

LASAAC MINUTES

[Approved by Committee on 12 June 2014]

Meeting of 12 March 2014.

CIPFA Scotland, Beaverbank Business Park, 22 Logie Mill
Edinburgh EH7 4HG

Present: In Edinburgh: Fiona Kordiak, Ian Robbie, Derek Glover, Valerie Davidson, David Watt, Nick Bennett, Hazel Black, Tom Simpson, Russell Frith; By telephone: Bruce West, Derek Yule, Ian Lorimer, Marjory Stewart (joined item 1)

Apologies: Hugh Dunn

Guests Attending: Christine Francis, Graeme Ferguson (SCOTS)

In attendance: Gareth Davies

Minute Ref		Action
01/14	<p>Transport Infrastructure Valuation</p> <p>Fiona, acting as Chair, welcomed Christine Francis & Graeme Ferguson of SCOTS (Society of Chief Officers of Transportation in Scotland).</p> <p><u>SCOTS Overview</u></p> <p>Christine provided an overview:</p> <ul style="list-style-type: none">• A current valuation figure for Transport Infrastructure was required by Whole of Government Accounts returns• Initial dialogue had been held with financial colleagues to establish a common understanding• SCOTS objective was primarily to ensure that the information required for Asset Management Planning (AMP) was available.• For financial reporting purposes the objective was to minimise any further data requirements that could impose an additional resource or cost burden• SCOTS were largely supportive of a current value approach, since historic cost was not representative of the value of transport assets and risks masking the level of investment required in these assets. Use of current value would provide more meaningful information to decision makers (e.g. councillors). <p><u>Financial Reporting Overview</u></p> <p>Gareth highlighted from the paper:</p> <ul style="list-style-type: none">• For financial reporting the overall objective to provide a 'true and fair' presentation• current value of, and depreciation charges for, transport assets would be significant in scale• this implies that for practical purposes a reasonable degree of tolerance in assessing materiality would be appropriate• It should be understood that the figures would be a 'best estimate' (cf pensions liabilities) rather than precisely	

known.

Analysis of Asset Current Values

Christine had undertaken a review of asset valuations for a number of authorities. Typically carriageways represented approximately 80% of the Gross Replacement Cost (GRC) of all transport infrastructure. This category would therefore normally be critical to the valuation.

Christine noted that the percentage would generally be lower for urban areas / cities (e.g. 65%) since such areas typically had more traffic control, public transport assets (eg bus 'real-time' information systems) and junctions.

Footways, Structures and street lighting generally represented most of the remaining balance of GRC value for most authorities. Other categories were less significant (eg street furniture was typically < 1% of the GRC).

Data Quality

SCOTS considered that the data for carriageways (including length & area), footways, structures, street lighting and traffic management was fairly reliable. Data for other categories may be less robust.

Rate Mismatch (Carriageways etc)

Christine noted:

- GRC carriageway valuation used a 'base rate' with a local 'regional' weighting factor applied. Both of these were set centrally.
- Two issues arose from this:
 - only one weighting factor was set for the whole of Scotland, which would not adequately reflect the rates applicable in each Scottish council (e.g. rates for a rural area were likely to differ significantly from an urban area)
 - the calculation of DRC (Depreciated Replacement Cost) was based on local rates (e.g. which would more accurately reflect actual costs for individual authorities). Therefore GRC and DRC were not calculated on the same basis.

Carriageways – Sampling Approach

Christine and Graeme explained that SCOTS had an 'all Scotland' contract with an operator for surveying carriageway condition. An all Scotland survey has been undertaken for some 10 years, with the last 6 or 7 years being more consistent within the UK framework. The survey uses laser based equipment on the road surface.

The sampling approach was:

A & B Roads	100% of the carriageway in one direction. In the second year 100% of the return direction would be undertaken. (i.e. full area surveyed over 2 years).	Rolling average approach used over 2 years
C Roads	50% of the carriageway in one direction each year (i.e. full area surveyed over 4 years)	Rolling average used over 2 years
Unclassified Roads	10% surveyed each year. It was noted that England had generally opted not to machine survey unclassified roads.	Rolling average over 4 years

Carriageways – Volatility of Valuation [I - Sampling]

Russell queried the potential causes of volatility.

Graeme explained that a sampling approach involved a risk of volatility. As an example one council had surveyed unclassified roads in area 'a' in year one. This however was not a broadly representative area (carriageways were in particularly poor condition) and in year two area 'b' was much more representative. This could result in overall volatility.

