



Approved by. LASAAC on 23/08/18

# Minutes **DRAFT**

Committee	Local Authority (Scotland) Accounts Advisory Committee	
Date	24 May 2018	
Time	14:00 pm	
Venue	CIPFA, 160 Dundee Street, Edinburgh	
Members In Attendance	Ian Lorimer Gillian Woolman Hugh Dunn  Kirsty Flanagan* Paul O'Brien Hazel Black Darren McDowall Fiona Kordiak Elise Black Stephen Reid* Lesley Bairden* George Murphy* Joseph MacLachlan Tina Duncan	Angus Council (Outgoing Chair) Audit Scotland (Incoming Chair) City of Edinburgh Council (appointed Vice Chair) Argyll and Bute Council Audit Scotland Scottish Government North Lanarkshire Council Audit Scotland Scottish Government EY East Renfrewshire Integration Joint Board Stirling Council East Ayrshire Council Glasgow City Council
	*joined via conference call	
Apologies	Nick Bennett Gary Devlin	Scott-Moncrieff Scott-Moncrieff
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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	<b>Item</b>	<b>Action</b>
<b>1</b>	<b>Item 1. Annual Report 2017/18</b>	
1.1	The report was approved for submission to the funding bodies.	7
<b>2</b>	<b>Item 2. Change of Chair</b>	
2.1	<p>Ian Lorimer, as Outgoing Chair, reflected on his two years in office and the work of LASAAC in relation to:</p> <ul style="list-style-type: none"> <li>• Code of practice development</li> <li>• Highways Network Asset</li> <li>• Integration Joint Boards</li> <li>• Asset valuation discussions</li> <li>• Statutory adjustments</li> <li>• Insurance accounting</li> <li>• IFRS 9 Financial Instruments</li> </ul> <p>The impact of ICAS withdrawal, and the retirement of members during the period were noted. New members during the period were warmly welcomed. All members of LASAAC were thanked for their active participation, with Gillian also thanked for her support as Vice Chair.</p>	
2.2	Gillian Woolman as Incoming Chair thanked Ian for his professional approach in Chairing LASAAC. Gillian noted that the quality of conversation and debate was of key importance to LASAAC. In the next two years this will be particularly relevant in respect of IFRS 16 Leases implementation.	
2.3	Hugh Dunn was nominated as Vice Chair and the appointment was approved by LASAAC.	
<b>3</b>	<b>Item 3. Apologies for absence</b>	
3.1	Apologies: Gary Devlin, Nick Bennett	
<b>4</b>	<b>Item 4. Minutes and Actions</b>	
4.1	The minutes were approved for upload to the website	2
4.2	Regarding Action 7 (agenda Item 13 Presentation of Statutory Adjustments) this will be carried forward to the agenda for 23 August.	1
<b>5</b>	<b>Item 5. Membership</b>	
5.1	Darren is stepping down as a co-opted member due to a change in employment. Gillian thanked him for his contributions noting that his invaluable knowledge of Highways Network Assets had extended to many other areas arising at LASAAC. Darren indicated that a volunteer from North Lanarkshire was expected to be available for co-option dependent on LASAAC considerations.	
5.2	The use of co-options would take into consideration the LASAAC work plan and need for short-term working groups. This will form part of the Chair's	3

