



Minutes of Meeting of 23 May 2017

[Approved by LASAAC on 23 August 2017]

CIPFA, 160 Dundee Street, Edinburgh EH11 1DQ

Present: Ian Lorimer (Chair), Gillian Woolman (Vice Chair), Hazel Black, Joe McLachlan, Derek Yule, George Murphy, Nick Bennett, Fiona Kordiak, Hugh Dunn, Darren McDowall, Stephen Reid, Lesley Bairden*, Gary Devlin [* = teleconference],

Guest: Tina Duncan [co-opted as a member]

Apologies: Derek Glover, Russell Frith

In attendance: Gareth Davies

Minute Ref		Action
16/17	Apologies Derek Glover, Russell Frith	
17/17	<p>Minutes</p> <p>The following amendments to the draft minutes of 2 March were requested:</p> <ul style="list-style-type: none"> • Stephen Reid participated by phone • Page 4 / action G- the Icelandic banks statutory guidance is not a phased withdrawal <p>Subject to these amendments the minutes were approved</p> <p>Action:</p> <ul style="list-style-type: none"> • Minutes to be amended and updated on website <p>Matters arising:</p> <ul style="list-style-type: none"> • Action G – Authorities have been advised of the plan to withdraw and redraft the noted statutory adjustments guidance. • Action J – consultation on revised statutory guidance for donated assets will be in parallel with the statutory adjustments consultation <ul style="list-style-type: none"> ○ It is proposed that donated capital assets will be recognised in Taxation & Non-Specific Grant Income in the CIES. This matches the presentation of capital grants. <p><Gary Devlin arrived></p> <p>Action:</p> <ul style="list-style-type: none"> • Consultation on proposed statutory guidance changes 	<p>G. Davies</p> <p>H. Black,</p>

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	to be undertaken by the Scottish Government	
18/17	<p>Membership</p> <p>i) Membership List The existing co-option vacancy was noted. Tina Duncan of Glasgow City Council has volunteered to participate. The co-option was approved by LASAAC.</p> <p>ii) Attendance Scottish Government representation on LASAAC is likely to be reviewed as part of wider discussions (see below).</p>	
19/17	<p>LASAAC Annual Report 2016/17</p> <p>The paper was reviewed with some specific items commented on:</p> <ul style="list-style-type: none"> o The extent of work by LASAAC members on the statutory adjustments review was noted o The importance of informed LASAAC debate at CIPFA-LASAAC in relation to Highways Network Asset current value implementation decisions was noted <p>In discussion:</p> <ul style="list-style-type: none"> o One funding body representative noted the annual report was important in evidencing the benefits of LASAAC membership and the funding provided <ul style="list-style-type: none"> o The other funding body representatives noted the different means by which LASAAC activities were reported to the management and governors of their organisations o Not all funding body representatives are involved in the funding decisions or discussions o A LASAAC member queried whether LASAAC required to undertake a more proactive engagement approach o Appendix B – CIPFA/LASAAC activities: <ul style="list-style-type: none"> o Not all items would be of interest to funding bodies and these should be removed o The report should more appropriately articulate LASAAC’s role in influencing CIPFA-LASAAC and Code development in respect of Scottish items. <p>Subject to the changes requested the report was approved.</p> <p>Action:</p> <ul style="list-style-type: none"> • The annual report should be amended prior to submission to the funding bodies: <ul style="list-style-type: none"> o Appendix B CIPFA-LASAAC actions– non-relevant items to be removed o Include an explanation of LASAAC’s role in reflecting Scottish interests in the Code 	G. Davies