Christine noted that increasing the sample size for unclassified roads would probably be physically impossible and impractical in cost terms. Graeme commented that following significant volatility English authorities were now considering moving from visual inspection to machine inspection of unclassified roads.

Hazel queried the volume of unclassified roads. It was suggested that unclassified roads could represent 50-80% of the carriageway assets.

Carriageways – Valuation Frequency

Valerie queried why some roads were surveyed more often than once every 5 years, as this was not an accounting requirement.

Christine explained that the frequency supported AMP rather than financial reporting, since significant changes in condition could occur due to extreme weather and other factors.

Hazel noted that the Code allowed a maximum of 5 years, but a reasonable estimate of the value at 31 March each year was required.

Tom emphasised that the role of the valuation for roads was different since sale was unlikely or impossible. As such AMP (e.g. investment and maintenance planning) would be the primary purpose. The AMP information should then feed into financial reporting.

Carriageways – Audit Considerations

Fiona noted that the sampling approach indicated seemed reasonable and acceptable. Nick concurred.

Nick queried the basis for using a 'set rate' and Scotland weighting for GRC valuation. Christine indicated this was a WGA requirement.

Russell commented that the use of local information and rates should be acceptable as long as it is of suitable quality and evidenced. It was suggested that the use of a central rate and factors was primarily to ensure a minimum quality of data for WGA. Graeme suggested that the latest version of the Transport Infrastructure Assets (TIA) Code preferred local rate application.

Asset Register Implications

The use of asset registers was discussed. It was noted that the FRem required that Transport Scotland included the road network as one asset in the financial statements.

Bruce suggested that asset registers would not be expected to hold a long list of individual assets and components.

Christine noted that terminology distinction between the accounting expectations of an asset register and engineers understanding would be important. This would be a key area for dialogue and liaison within each authority between finance and engineers.

<Marjory joined the meeting>

Carriageways – Volatility of Valuation [Rates Applied] & Consistency

Fiona noted that Transport Scotland road valuation could be volatile dependent on the underlying assumptions used. Derek Glover concurred.

Christine indicated that SCOTS were aware of volatility as a potential issue which was being tackled by providing additional advice, guidance and spreadsheet models. Achieving consistency of approach across Scotland was regarded as important to support comparison and benchmarking.

Fiona queried the impact of using local rates. Christine suggested that a good approach might be to use a 'base rate' with local weightings, possibly based on the SCOTS 'family groups' for authorities with similar characteristics.

Ian Lorimer questioned whether the valuations reflected factors which affected grant calculations (e.g. roads on peat were more expensive).

Nick and Hazel concurred that a level of comparability across the UK was important.

Christine noted that SCOTS were working with their counterparts in Wales which would support consistency for these territories.

Impairment - Potholes

Graeme commented that a bad winter could have an adverse impact on valuation. The survey timing however would make a difference to the timing of the impact. The laser survey technology does not work well in wet weather due to reflection, therefore surveys were timed for spring to autumn. Therefore the impact of a severe winter may not be evident in the valuation figures until the *following* financial year.

Graeme also noted that the survey technology was designed to assess the condition of the road as a whole, including lower base layers. It does not measure potholes.

Nick suggested this was a significant matter since generally potholes would be expected to affect the valuation, particularly as they could indicate the level of backlog maintenance required.

Christine stated that the survey is 'structural' and that potholes are not structural in nature. Nick concluded that the accounts may not reflect significant impairment due to potholes. Christine stated that no survey would ever be 100% accurate but that the existing approach gave a very good approximation of structural condition/ defects.

Graeme suggested that the indicators used would be affected by the available technology and that the current indicators may lag behind available technology.

Christine stated that the existing data was used for modelling for AMP purposes over 10 to 20 years and was uncertain whether the financial statements required more accurate information. The underlying question was whether the sampling approach and the existing assessments and measurements were sufficient for financial reporting.

Derek Glover indicated he considered it was.

Split of Revenue and Capital

Russell queried the split between surface and structural defects.

Graeme suggested that at present councils would sometimes capitalise different items. Structural patching was an example.

Russell noted that a mismatch between the measurement approach and the classification of spend (eg if work was charged to revenue it should not be treated as a capital asset addition)

Christine indicated that one (urban) council regarded about 15% of routine annual spend as being related to potholes (revenue), with the rest being resurfacing (capital) . The split between revenue and capital is quite blurred. Many councils now carry out all their resurfacing as Capital works but some still class these works as revenue. In asset management terms SCOTS count any work

which prolongs the life of the road in their cost projection modelling, regardless of the funding source. Graeme stated that, using AMP, authorities were trying to spend more wisely and were reviewing current treatment approaches (eg road prioritisation).

