



**Minutes of Meeting of 23 August 2017**  
**[Approved by LASAAC on 30 October 2017]**  
 CIPFA, 160 Dundee Street, Edinburgh EH11 1DQ

Present: Ian Lorimer (Chair), Gillian Woolman (Vice Chair), Hazel Black, Joe McLachlan, Russell Frith, George Murphy\*, Fiona Kordiak, Lesley Bairden\*, Gary Devlin, Tina Duncan [\* = teleconference],  
 Apologies: Derek Yule, Hugh Dunn, Darren McDowall, Derek Glover  
 In attendance: Gareth Davies

Minute Ref		Action
26/17	<p><b>Apologies</b></p> <p>Derek Yule, Hugh Dunn, Darren McDowall, Derek Glover Nick Bennett and Stephen Reid had previously noted they could not attend.</p>	
27/17	<p><b>Minutes</b></p> <p>The draft minutes of 23 May were approved.</p> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>• <b>Minutes to be updated on website</b></li> </ul> <p><b>Matters arising:</b></p> <ul style="list-style-type: none"> <li>• A response from RICS on council dwelling valuation guidance is anticipated before the next meeting.</li> </ul>	G. Davies
28/17	<p><b>Membership</b></p> <p>Attendance</p> <p>The Terms of Reference requirements regarding three consecutive non-attendances were queried. It was noted that Derek Glover had indicated a willingness to step down.</p>	
29/17	<p><b>LASAAC Terms of Reference</b></p> <p><u>Funding Bodies Meeting 26 July</u></p> <p>The Chair provided a verbal update. CIPFA, the Scottish Government and Audit Scotland had indicated they were content to continue with the funding arrangements. ICAS had agreed to review their intentions prior to a final decision. They have now confirmed withdrawal of funding support.</p>	

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	<p><u>Letter to ICAS</u></p> <p>It was agreed that a letter, from the Chair of LASAAC to the Chief Executive of ICAS, should be drafted. The draft will be shared with LASAAC members for comment. It is expected to include:</p> <ul style="list-style-type: none"> <li>• Recognition of ICAS past support and the professional quality of ICAS representation</li> <li>• The role of LASAAC</li> <li>• The public sector profile of LASAAC</li> </ul> <p><b>Action:</b>  <b>Letter to ICAS to be drafted, reviewed by Chair, and circulated to LASAAC members for comment</b></p> <p><u>LASAAC Terms of Reference</u></p> <p>Amendments to the Terms of Reference were discussed. The loss of experienced members and the reduction of engagement with appointed external audit firms were highlighted. LASAAC's requirements in respect of stakeholder engagement were considered.</p> <p>a. Representation on LASAAC</p> <p>Following discussion it was agreed that the member structure should be:</p> <p>Funding body nominations:</p> <ul style="list-style-type: none"> <li>• Audit Scotland – up to 3 nominated representatives</li> <li>• Scottish Government - up to 3 nominated representatives</li> <li>• CIPFA - up to 3 nominated representatives.</li> </ul> <p>Other Stakeholder representatives, to be appointed by LASAAC:</p> <ul style="list-style-type: none"> <li>• Practitioners: up to 4 representatives</li> <li>• Audit firms – up to 3 representatives</li> </ul> <p>Co-options :</p> <ul style="list-style-type: none"> <li>• The ability to co-opt an additional 3 members should be permitted</li> </ul> <p>b. Terms of Reference amendments</p> <p>The change to the minimum number of meetings per year was discussed and agreed.</p> <p>The 'three attendances' rule should not apply to funding body nominations. Where non-attendance is queried the Chair will discuss the matter with the funding body (paragraph 17)</p> <p>Substitutes are only permitted for funding body nominations.</p>	<p>G. Davies, I Lorimer, All</p>
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	<p>Other members are on a personal basis. This should be clarified in paragraph 12.</p> <p>The expectation that the Vice Chair will become Chair in succession should be recognised (para 37).</p> <p>The period of membership specification should be removed by deleting the first two sentences of paragraph 16.</p> <p>Subject to the amendments the revised Terms of Reference were approved, with a copy of the changes to be provided to members by e-mail.</p> <p><b>Action:</b>  <b>LASAAC's Terms of Reference are to be revised to reflect:</b></p> <ul style="list-style-type: none"> <li>• <b>The revised representation structure</b></li> <li>• <b>The other amendments requested</b></li> </ul> <p><b>A copy of the changes is to be provided to members by e-mail for final approval.</b></p> <p><u>Other Matters</u></p> <p>It was agreed that Derek Glover should be recognised as having stepped down from LASAAC.</p> <p>It would be preferable to schedule LASAAC meetings for the week prior to CIPFA-LASAAC, where relevant. This would support LASAAC members on CIPFA-LASAAC in representing the Committee and discussion of matters anticipated to arise.</p> <p><b>Action:</b>  <b>LASAAC meetings to be scheduled in the week before CIPFA-LASAAC, where relevant.</b></p>	<p>G. Davies</p> <p>G. Davies</p>
<p><b>30/17</b></p>	<p><b>Work Plan 2017/18</b></p> <p>The workplan was agreed subject to the ability to resource and support completion. The potential for projects to be distributed, possibly with a lead officer approach, was noted.</p> <p>Item B8 to be deleted (duplicates B5).</p> <p>It was noted that a website issue meant that currently LASAAC guidance could not be downloaded.</p> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>• <b>Website issue to be investigated and existing LASAAC guidance made available</b></li> </ul>	<p>G. Davies</p>
<p><b>31/17</b></p>	<p><b>CIPFA-LASAAC</b></p> <p>It was agreed that, subject to his agreement, Nick Bennett should</p>	