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	review of stakeholder representation under the Terms of Reference.	
5.3	The attendance record was noted.	
<b>6</b>	<b>Item 6 Work Plan 2018/19</b>	
6.1	<p>Changes to the work plan:</p> <ul style="list-style-type: none"> <li>• RICS valuation and the treatment of interest are to be removed from the workplan watching brief</li> <li>• Multi-employer liabilities should be moved to 'watching brief'</li> <li>• City Deal item to be re-named as 'City, Region &amp; Rural Growth Deals'</li> </ul> <p>New items</p> <ul style="list-style-type: none"> <li>• Scottish Child Abuse Inquiry: Financial reporting considerations, including the recognition of claims, provisions or contingent liabilities</li> </ul> <p>The deliverability of the work plan is to be monitored. A red / amber / green indication could be applied to watching brief items.</p>	4
6.2	All members are to keep the secretary informed of developments on watching brief items. No significant accounting changes are currently anticipated from the Education governance review.	5
<b>7</b>	<b>Item 10.Integration Joint Boards 2018/19</b>	
7.1	The Audit Scotland Good Practice Note on IJB accounts, and the issue of the minor amendments to existing LASAAC guidance on IJB accounts, were both noted.	
7.2	The proposed areas in the paper for review by LASAAC in 18/19 were agreed. This may also include ear-marked and contingency reserve balances to clarify an IJB's risk management arrangements.	
7.3	<p>LASAAC will consider the establishment of a short-life working group and subsequent consultation process at its 23 August meeting.</p> <p>&lt;Lesley Bairden left the meeting&gt;</p>	6
<b>8</b>	<b>Item 7 Funding Request</b>	
8.1	The funding request was approved for submission to the funding bodies.	7
<b>9</b>	<b>Item 8 CIPFA/LASAAC Code Board</b>	
9.1	Following the change of Chair, Ian Lorimer will step down from CIPFA-LASAAC and, as Vice Chair, Hugh Dunn will join CIPFA-LASAAC.	
9.2	IFRS 16 Leases implementation will potentially influence behaviour with outright purchase possibly more likely. The CIPFA-LASAAC consultation includes a 'readiness assessment questionnaire'. CIPFA is also planning to undertake an impact assessment exercise with some authorities.	

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	<p>In discussion:</p> <ul style="list-style-type: none"> <li>• Practical implementation for 19/20 will be challenging given the resource limitations affecting both finance and property staff e.g. where a significant property revaluation exercise is already scheduled.</li> <li>• The potential impact on asset registers was queried</li> <li>• A desire to avoid excessive or abortive work was expressed</li> <li>• Leases are less common under the Prudential Code framework however a concern is the 'unknown' element arising from implementation. The potential lack of centralised lease / inventory information is a factor.</li> <li>• Consultation responses were encouraged (when issued). It was recognised that this will require time investment by councils and other stakeholders.</li> </ul>	
<b>10</b>	<b>Item 9. CIPFA-LASAAC Clarification re LOBOs</b>	
10.1	It was noted that the clarification statement on accounting for contracts with LOBO (Lender Option Borrower Option) clauses may affect some authorities, possibly two, in Scotland. Treasury advisors are likely to be requested to review and engagement with auditors can be anticipated.	
<b>11</b>	<b>Item 11. IFRS 9 Financial Instruments</b>	
11.1	<p>Hazel Black commented on the paper noting:</p> <ul style="list-style-type: none"> <li>• Unrealised gains (e.g. gains not realised through actual sale of an asset) in the General Fund could be a concern in terms of how they affect financial management</li> <li>• Private sector practices had been investigated on the basis that IFRS 9 implementation had not apparently caused significant issues for companies</li> <li>• Private companies have to consider if profits have been realised (e.g. cash has been received or the ultimate realisation of cash is reasonably certain) before they can determine whether the profits can be distributed</li> <li>• Similar principles could apply to local government determination of the General Fund balance</li> <li>• In that event unrealised profits would be removed from the General Fund balance. Unrealised losses would net down the amount removed. Where a net unrealised loss occurs this would be chargeable to the General Fund.</li> </ul> <p>In discussion:</p> <ul style="list-style-type: none"> <li>• The use of the Financial Instruments Revaluation Reserve (FIRR) for this purpose in relation to financial instruments was discussed.</li> <li>• It was noted that use of the FIRR would suggest that this was not regarded as a statutory adjustment; or it would</li> </ul>	