Structural Expenditure

With respect to the underlying structural condition Hazel questioned whether there were any data gaps – i.e. any difference between the data available and the data needed?

David queried how quickly structural expenditure would be reflected by an increase in the GRC. Graeme stated that due to the sampling approach it could be some time before a significant change was seen in the GRC. Russell noted that this would be true for unclassified roads but that for A & B roads it should be much quicker.

Fiona indicated that generally the information should still be sufficient for financial reporting.

Nick noted some concern regarding the extent of structural pothole defects that may not be reflected. Fiona suggested that consistency in this area was probably the key requirement, especially regarding the revenue / capital split.

Budgeting / Capital Planning

Derek Glover questioned whether all authorities were using the AMP data for planning and budgeting purposes. Christine indicated this was the expectation. In one (urban) authority the AMP data was being used to inform councillors when they were making resource allocation decisions.

Hazel stated that if that was the case reflecting this in financial statements was sensible. It would be undesirable to devote significant resources to current value data if this was not used in decisions.

Christine confirmed her opening statement that the primary objective was AMP and to avoid significant additional work in producing the financial statements.

Asset Register Usage

Russell and Derek Glover suggested that asset registers could just present a single asset to represent Transport Infrastructure Assets in the financial statements. It would be open to authorities whether to provide more details and whether to record a single asset in the asset register or to use sub-categories (eg A&B Class Roads, C Class etc etc).

Example Data

Fiona questioned how to progress the topic. Christine suggested that sample figures could be provided if desired. The main focus

	<p>was on carriageways with less reliable data for street furniture.</p> <p>Hazel and Fiona suggested a trial example could be undertaken with open dialogue maintained.</p> <p><u>Structures</u></p> <p>Russell questioned how well developed valuation of structures was.</p> <p>Graeme indicated that bridge engineering data was reliable with significant detail held. Data for other structures, such as culverts and retaining walls was less comprehensive. Christine noted that there may be more variability in the rates used for structures. David suggested that the use of a Modern Equivalent Asset (MEA) approach could also result in changes.</p> <p>Christine suggested that steps to ensure consistency of approach may be indicated, particularly regarding the spreadsheet models and rates used. For one authority it was noted that structures represented about 7% of the TIA GRC.</p> <p><u>Land</u></p> <p>Nick queried the valuation of land. Christine stated that SCOTS had followed Transport Scotland's land value calculations and rates. Graeme noted that generally the land area was derived from the carriageway measurement by adding 2m to each side to allow for extra width.</p> <p>Christine questioned whether the land should be valued since there was no other use for it and it generally provided no useful information for AMP.</p> <p>David noted that land values would affect the building of new roads. Graeme indicated that completely new roads were rarely built. Russell suggested that land for new roads on housing developments was normally provided by the developer.</p> <p><u>Other Related Infrastructure</u></p> <p>Valerie asked whether segregated roads were treated differently (e.g. roads split between tram use and car use). Christine stated the same rates would usually apply for AMP purposes unless there were different materials required. Following a query by Nick, Christine indicated that embedded tram rails were excluded from carriageway valuation and would be valued separately. Fiona concurred citing Edinburgh as an example.</p> <p>Fiona thanked Christine and Graeme for the extremely informative and helpful discussion. Future action was agreed:</p> <p>Action: Transport Infrastructure- Secretary to liaise with Transport Scotland and SCOTS to establish existing central government approach to AMP and financial reporting, with a report to the June meeting.</p>	<p>G Davies, [in co- operation with C Francis & g Ferguson of</p>
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	<p>Action: Transport Infrastructure- Continuing dialogue and co-operation with SCOTS to be maintained.</p>	<p>SCOTS] G Davies</p>
02/14	<p>Apologies</p> <p>Hugh Dunn submitted apologies prior to the meeting</p>	
03/14	<p>Minutes of the meeting held 7 November 2013</p> <p>Page 3: Marjory noted that 'Criminal Justice Authority' should be amended to 'Community Justice Authority'.</p> <p>Subject to this amendment the minutes were approved</p> <p>Action: Minutes of 7 November to be loaded to the website</p> <p>The action points were reviewed:</p> <ul style="list-style-type: none"> • identification of good practice examples for simplification of the accounts was highlighted as a continuing item. Fiona noted that this would be progressed in parallel with CIPFA-LASAAC action on good practice 	<p>G Davies</p>
04/14	<p>Membership and Attendance</p> <p><u>Membership</u> : The paper was noted.</p> <p><u>Attendance</u> : the paper was noted.</p> <p>Action: Secretary to contact Hugh to confirm attendance at June meeting</p>	<p>G Davies, H Dunn</p>
05/14	<p>Work Plan 2013/14</p> <p>The paper was reviewed.</p> <p>Following a query from Ian Lorimer it was confirmed that any under-utilisation of resources for the year remained with CIPFA. David noted that any overspend would equally be CIPFA's responsibility.</p> <p>Bruce noted, as a lead officer, that progress was dependent on the time available from those involved and that realism was required in reviewing progress and in the development of future plans.</p> <p>Fiona concurred that forward plans should reflect both time and funding availability.</p> <p>Hazel commented that progress on some work items, such as replacement of the 1985 regulations and the health & social integration agenda, was dependent on external factors. Derek Yule agreed noting that in some instances external factors could affect whether work was in LASAAC's remit; the timing of LASAAC involvement or whether LASAAC input was needed.</p>	