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	<p>be requested to stay on CIPFA-LASAAC.</p> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>• <b>Nick Bennett's continued participation on CIPFA-LASAAC to be confirmed</b></li> </ul> <p><u>IFRS 16 Leases</u></p> <p>A verbal overview of issues noted by the CIPFA-LASAAC working group included:</p> <ul style="list-style-type: none"> <li>• Implications for the Prudential Code</li> <li>• Preparedness / readiness of councils in implementation</li> <li>• The workload for councils</li> <li>• The expected application of the 'low value exemption' to large volumes of similar assets.</li> <li>• Outsourcing contracts &amp; cloud arrangements</li> <li>• The measurement of PPP liabilities</li> <li>• The subsequent (eg 5 year) valuation of 'right of use' assets (eg land on a 10 year lease)</li> <li>• The implications for the statutory framework (eg whether amendment or replacement is required)</li> </ul> <p>There was discussion on the implementation risks arising:</p> <ul style="list-style-type: none"> <li>• Some aspects (eg treatment of embedded leases) are already required by the current standards and should not pose undue issues</li> <li>• A parallel with Highways Network Asset (HNA) was however drawn in terms of the risks of partial or incomplete inventory or lease register information and the importance of not underestimating the extent of work involved</li> </ul>	G. Davies
32/17	<p><b>Integration Joint Boards</b></p> <p>Lesley noted that IJB audits were starting to draw to a close, with final accounts being prepared for committee approval. Emerging issues were discussed:</p> <ul style="list-style-type: none"> <li>• Hosted services treatment</li> <li>• Set aside</li> <li>• Timetables, for example the agreement of balances &amp; transactions between partners</li> <li>• The extent of resources required to close the accounts</li> <li>• The differing responsibilities and access to resources that each IJB CFO might have. <ul style="list-style-type: none"> <li>○ Those CFOs with both strategic and operational (eg financial monitoring of service delivery) responsibilities would potentially have more readily accessible information to provide an overall perspective in the annual accounts. This may be more challenging for those with purely strategic roles.</li> <li>○ Where a CFO is reliant on information from partners, for instance without direct access to ledger systems,</li> </ul> </li> </ul>	

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	<p>adhering to a closedown timetable and collating evidence for audit may be more challenging.</p> <ul style="list-style-type: none"> <li>• The 2016/17 update to the LASAAC guidance had assisted but some areas may still be open to interpretation</li> </ul> <p>The IJB CFO Section may undertake an analysis of 16/17 annual accounts issues for further consideration. Audit Scotland will also be hosting an event on IJB accounting issues. Any further changes to LASAAC guidance can be considered based on further feedback from these analyses.</p> <p>In discussion:</p> <ul style="list-style-type: none"> <li>• The variety of governance, working practices and some differing perceptions of responsibilities between IJBs was noted</li> <li>• the Scottish Government could be involved in any future development of guidance on accounting for integration</li> <li>• the existence of differential closing balances, in different partner accounts, will have a consequential impact on future years with different opening balances being used</li> <li>• the importance of a reserves policy for an IJB, and clarity regarding ear-marked and contingency balances, is important</li> </ul>	
33/17	<p><b>Statutory Adjustments Review</b></p> <p><u>Letter to CIPFA-LASAAC Requesting Simplification</u></p> <p>It was noted that a letter had been received by CIPFA-LASAAC requesting more significant simplification of the accounts. In discussion:</p> <ul style="list-style-type: none"> <li>• Any intended action by CIPFA-LASAAC was not yet clear</li> <li>• The distinction between HRA and General Fund may pose challenges</li> </ul> <p><u>Code Permissiveness</u></p> <p>The LASAAC paper was reviewed. The paper did not address the re-measurement of the net defined liability (asset) for pensions; nor the current value element of depreciation charges. CIPFA-LASAAC has agreed to give these further consideration in terms of presentation.</p> <p>The paper sought to investigate the extent to which the existing Code requirements would permit some changes in the presentation of statutory adjustments:</p> <ul style="list-style-type: none"> <li>• Balance sheet <ul style="list-style-type: none"> <li>◦ the disaggregation of the unusable reserves, without additional sub-totals, is regarded as permitted</li> </ul> </li> <li>• MiRS <ul style="list-style-type: none"> <li>◦ the disaggregation of the unusable reserves (using</li> </ul> </li> </ul>	