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	development process	
20/17	<p>LASAAC Terms of Reference</p> <p>As Chair, Ian noted that the letter received from ICAS requested a review of the funding arrangements. A funding body meeting, with Chair participation, is scheduled for 5 June. No agenda has yet been set.</p> <p>The Terms of Reference review discussed in the paper will be postponed until August.</p> <p>The Chair noted that it would be desirable to ensure forwards stability in the funding model, and requested views of LASAAC members to inform the discussion on 5 June.</p> <p>In discussion:</p> <ul style="list-style-type: none"> • No significant change to the LASAAC outcome and supporting objectives was proposed • Opportunities to broadening the funding base may be considered. <ul style="list-style-type: none"> ◦ This had been reviewed when ACCA withdrew, with no clear opportunity identified • Whether revenues from the Code should be considered in the funding arrangements was queried • It was suggested a key question should be what would happen if LASAAC did not exist <ul style="list-style-type: none"> ◦ This may help to clarify exactly what benefits LASAAC funding is supporting • It was noted that FRAB, FReM development and Scottish NHS TAG arrangements were all effectively supported by government, through the use and release of staff time (eg HM Treasury staff) to draft papers and support the committees <ul style="list-style-type: none"> ◦ The influence of Wales and Northern Ireland on Code development was queried. ◦ It was noted that direct LASAAC representation on CIPFA-LASAAC was a benefit to Scottish interests • The review of who benefits from LASAAC following ACCA withdrawal was noted. <ul style="list-style-type: none"> ◦ It was suggested that the benefits to Audit Scotland, and possibly the Scottish Government, were more direct than those for ICAS. ◦ The benefits of LASAAC to the external audit appointed firms were noted • The role of LASAAC was suggested to be critical given the significant financial responsibility changes arising from the increased financial devolution powers, such as taxation and welfare items. • Scottish central and local government policies seem likely to continue to diverge from those of England and the rest of the UK. <ul style="list-style-type: none"> ◦ This may affect the forward applicability of a UK 	

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	<p>wide Code of Practice</p> <ul style="list-style-type: none"> ○ Under a combined UK Code it emphasised the need to reflect the Scottish dimension • The role of LASAAC in supporting the finance practitioner community was discussed • The involvement of authorities, external auditors, Audit Scotland and Scottish Government is a key strength of LASAAC • A clear communication channel, possibly more formally based, should be considered to assist in early identification of any funding body concerns • The Terms of Reference may in future include a requirement for a notice period prior to withdrawal <p>Action:</p> <ul style="list-style-type: none"> • Chair to represent LASAAC members' views at meeting on 5 June, and provide feedback to members 	I.Lorimer
21/17	<p>Work Plan 2017/18</p> <p>The work plan was reviewed with the following comments:</p> <ul style="list-style-type: none"> • The year cited in the paper requires amendment • The impact of the new devolved financial powers for the Scottish Government should be added as a watching brief • IFRS 16 Leases should be added due to the potential financial impact and workload volume for practitioners • Highways Network Asset work should be removed • Work items should be split to identify the work to undertaken: <ul style="list-style-type: none"> ○ Via CIPFA-LASAAC ○ By LASAAC • Education Governance should be added as a watching brief • Integration – the word 'adult' should be removed • The work items required re-numbering • The Management Commentary should be a watching brief • The potential analysis of liabilities and assets in multi-employer schemes should be included in Code development issues • Asset decommissioning: a review of the existing LASAAC guidance should be added • Council dwellings: the position was queried • Integrated Reporting <IR> to be added to workplan [see 29/17 below] <p>Additions to the workplan were noted as provisional at this stage. The workplan may need to be reviewed and activity truncated if a suitable resolution on the funding issues cannot be found.</p> <p>Action:</p> <ul style="list-style-type: none"> • The work plan for 2017/18 is to be amended in draft meantime to reflect LASAAC's considerations 	G. Davies

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	<ul style="list-style-type: none"> • Letter to be sent, from the Chair, to RICS Scotland requesting clarification of the position regarding guidance on council dwelling valuation <p><Tina Duncan joined the meeting></p>	G. Davies
22/17	<p>CIPFA-LASAAC Code Board</p> <p>Nick noted his apologies for the next meeting on 6 June. George will substitute.</p>	
23/17	<p>Statutory Adjustments Review</p> <p>The paper was discussed.</p> <p><u>Remeasurement of the net defined liability (asset)</u></p> <p>Hazel tabled an extract from private sector (FTSE company) annual accounts reflecting</p> <ul style="list-style-type: none"> • Presentation of the reameasurement in the consolidated statement of comprehensive income; and • the charge, in the private sector, to retained earnings in equity. <p>On this basis it was suggested that, following private sector practices, the remeasurement could be expected to be charged / credited to the General Fund. The resultant transfer to the Pensions Reserve would therefore clearly be identified as a statutory adjustment.</p> <p>The current Code approach to Other Comprehensive Income and Expenditure (OCI&E) was discussed, with the potential implications for the status of other items in OCI&E raised. The extent of change which may be required in the Code was discussed.</p> <p><u>Revaluation element of depreciation charges</u></p> <p>The current treatment required by the Code of Practice was discussed (<i>see para 4.1.3.2</i>), as was the treatment of depreciation charges on disposal of an asset. Potentially the statutory adjustment could be limited to the historic cost element of depreciation.</p> <p>In relation to the potential to treat the revaluation element of depreciation as a transfer between reserves, it was noted that there was no specific line for transfers to/from other reserves in the MiRS.</p> <p><u>Other Potential Presentation Changes</u></p> <p>The paper was noted to include potential presentation changes related to:</p> <ul style="list-style-type: none"> • the analysis of reserves that could be presented on the face 	