	<p>Fiona indicated that future workplans should clearly identify external dependencies. Hazel agreed suggesting that some could be regarded as 'internal' and some as 'responsive'.</p>	
<p>06/14</p>	<p>LASAAC Membership 2014/15</p> <p><u>ACCA Withdrawal</u></p> <p>Fiona noted ACCA's indication of withdrawal from membership, suggesting that two related issues arising from this could be discussed:</p> <ul style="list-style-type: none"> • the balance of representation on LASAAC • the funding arrangements for LASAAC <p>On both of these issues Fiona suggested that a short-term approach would be needed while a longer-term arrangement was arrived at.</p> <p>Nick questioned ACCA's reason for withdrawal. Tom indicated that his understanding was that ACCA Scotland had been faced with the choice of either continuing LASAAC membership or continuing support for other existing ACCA member networks in Scotland. Given that ACCA UK had a public sector policy unit, and on a balance of consideration, it appeared that ACCA Scotland had concluded that LASAAC withdrawal was a more appropriate means of aligning its resources to its Scottish priorities.</p> <p><u>Notification Period</u></p> <p>Valerie noted that the constitution did not appear to allow for, or require, a set notification period for planned withdrawal. A longer notice period would have allowed more time to plan for the change. Hazel concurred that usually a year's notice of withdrawal might be anticipated.</p> <p>Valerie commented that it was unfortunate that this could leave ACCA with no direct involvement in Scottish local government financial reporting. Tom noted that ACCA would presumably provide input to local government finance through other channels, such as its public sector forum.</p> <p><u>CIPFA-LASAAC</u></p> <p>Derek Glover asked whether ACCA were represented on CIPFA-LASAAC. It was noted that members or observers on CIPFA-LASAAC may be ACCA qualified, but did not specifically represent ACCA.</p> <p><u>Other Funder Intentions</u></p> <p>Ian Lorimer queried whether ACCA withdrawal meant other funders were reconsidering their position.</p> <p>Ian Robbie indicated that any increase in requested funding may prompt a re-evaluation of ICAS involvement. David and Nick concurred. Nick expressed disappointment at ACCA's decision but accepted that ACCA were unlikely to reconsider.</p>	

