



Minutes of Meeting of 30 October 2017

[Approved on 13 Feb 2018]

CIPFA, 160 Dundee Street, Edinburgh EH11 1DQ

Present: Ian Lorimer (Chair), Gillian Woolman (Vice Chair), Joe McLachlan, Russell Frith, Fiona Kordiak, Darren McDowall, Lesley Bairden, Stephen Reid* Gary Devlin, Tina Duncan, Nick Bennett [* = teleconference],

Apologies: Derek Yule, Hugh Dunn, George Murphy, Hazel Black

In attendance: Gareth Davies

Minute Ref		Action
39/17	<p>Recognition of Russell Frith's Contribution to LASAAC</p> <p>The meeting was Russell's last as a LASAAC member after 17 years of service on the Committee.</p> <p>The Chair recognised Russell's immense contribution to LASAAC's work and reviewed:</p> <ul style="list-style-type: none"> • The membership of LASAAC in 2000, which included Nick Bennett, also still serving on LASAAC, and Derek Yule, currently serving in a second period of membership after stepping down in the interim • Key elements of LASAAC's work since 2000 • Russell's professional and personal qualities <p>The Chair and the whole committee thanked Russell for his expertise and commitment, with best wishes for his retirement.</p> <p>Russell reflected on his time on LASAAC and referred to LASAAC's 2003/04 annual report, noting that many themes were still relevant today including the Local Government in Scotland Act 2003 (eg Best Value, Proper Accounting Practices, Significant Trading Operations) and improvements to published accounts.</p> <p>Russell expressed his thanks and appreciation for the consideration of topics that LASAAC supported and for the participation and engagement of all LASAAC members during his period on the Committee.</p>	
40/17	<p>Apologies</p> <p>Apologies (see above) were noted.</p>	
41/17	<p>Minutes</p>	

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43/17	<p>Work Plan 2017/18</p> <p>New 'watching brief' items were agreed:</p> <ul style="list-style-type: none"> • Potential removal of NDR relief for charity ALEOs, dependent upon implementation of the Barclay review recommendations. <ul style="list-style-type: none"> ◦ OSCR could also subsequently review their guidance on ALEOs. ◦ An Audit Scotland report on ALEOs is planned. • Universal Credit <ul style="list-style-type: none"> ◦ The impact of rent arrears on debtor impairment is a key issue <p>Action:</p> <ul style="list-style-type: none"> • Workplan to be amended to include ALEOs and Universal Credit as watching briefs 	G. Davies
44/17	<p>CIPFA-LASAAC</p> <p>Russell is attending CIPFA-LASAAC on 8 November</p> <p>The Committee agreed that Paul O'Brien will represent LASAAC on CIPFA-LASAAC after that.</p> <p>Gary Devlin was agreed as the additional substitute representative.</p> <p>Action:</p> <ul style="list-style-type: none"> • CIPFA-LASAAC secretary to be informed of LASAAC representative changes on CIPFA-LASAAC <p><u>IFRS 16 Leases</u></p> <p>It was noted that an Exposure Draft and Invitation To Comment on IFRS 16 implementation is expected to be considered by CIPFA-LASAAC on 8 November:</p> <ul style="list-style-type: none"> • documents developed in conjunction with the CIPFA-LASAAC supported working group. • Consultation issue December 2017 or January 2018 • Consultation period expected 8 weeks • FReM Consultation expected to be issued at the same time <p>LASAAC discussed issues noting:</p> <ul style="list-style-type: none"> • A need to engage and explain the reason for change • Pragmatic and consistent implementation is desirable • Need for stakeholders to note: <ul style="list-style-type: none"> ◦ Implementation 19/20 ◦ Requirement for lease register / leased assets inventory ◦ Front loading of dilapidations / decommissioning obligations ◦ No prior year restatement, but adjustments to 1 April 2019 balances expected 	G. Davies

