	
5.1	The paper was reviewed.	
5.2	An update on a CIPFA/LASAAC conference call, held immediately prior to the LASAAC meeting, was provided. Key points noted were: • It had been proposed that HRA tenancy agreements should be excluded from the scope of IFRS 16 Leases	

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	<ul style="list-style-type: none"> It had been proposed that the requirement for nil consideration would be removed from the definition of a lease for both lessees and lessors, to align with wider public sector implementation. Both proposals were subject to later confirmation by CIPFA/LASAAC through the formal Code approval process The final Code would be provided to LASAAC for formal approval. 	
5.3	<p>In discussion on IFRS 16 application to HRA tenancies:</p> <ul style="list-style-type: none"> Since an adaptation was being made for HRA tenancies for IFRS 16 in 20/21; it was queried if a Code Update for 19/20 to allow an adaptation for 19/20 related to IAS 17 / IFRIC 4 It was noted that existing practices and audit arrangements had for many years regarded the present treatment as acceptable. The application of the statutory framework (eg the specification of HRA debits and credits) was suggested as providing support for the current treatment, however it was noted that this may be open to some challenge. The approach taken in England and Wales during the 19/20 audits may affect expectations, especially for audit firms also covering Scottish authorities The potential for seeking more evidence on the impact of application in the 21/22 Code consultation process was noted 	
5.4	<p>The 21/22 Code development process was discussed with areas raised including:</p> <ul style="list-style-type: none"> The 21/22 Code process could provide an opportunity to see significant change in the Code towards achievement of the CIPFA/LASAAC vision statement The FRC review of corporate reporting could be built into the process with a paper due out imminently. The Brydon Review of audit was also noted as relevant. The potential to change the Code format was noted, with reference made to the FReM as a comparison. 	
6	Item 6. Streamlining and Focus: Practitioner Actions and Experience	
6.1	<p>The Chair provided an overview of the paper, noting that the intention was to show what can be done under the existing Code. Tracy Hogg of Fife Council was extensively recognised by the Chair for her support in providing the summary.</p>	
6.2	<p>In discussion:</p> <ul style="list-style-type: none"> All councils could use the Code requirements in a similar manner Many councils, but not all, had taken forwards related work to simplify the accounts Other guidance also supported the application of judgement within the Code requirements (eg CIPFA free streamlining publication) Communication of the 'story' of the accounts is the crucial 	6,7

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	<p>requirement; and a focus solely on the 'numbers' was not appropriate</p> <ul style="list-style-type: none"> • The accounts need to inform and link or point to the underlying information or evidence; length is not the objective. • Time constraints also play a factor in achieving change; as it is usually less resource intensive to rely on previous work as a template • Stimulus to support change could be achieved through Audit Committees or DoF (s151 officer) expectations • People are more likely to read smaller documents • The focus must be on the needs of the users of the accounts <p>The paper on streamlining is to be raised for discussion at the Directors of Finance Section by Kirsty Flanagan.</p> <p>Streamlining is to be supported, including reference to examples, in any LASAAC presentation materials.</p>	
7	Item 7. Good Practice Note: Management Commentaries	
7.1	<p>Paul O'Brien commented on the Audit Scotland Good Practice Note: Management Commentaries:</p> <ul style="list-style-type: none"> • The review is not an audit, but is intended to support good practice in financial reporting • There was significant variation in length of the management commentary, which was not related to authority size • Areas where scope for improvement was considered to exist were: <ul style="list-style-type: none"> ◦ Linkage with the financial statements ◦ More explanation of some amounts ◦ Summarising information in external references, rather than solely relying on hyperlinks ◦ Use of helpful graphics 	
7.	<p>In discussion:</p> <ul style="list-style-type: none"> • The note was widely welcomed as it allowed cross-referencing and ease of sight of what others have done, including the graphics used • No one single 'exemplar' was cited, rather a range of good practices were identified • Auditors could provide feedback on management commentary practices, not just whether they complied with the minimum requirements • Good management commentaries would mean that readers were not required to have technical finance / accountancy knowledge • The comparison of identified key risks was noted. The 'what worries senior management' section was noted as helpful. • It was suggested that internal hyperlinks (eg to relevant parts of the document from the management commentary) would help. • Scanned image documents (which don't support search tools) were regarded as unhelpful. • The extent to which councils produced an annual report was debated. The impact of political structure and leadership at each council on 	8