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	<p>of the balance sheet</p> <ul style="list-style-type: none"> • expansion of the Expenditure and Funding Analysis (EFA) to include OCI&E • distinction in the supporting note to the EFA between statutory adjustments and other adjustments <p>The format or layout proposed for the movements on each statutory adjustment account was not considered to involve any changes to the Code requirements.</p> <p>In respect of reserves presentation, the classification and inter-relationship of the Revaluation Reserve and the Capital Adjustment Account was raised. The potential complications arise from the commencement of the Revaluation Reserve with a zero balance from 1 April 2007.</p> <p>It was agreed that seeking a permissive approach, which would allow but not require, the suggested presentation would be the most appropriate approach. This would enable LASAAC to issue further guidance, within the requirements of the Code, to support consistency of approach in Scotland.</p> <p>LASAAC agreed that the potential changes should be discussed at CIPFA-LASAAC in relation to potential stakeholder consultation action.</p> <p>Action</p> <ul style="list-style-type: none"> • A discussion paper outlining the potential presentation matters arising from the statutory adjustments review to be provided for CIPFA-LASAAC consideration in respect of stakeholder consultation. 	G. Davies
24/17	<p>Statutory Adjustments Review: Glasgow City Council</p> <p>It was noted that the proposed changes to statutory adjustments in respect of Time Off In Lieu (TOIL) and flexi-leave accruals would have a real impact on council financial budgets. It was recognised that the significance of teachers' and non-teachers' annual leave entitlement accruals meant that these elements would still be subject to statutory adjustments.</p> <p>The materiality of the TOIL and flexi-leave elements was discussed. The extent to which each organisation had control over its TOIL and flexi-leave policies, including carry forward arrangements, was raised.</p> <p>The proposed 'tapering period' for implementation was also noted.</p> <p>The extent of simplification achieved from selectively isolating the TOIL and flexi elements of the wider accumulating paid absences accruals in order to eliminate them from the statutory adjustments framework was queried.</p>	

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	<p>It was noted that the proposed changes would be subject to a formal consultation process. All stakeholders will have the opportunity to raise concerns and queries on the proposals.</p>	
25/17	<p>LASAAC Guidance on Accounting for Insurance Funds</p> <p>The paper was discussed with the following points arising:</p> <ul style="list-style-type: none"> ○ It could be considered that a key principle is to ensure that the total cost of risk is charged to services (within the Cost of Services). ○ The main issues then become: <ul style="list-style-type: none"> ○ the assessment of whether there is a material surplus/deficit on the Insurance Account; and if so ○ what the appropriate treatment might be ○ It was agreed that any surplus / deficit on the Insurance Account that was not apportioned, re-allocated, or recharged to services should be presented in the Financing and Investment Income and Expenditure line in the CIES <ul style="list-style-type: none"> ○ This is the same presentation adopted for internal trading operations ○ Provisions may be charged to the Insurance Account initially but the overall effect must be that charges are included in the Surplus or Deficit on the Provision of Services ○ It is presumably not allowable to have a deficit (cumulative balance) on the Insurance Fund. ○ Transfers to / from the Insurance Fund should be separately identified <p>Action</p> <ul style="list-style-type: none"> • Proposed amendments to the existing guidance on accounting for Insurance Funds to be drafted but no significant changes in accounting treatment are anticipated. 	H. Black, G. Davies,
26/17	<p>Integration of Health & Social Care</p> <p>Lesley provided a verbal update noting:</p> <ul style="list-style-type: none"> ○ the revised LASAAC Guidance for 2016/17 had assisted in clarifying some areas ○ IJB governance would be affected by the recent local government elections ○ The intended set aside arrangements for 2016/17 had not fully developed. The Scottish Government is issuing guidance to support budget neutrality for IJBs in 16/17. ○ There is concern that the current funding process does not adequately support longer term financial planning ○ The timing of information flows for the 2016/17 annual accounts has been a challenge for many <p>In discussion:</p> <ul style="list-style-type: none"> • The 'double counting' in NHS Board accounts, due to the 	