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	<ul style="list-style-type: none"> ○ Potential for currently unidentified embedded leases eg social care home contracts may be an example ○ Possible reliance on existing lease register, but extending or replacing unidentified leases can require recognition prospectively • The FReM approach to implementation (eg de minimis) indications should be noted • The financial impact on taxpayer resources may depend on future HM Treasury treatment specified in their Consolidated Budgeting Guidance. This may inform, combined with quantification of impact, local government requests for statutory mitigation. <p>Action:</p> <ul style="list-style-type: none"> • LASAAC to promote response to the IFRS 16 Leases consultation when issued • LASAAC members to be kept informed of CIPFA-LASAAC decisions on the IFRS 16 Leases Consultation 	<p>All members</p> <p>G. Davies</p>
<p>45/17</p>	<p>Integration Joint Boards</p> <p>It was noted that issues arising from the 16/17 accounts process included:</p> <ul style="list-style-type: none"> • Audit adjustments to ensure that 'grossing up' (i.e. separation of contributions to the IJB from income received from the IJB) had been necessary in some local authorities and NHS Boards • A variety of treatments and presentations were adopted for the presentation of consolidation of the IJBs as joint ventures. More consistency would be anticipated since the 'equity accounting' method was specified as a standard treatment in the Code • Feedback from audit members included: <ul style="list-style-type: none"> ○ 2017 LASAAC guidance was helpful, but not always implemented ○ Some councils did not initially reflect 50% of the IJB as the extent of control of the IJB, instead referring to the % of the IJB reserve contributed to by each funding partner ○ The policy on, and determination of, IJB reserves differed, including risk sharing arrangements ○ Reliance on council staff, sometimes with less experience in annual accounts ○ Remuneration report treatments of CFO varied ○ Different treatments of Social Care Fund dependent on local arrangements ○ Some changes to Management Commentary and annual governance statements ○ Some issues in securing signatures for the accounts ○ In some cases NHS figures in the annual accounts differed. Resolution during 17/18 to ensure alignment and consistent balances at 31/3/2018 would be helpful. 	

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	<ul style="list-style-type: none"> ○ Consistency is a concern eg hosted services and income/ expenditure presentation <p>A paper summarising feedback from a survey of IJB CFOs was tabled (copy circulated separately). In discussion:</p> <ul style="list-style-type: none"> • LASAAC guidance was helpful and fairly clear • It is a challenge to determine to what extent variations reflect differences in the underlying arrangements and operation of IJBs, and what are simply due to differences in presentation • The process did not appear to be 'light touch' as originally hoped • No specific audit disclosure checklist for IJBs • The template and workshop approach organised by the IJBs for 16/17 had helped and a similar exercise for 17/18 may be undertaken. <p>The plan for a successor to IRAG (eg a Finance Support Group) was noted. This may result in more consistent financial management and reporting arrangements.</p> <p>Audit Scotland plan to review all IJB 16/17 accounts.</p> <p>In summary 2016/17 Accounts had identified issues but few of these were thought to require changes to the updated LASAAC guidance. It was agreed to reconsider the need for guidance changes once the Audit Scotland review results are available.</p> <p>Action:</p> <ul style="list-style-type: none"> • LASAAC review of Integration Guidance to be scheduled following Audit Scotland's analysis of IJB accounts <p><Stephen Reid left during this item></p>	G. Davies
46/17	<p>Date of Valuation of Property, Plant & Equipment</p> <p>The paper was reviewed. A number of prior period restatements have occurred due to PP&E matters. In the example cited the council revalued every 5 years (i.e. not a rolling programme).</p> <p>The Code requirements are clear that the balance sheet should reflect, in material terms, the position at 31 March.</p> <p>In discussion:</p> <ul style="list-style-type: none"> • A large change in value for 20% of a rolling programme could suggest the whole portfolio required revaluation • Valuation practices were queried. <ul style="list-style-type: none"> ○ One council noted a 1 April valuation is obtained but that this is available for audit before the 'old year' accounts are closed. 	