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	<p>result in a reserve which was a mix of accounting and statutory adjustment balances.</p> <ul style="list-style-type: none"> <li>• A principles based approach was generally supported. It was suggested that more consideration would be beneficial regarding the detail of application.</li> </ul>	
11.2	<p>Hazel Black indicated that the intention was to commence drafting guidance and seek comment on the potential approach.</p> <p>The provision of examples was suggested as possibly helpful, as well as some comparison to the treatment in England. East Ayrshire Council's accounts were proposed as a basis for an illustrative approach.</p>	8
<b>12</b>	<b>Item 12. Pensions Statutory Adjustments</b>	
12.1	<p>Hazel Black commented on the paper noting the intention to specify in statutory guidance that in Scotland the charging of the re-measurement of the net defined pension benefit liability (asset) to the Pensions Reserve should be regarded as a statutory adjustment.</p>	9
<b>13</b>	<b>Item 14. Elimination of Internal Transactions</b>	
13.1	<p>The paper was discussed:</p> <ul style="list-style-type: none"> <li>• The feedback from a practitioner on the advisory notice for 2017/18 was noted</li> <li>• The use of a 'same segment' elimination was noted as being a potential option, where the charge made was materially equivalent to the original cost of the goods / service</li> <li>• It was questioned whether this approach was consistent with the accounting requirements, which could indicate that a 'straight elimination' was required.</li> <li>• The decision of method arguably depends upon whether it is more helpful to readers of the accounts to know: <ul style="list-style-type: none"> <li>&gt;Which segment (originally) bought the goods /services</li> <li>Or</li> <li>&gt;Which segment (ultimately) used the goods / services</li> </ul> </li> <li>• The potential to gain wider stakeholder views, for instance through consultation, was noted</li> </ul> <p>The matter will be discussed in future, following consideration of the 2017/18 annual accounts.</p> <p>&lt;Stephen Reid left&gt;</p>	10
<b>14</b>	<b>Item 15. Insurance Accounting: Questionnaire Responses</b>	
14.1	<p>The responses received were discussed.</p> <ul style="list-style-type: none"> <li>• Continuing to include internal insurance premiums in the CIES in 2018/19 could be regarded as contradictory to the specific requirements of the 2018/19 Code of Practice</li> </ul>	

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	<ul style="list-style-type: none"> <li>It was noted that there could be a wide variety of means by which authorities manage and operate their insurance arrangements. Presentation of an Insurance Account / Insurance Services as, or in, a single segment may be appropriate in some cases.</li> <li>Initial specification of the key principles which should inform any guidance should be undertaken. Development of any guidance or illustrative examples should be informed by these principles.</li> </ul> <p>Paul O'Brien and Tina Duncan volunteered to participate in a working group.</p>	11
<b>15</b>	<b>Item 16. Audit Scotland</b>	
15.1	<p>Good Practice Notes on the Expenditure and Funding Analysis; and on Integration Joint Boards have been published.</p> <p>Auditors will review all councils for LOBO terms and conditions.</p> <p>The £34m additional grant provided by Scottish Government will be regarded as 2017/18 funding.</p> <p>Fife and East Ayrshire Best Value reports are to be published.</p> <p>A second report on the integration of health and social care is to be produced. Work is currently in progress.</p>	
<b>16</b>	<b>Item 17. Scottish Government Update</b>	
16.1	<p>The proposed Transport Scotland Bill will clarify the capacity of Regional Transport Partnerships (RTPs) to hold reserves. The capital regulations will also be extended to cover RTPs.</p> <p>The Scottish Government is assessing the implications of exiting the EU, including the impact on localities eg rural areas.</p>	
<b>17</b>	<b>Item 18. CIPFA Update</b>	
17.1	The Code Guidance Notes for 2018/19 are in development.	
<b>18</b>	<b>Dates of next meetings</b>	
18.1	<p>All at CIPFA, Edinburgh, 160 Dundee Street</p> <p>Thursday, 23 August 2018, 14:00 Tuesday 23 October 2018 14:00</p>	

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