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	<p>additional columns) is regarded as permitted</p> <ul style="list-style-type: none"> <li>○ an additional line for 'Transfers to/from Statutory Usable Reserves' is regarded as permitted and necessary to provide a 'true and fair view'</li> <li>○ The use of groupings for statutory adjustments (eg capital, pensions, other) as illustrated in existing Guidance Notes for the EFA disclosure, provides a basis for some summary disaggregation of statutory adjustments in the MiRS</li> </ul> <ul style="list-style-type: none"> <li>• Disclosure note on statutory adjustments <ul style="list-style-type: none"> <li>○ An updated version was tabled with a summary table below the detailed note which could effectively replace the proposed 'Note Y' (detail for each Statutory adjustment account).</li> <li>○ The presentation is considered to be permitted under the Code</li> </ul> </li> <li>• Expenditure and Funding Analysis disclosure note <ul style="list-style-type: none"> <li>○ The presentation is considered to be permitted under the Code</li> </ul> </li> </ul> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>• <b>CIPFA-LASAAC secretariat to be provided with a copy of the analysis papers, and requested to indicate any concerns regarding Code non-compliance</b></li> </ul> <p><u>Implementation Considerations</u></p> <p>The following arose in discussion:</p> <ul style="list-style-type: none"> <li>• If presentational requirements were to be specified in LASAAC guidance the status of the guidance may have to be clearly stated to be mandatory.</li> <li>• Practitioner representatives noted a significant risk that authority finance staff would regard any change as additional workload. This did not undermine the logic or objective but should inform the implementation process and timescale.</li> <li>• The work done by East Ayrshire and Stirling indicated that initial work to establish the format and information processes could be significant</li> <li>• The proposals would support LFR completion. This should not however be regarded or proposed as the only benefit. <ul style="list-style-type: none"> <li>▪ The 'cost of change' workload arising needed to be considered.</li> </ul> </li> <li>• In order to support clarity, and gain the best engagement with authority finance staff, practitioner representatives noted there should be two separate consultations: <ol style="list-style-type: none"> <li>a. Removal of some statutory adjustments and associated statutory accounting entries;</li> <li>b. Proposals to specify the statutory adjustment presentation requirements for the annual accounts</li> </ol> </li> </ul>	G. Davies
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	<ul style="list-style-type: none"> <li>• It was suggested that the 'removal of adjustments' consultation should be completed before any consultation on presentation amendments.</li> <li>• It was suggested that providing a 'real example' set of printed accounts could assist in demonstrating to authorities that the change can be made and to assess the extent of work involved.</li> </ul> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>• <b>Statutory Adjustments Presentation: The restatement of East Ayrshire Council 2016/17 accounts, post audit, to be considered by the working group</b></li> </ul>	H. Black, J McLachlan, G Murphy, G Davies
<b>34/17</b>	<p><b>Treatment of Capital Grants</b></p> <p>A query was noted where, at the end of a financial year, Capital Grant was recognised in the CIES but was transferred to the 'Capital Grants Unapplied Account' (CGUA) (i.e. terms and conditions were met but no spend had actually been incurred).</p> <p>In such a situation the grant may, dependent on criteria, be used for revenue purposes in the following year. This raised queries regarding:</p> <ul style="list-style-type: none"> <li>• The status of the CGUA, which arguably is acting in part like a statutory adjustment account</li> <li>• Whether there should be a 'statutory adjustment' to transfer the funds back to the General Fund, or whether this should be a 'Transfer to/from Other Usable Reserves'</li> </ul> <p>The Scottish Government anticipate that this will be part of the consultation on the changes to statutory adjustments. Application of any guidance once finalised would be anticipated for the 17/18 year end.</p>	
<b>35/17</b>	<p><b>LASAAC Guidance on Accounting for Insurance Funds</b></p> <p>The paper was noted. It was agreed that</p> <ul style="list-style-type: none"> <li>• based on the existing guidance, a questionnaire should be developed which will outline the issues raised by the review</li> <li>• the draft questionnaire is to be circulated to LASAAC members</li> <li>• Once agreed the questionnaire and existing guidance will be the basis for consultation with relevant stakeholders including: <ul style="list-style-type: none"> <li>○ Finance practitioners</li> <li>○ Insurance Fund managers eg the ALARMS group</li> </ul> </li> </ul> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>• <b>Draft questionnaire relating to existing guidance on</b></li> </ul>	G. Davies