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	<ul style="list-style-type: none"> ○ One council use 1 April valuations for the 31 March (day before) value. ○ In practice valuations are undertaken through the year. It is understood that when the valuation certification is made the valuer adjusts for any intervening changes in the asset or market. <ul style="list-style-type: none"> • It is important to understand the practical and cost ramifications of changing to 31 March for those councils using opening 1 April valuations as the basis for the closing balance sheet. • The reason for using 1 April valuations may be related to depreciation calculation policies. • Taxpayer funding may not be affected but the issue affects the 'true and fair view' in the accounts. <p>Action:</p> <ul style="list-style-type: none"> • Date of valuation of property, plant and equipment to be added to the 18/19 workplan <p><Lesley Bairden left during this item></p>	G. Davies
47/17	<p>Insurance Fund Accounting Questionnaire</p> <p>Subject to amendments to reflect comments provided by Hazel regarding the connection to Local Financial Returns the questionnaire was approved.</p> <p>Action:</p> <ul style="list-style-type: none"> • Insurance Fund Accounting questionnaire to be finalised and issued for consultation 	G. Davies
48/17	<p>Audit Scotland Update</p> <p>Graham Sharp is the new Accounts Commission Chair.</p> <p>The Local Government financial overview is due to be published (end Nov):</p> <ul style="list-style-type: none"> • Signs of financial stress • Reserves falling • Housing Section anticipated <p>A Best Value report has been issued (Renfrewshire) with more to follow (including West Lothian and Clackmannanshire).</p> <p>Performance audits on Equal Pay and Ferries have been issued.</p> <p>Audits 16/17</p> <ul style="list-style-type: none"> • Most accounts made the deadline • Some issues re securing signatures after approval by Committee. <ul style="list-style-type: none"> ○ The challenges of the required process were discussed. ○ Encouraging all signatories to attend the approving 	

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	<p>committee could assist the process.</p> <ul style="list-style-type: none"> • A small number of STOs did not meet the statutory 3 year break even target <p>It was indicated that the Scottish Government intended to undertake a shadow year exercise for Whole of Scotland Government Accounts. The inclusion of local government and LASAAC's role in this was discussed.</p>																	
49/17	<p>CIPFA/LAAP Update</p> <p>A Scottish Government consultation on Regional Transport Partnerships, specifically their ability to hold reserves, was noted to have been issued.</p> <p>The revised Prudential Code and Treasury Management Code are due for issue in January. They are expected to apply to 2018/19, which will require the proposed Capital Strategy report to be approved beforehand (eg at the same time as the revenue budget is set).</p>																	
50/17	<p>Any Other Business</p> <p>All councils have received FoI requests relating to LFR 3 (Social Work).</p> <ul style="list-style-type: none"> • One council declined to respond on the basis that it would prejudice the efficient and effective working of government to release the data before validation and correction has been completed • One council provided the data but emphasised it was subject to amendment 																	
51/17	<p>Future Meeting Dates</p> <p>All LASAAC meetings are planned to be at CIPFA 160 Dundee Street Edinburgh EH11 1DQ. The planned meeting dates are:</p> <table border="1"> <thead> <tr> <th>Day</th> <th>Date</th> <th>Start</th> <th>CIPFA-LASAAC</th> </tr> </thead> <tbody> <tr> <td>Tuesday</td> <td>13 Feb 2018</td> <td>14:00</td> <td>28 Feb (London)</td> </tr> <tr> <td>Thursday</td> <td>24 May 2018</td> <td>14:00</td> <td>5 June (Edinburgh)</td> </tr> <tr> <td>Thursday</td> <td>23 August 2018</td> <td>14:00</td> <td>N/A</td> </tr> </tbody> </table>	Day	Date	Start	CIPFA-LASAAC	Tuesday	13 Feb 2018	14:00	28 Feb (London)	Thursday	24 May 2018	14:00	5 June (Edinburgh)	Thursday	23 August 2018	14:00	N/A	
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ACTION POINTS FROM LASAAC MEETING OF 30 October 2017

	Minute Ref	Action	Action By	Status At 06/02/18
A	41/17	Minutes to be updated on website	G. Davies	Complete
B	42/17	Derek Glover and Derek Yule to be thanked for their service on LASAAC	G. Davies	In progress
C	43/17	Workplan to be amended to include ALEOs and Universal Credit as watching briefs	G. Davies	Complete
D	44/17	CIPFA-LASAAC secretary to be informed of LASAAC representative changes on CIPFA-LASAAC	G. Davies	Complete
E	44/17	LASAAC to promote response to the IFRS 16 Leases consultation when issued	All members	Pending
F	44/17	LASAAC members to be kept informed of CIPFA-LASAAC decisions on the IFRS 16 Leases Consultation	G. Davies	On agenda
G	45/17	LASAAC review of Integration Guidance to be scheduled following Audit Scotland's analysis of IJB accounts	G. Davies	Complete (on workplan)
H	46/17	Date of valuation of property, plant and equipment to be added to the 18/19 workplan	G. Davies	Complete
I	47/17	Insurance Fund Accounting questionnaire to be finalised and issued for consultation	G. Davies	Complete

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