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	<p>funding contribution and the commissioning income being treated as separate transactions, required clear explanation in NHS accounts</p> <ul style="list-style-type: none"> • This also applies to local authorities • Annual Governance Statements seen so far indicate divergence in terms of the precise level of responsibility for service delivery that each IJB considers itself to have. • The variety of governance arrangements, management practices and partnership working arrangements may mean that IJB accounts, in seeking to present a true and fair view for each IJB, will not be uniformly consistent. 	
27/17	<p>Audit Scotland Update</p> <p>The following were noted:</p> <ul style="list-style-type: none"> • Revised form of audit opinion, especially new requirements relating to the Management Commentary and Annual Governance Statement • Audit Scotland's consultation responses are available on their website • The Scottish Parliament is undertaking post legislative scrutiny on the National Fraud Initiative (NFI. Audit Scotland will give evidence on 1 June. <ul style="list-style-type: none"> ◦ It was queried whether the new General Data Protection Regulations could limit the capacity for NFI data matching • The first new Best Value Audit Report format on Inverclyde Council is due for publication soon • Russell Frith is retiring at the end of the year • Audit Scotland's role on FRAB, in representing devolved administration audit bodies, is likely to be filled by Fiona Kordiak 	
28/17	<p>Scottish Government Update</p> <p>No matters were raised.</p>	
29/17	<p>CIPFA/LAAP Update</p> <p>Respondents to the consultations on the Prudential and Treasury Management Codes were thanked.</p> <p>It was suggested that LASAAC should consider the potential use of Integrated Reporting <IR> in Scottish local government:</p> <ul style="list-style-type: none"> • The relationship between <IR> and the Management Commentary was noted. • Supporting good practice may be helpful 	
30/17	<p>Future Meeting Dates</p> <p>The meeting schedule for 2017 is shown below. All LASAAC</p>	

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meetings are planned to be at CIPFA 160 Dundee Street Edinburgh EH11 1DQ.		
Time	LASAAC 2016	CIPFA/LASAAC 2016
2pm	23 August 2017	<N/A>
2pm	16 November 2017	7 November 2017
Stephen noted his apologies for the 23 August		

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ACTION POINTS FROM LASAAC MEETING OF 23 May 2017

	Minute Ref	Action	Action By	Status At 16/08/17
A	17/17	Minutes to be amended and updated on website	G. Davies	Complete
B	17/17	Consultation on proposed statutory guidance changes to be undertaken by the Scottish Government	H. Black	On agenda (Capital Grants / Scottish Govt Update)
C	19/17	The annual report should be amended prior to submission to the funding bodies: <ul style="list-style-type: none"> • Appendix B CIPFA-LASAAC actions- non-relevant items to be removed • Include an explanation of LASAAC's role in reflecting Scottish interests in the Code development process 	G. Davies	Complete
D	20/17	Chair to represent LASAAC members' views at meeting on 5 June, and provide feedback to members	I. Lorimer	Complete
E	21/17	The work plan for 2017/18 is to be amended to reflect LASAAC's considerations	G. Davies	Complete / On agenda
F	21/17	Letter to be sent, from the Chair, to RICS Scotland requesting clarification of the position regarding guidance on council dwelling valuation	G. Davies	Complete
G	23/17	A discussion paper outlining the potential presentation matters arising from the statutory adjustments review to be provided for CIPFA-LASAAC consideration in respect of stakeholder consultation.	G. Davies	Complete
H	25/17	Proposed amendments to the existing guidance on accounting for Insurance Funds to be drafted	G. Davies	On agenda

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