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	<b>Insurance Fund accounting to be developed and circulated to members</b>	
<b>36/17</b>	<p><b>Audit Scotland Update</b></p> <p>The following points were noted:</p> <p>Annual audits</p> <ul style="list-style-type: none"> <li>○ First year of new appointments</li> <li>○ Elimination of Service Expenditure Analysis</li> <li>○ New Expenditure and Funding Analysis <ul style="list-style-type: none"> <li>○ The positioning varied</li> <li>○ The work had raised questions in some cases about in year management and monitoring arrangements</li> </ul> </li> <li>○ Grossing up of transactions with IJBs not always done</li> <li>○ Some accounts were very streamlined (eg 80 pages), others were over 200 pages</li> </ul> <p>Objections</p> <ul style="list-style-type: none"> <li>○ LOBOs - responses given no 'hearing' offered</li> <li>○ PPP – hearings offered based on 'Fair Value' challenge</li> </ul> <p>National Audits</p> <ul style="list-style-type: none"> <li>○ It was noted that the NDR account is in deficit for the third year in a row (deficit £297m)</li> </ul> <p>Reports due:</p> <ul style="list-style-type: none"> <li>○ Self-Directed Support Report (24 August)</li> <li>○ Equal Pay Report (7 September)</li> </ul> <p>The financial reporting implications of City Deals was queried. The inclusion of contingent liabilities or provisions in respect of the removal of the time bar on claims for childhood abuse was discussed.</p>	
<b>37/17</b>	<p><b>Scottish Government Update</b></p> <p>No matters were raised.</p>	
<b>38/17</b>	<p><b>CIPFA/LAAP Update</b></p> <p>The Prudential Code and Treasury Management Code consultations were briefly summarised. Responses were encouraged.</p>	
<b>39/17</b>	<p><b>Future Meeting Dates</b></p> <p>Russell indicated that he would have to submit apologies for 16 November and would be retiring after that.</p> <p>In accordance with earlier discussions and a desire to recognise Russell's outstanding contribution to LASAAC, the November meeting will be re-scheduled.</p>	

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	The meeting schedule for 2017 is shown below. All LASAAC meetings are planned to be at CIPFA 160 Dundee Street Edinburgh EH11 1DQ.		
	<b>Time</b>	<b>LASAAC 2017</b>	<b>CIPFA/LASAAC 2017</b>
	2pm	30 October 2017	8 November 2017

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**ACTION POINTS FROM LASAAC MEETING OF 23 August 2017**

	<b>Minute Ref</b>	<b>Action</b>	<b>Action By</b>	<b>Status At 23/10/17</b>
A	27/17	Minutes to be updated on website	G. Davies	Complete
B	29/17	Letter to ICAS to be drafted, reviewed by Chair, and circulated to LASAAC members for comment	G. Davies, I Lorimer, All	Drafted
C	29/17	LASAAC's Terms of Reference are to be revised to reflect: <ul style="list-style-type: none"> <li>• The revised representation structure</li> <li>• The other amendments requested</li> </ul> A copy of the changes is to be provided to members by e-mail.	G. Davies	Complete
D	29/17	LASAAC meetings to be scheduled in the week before CIPFA-LASAAC, where relevant.	G. Davies	Complete
E	30/17	Website issue to be investigated and existing LASAAC guidance made available	G. Davies	Complete
F	31/17	Nick Bennett's continued participation on CIPFA-LASAAC to be confirmed	G. Davies	Complete
G	33/17	CIPFA-LASAAC secretariat to be provided with a copy of the analysis papers, and requested to indicate any concerns regarding Code non-compliance	G. Davies	Request Made
H	33/17	Statutory Adjustments Presentation: The restatement of East Ayrshire Council 2016/17 accounts, post audit, to be considered by the working group	H. Black, J McLachlan, G Murphy, G Davies	Ongoing
I	35/17	Draft questionnaire relating to existing guidance on Insurance Fund accounting to be developed and circulated to members	G. Davies	On agenda

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