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	<p>this was noted.</p> <ul style="list-style-type: none"> The potential to make data available in an accessible form (eg excel) on an authority's website was raised. <p>Audit Scotland's Good Practice Note: Management Commentaries paper to be brought to CIPFA/LASAAC's attention.</p>	
8	Item 8. Review of LASAAC Guidance on Reserves	
8.1	<p>The draft guidance was reviewed. In discussion:</p> <ul style="list-style-type: none"> The status of harbour reserves was raised. It was discussed whether these should be a 'subset' or 'portion' of the General Fund or a separate reserve. Transport partnership reserves powers, included in the new Transport Act, are expected to be effective by 31 March Scottish Government plan to consider reviewing and defining what a capital receipt is for statutory purposes Deferred capital receipts arrangements were considered to exist It was suggested that spending (applying a receipt) in advance of receipt could be construed as leading to borrowing in advance of need. The drafted phrasing to mandate the exclusion of the valuation element of depreciation from the CAA (ie requiring that it is treated as an accounting adjustment in the MiRS) was supported. 	
8.2	<p>The following changes were agreed, with revisions to be submitted to the working group before consultation issue:</p> <ul style="list-style-type: none"> Detail in paragraph 17 (re local orders) could be reduced, with supporting information as a footnote For para 17 a further example should be the Zetland County Council Act 1974 Para 29: the sentence "The prudence of supporting capital expenditure through the application of deferred capital receipts will be a consideration for authorities." is to be deleted Para at end: an additional paragraph is required to refer to Finance Circular 7/2018 re financial instruments Paras 30-31: clarity is required regarding application of Renewal and Repair fund to capital spend ie either direct transfer to CAA; or transfer to GF then application from GF to the CAA. 	9
9	Item 9 CIPFA-LASAAC: IFRS 16 Leases Implementation	
9.1	The paper was noted.	
10	Item 10. Review of existing LASAAC Guidance	
10.1	<p>The paper was reviewed with comments arising:</p> <ul style="list-style-type: none"> For each older item the decision should be to either remove or 	

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	<p>replace</p> <ul style="list-style-type: none"> • It may be preferable in some cases to be more principles based in order to ensure a longer period of application, since the Code requirements can change over time • Council dwelling valuation guidance is potentially affected by the removal of 'right to buy' • Guidance regarding significant trading operations (STOs) was discussed. The changing nature of STOs was raised with current focus on this limited to external trading only. Potentially STO reporting in the CIES should be in the 'cost of services' block rather than shown separately from that. The importance of transparency, especially where income generation was a driver, was noted. Persistent losses could represent potential 'state aid' or anti-competition challenges. 	
10.2	<p>Agreed actions:</p> <ul style="list-style-type: none"> • Add review of Common Good guidance to the work plan • Separate 'Holding to account' and 'Using LGPS Accounts' which are for users of the accounts, from guidance which is specifically for preparers • New secretariat to develop a workplan for guidance review for next meeting 	10
11	Item 12 Audit Scotland Update	
11.1	<p>The following were noted:</p> <ul style="list-style-type: none"> • The 21/22 round of the Audit Code of Practice consultation has been issued. The Best Value regime is proposed to move towards incorporation into the annual audit cycle. [closes 27 March] • Caroline Gardner's term as Auditor General for Scotland ends on 30 June. Interviews for a successor are imminent with parliamentary approval required to confirm an appointment. • The complications in the budget setting process arising from the delayed UK government, and consequent impact on the Scottish budget, were noted. The legal ability to separate council tax setting from budget approval had been noted with pragmatism applied. • A report on the Fife IJB is due for issue. While some aspects may be Fife specific, the report raises some systemic IJB issues which should be considered. • A report on Renfrewshire Council's replacement of a ledger system is due for issue. • Best Value audits of IJBs are not anticipated to require a full BV annual audit. A desk based review is expected and a stand alone IJB audit report should be proportionate. 	
12	Item 13 Scottish Government Update	
12.1	<p>The following were noted:</p> <ul style="list-style-type: none"> • The Transport (Scotland) Act 2019 is expected to be effective this 	

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	<p>month</p> <ul style="list-style-type: none"> • The Scottish Budget and local government order are anticipated to be based on UK government manifesto commitments, but the final UK government budget and consequences for Scotland remain uncertain at this point. • 									
12	Dates of next meetings									
12.1	<p>All at CIPFA, Edinburgh, 160 Dundee Street.</p> <table border="1"> <thead> <tr> <th>LASAAC Meeting</th> <th>CIPFA-LASAAC</th> </tr> </thead> <tbody> <tr> <td>Tuesday 19 May 2020 10 am</td> <td>5/6/20 Edinburgh</td> </tr> <tr> <td>Tuesday 18 August 2020 2 pm</td> <td>N/A</td> </tr> <tr> <td>Tuesday 20 October 2020 2pm</td> <td>3/11/20 London</td> </tr> </tbody> </table>	LASAAC Meeting	CIPFA-LASAAC	Tuesday 19 May 2020 10 am	5/6/20 Edinburgh	Tuesday 18 August 2020 2 pm	N/A	Tuesday 20 October 2020 2pm	3/11/20 London	
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