	<p>Hazel and Russell indicated that the Scottish Government and Audit Scotland expected to continue participation in LASAAC.</p> <p>Fiona noted that LASAAC should write to ACCA. Derek Yule commented that there was a loss of influence and involvement on ACCA's part in LASAAC and CIPFA-LASAAC. Additionally the loss of practitioner input could be a significant issue to address.</p> <p>Action: secretary to draft a letter to ACCA expressing LASAAC disappointment at withdrawal but also recognition of the support and practitioner engagement in the past.</p> <p><u>Directors of Finance Section</u></p> <p>Nick suggested that rather than lose funding or request a compensating increase the Directors of Finance section may wish to contribute to maintain practitioner and council representation. Fiona suggested this would assist. Marjory concurred noting that the balance of representation was important, whatever the funding arrangements were. It had also become more problematic to find ACCA members to volunteer for participation.</p> <p>It was suggested that a 'per authority' contribution from the Directors of Finance of under £400 would maintain funding levels and representation if this could be agreed.</p> <p>Ian Lorimer suggested that if resources were currently under-budgeted it may not be necessary to maintain exactly the same level of funding.</p> <p><u>LASAAC Remit, Role and Stakeholders</u></p> <p>David suggested that a review of LASAAC's remit and activities may be indicated. Hazel concurred noting that the constitution would require revision.</p> <p>David queried whether LASAAC was supported by, or referred to, in legislation. Derek Glover and Hazel indicated that LASAAC did not have a legally recognised basis but was part of a framework of recognised accounting requirements for Scottish local government. Derek Glover commented that LASAAC's representation of Scotland in the development of the code was very useful, and that if voluntary arrangements lapsed the potential existed for requirements to be determined by FRAB.</p> <p>David Watt noted that stakeholders were more involved in the local authority Code development. Hazel concurred noting that LASAAC was a valuable resource.</p> <p>A discussion of LASAAC participants and beneficiaries suggested that the main stakeholders are auditors, Scottish Government and local government finance staff.</p> <p><u>Future Funding Considerations</u></p> <p>Nick noted that potentially in future underspends arising could be rebated back to the funding bodies.</p>	<p>G Davies, D Yule</p>
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<p>Hazel suggested that any future approach would need to be pragmatic in terms of the support time available. Valerie commented that this could be accompanied by re-focusing on LASAAC's objectives, particularly its influencing role. Hazel cited the earlier Transport Infrastructure discussion as an example of the role of LASAAC as a communication forum.</p> <p>Ian Lorimer noted that the DoF Section had a small level of subscriptions with no resource held. Generally many activities were supported by sponsorship. Any funding for LASAAC would ultimately be from councils and this raised a question of principle regarding organisation membership. Marjory suggested practitioner involvement was important. Ian Lorimer noted that funding and representation were linked.</p> <p>Bruce foresaw practical difficulties arising, for example if not all councils agreed to funding via the Directors of Finance Section.</p> <p><u>Proposed Action – Longer Term Arrangements</u></p> <p>Fiona indicated that a potential approach was:</p> <ul style="list-style-type: none"> • review the constitution and identify the beneficiaries of LASAAC's work • this should provide a basis for identifying appropriate representation on LASAAC • this should lead to the development of an appropriate funding agreement <p>Ian Lorimer agreed. The potential for other institutes to be involved was raised.</p> <p>It was agreed that the Chair (Derek Yule), Vice Chair (Fiona) and the secretary should liaise on this review and stakeholder consultation.</p> <p>Action: Chair, Vice Chair and Secretary to liaise regarding review and stakeholder dialogue</p> <p><u>Proposed Action – Short-Term Arrangements</u></p> <p>Russell suggested that in the interim the remaining funders could be requested to maintain their existing contribution levels to allow continuance into 2014/15. Nick and Hazel concurred.</p> <p>Marjory noted that the existing ACCA representatives would formally have to withdraw before the June meeting.</p> <p>The potential for co-option was raised. Two remaining co-option vacancies existed. Russell and Hazel noted that Audit Scotland and the Scottish Government had representative vacancies, and that these were not restricted to direct staff.</p> <p>Bruce and Tom indicated that they would be content to be co-opted until at least the June meeting. Marjory indicated that she would be content to step down if this assisted.</p> <p>Action: Funding request, at existing funding body</p>	<p>D Yule, F Kordiak, G Davies</p> <p>G Davies</p>
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	<p>contribution levels of £11,785, for 2014/15 to be submitted to funding bodies</p> <p>Action: Bruce and Tom to be co-opted members for 2014/15.</p>	<p>B West, T Simpson, G Davies</p>
<p>07/14</p>	<p>CIPFA-LASAAC Code Board</p> <p>Gareth commented that the maintained schools consultation will close on 4 April 2014, and that a technical alert clarification on the frequency of property, plant & equipment valuation was to be issued subject to CIPFA-LASAAC Chair approval.</p> <p>The paper was noted.</p>	
<p>08/14</p>	<p>Asset Decommissioning Obligations</p> <p>Gareth briefly outlined the background to the paper.</p> <p><u>LAAP Work</u></p> <p>Ian Lorimer queried CIPFA's Local Authority Accounting Panel (LAAP) timetable for considering asset decommissioning. It was indicated that LAAP was unlikely to produce guidance for 2013/14.</p> <p>Fiona and Nick indicated that deferral of LASAAC guidance into 2014/15 was not favoured. David concurred.</p> <p><u>Funding Impact Uncertainty</u></p> <p>Hazel suggested that the main area of uncertainty was not the accounting but the funding implications arising. Fiona queried whether LASAAC guidance could refer to the accounting issues in isolation. Hazel stated that this would then require the Scottish Government to issue additional guidance. Ideally the LASAAC guidance would address both accounting and funding.</p> <p>Ian Lorimer and Derek Yule noted that the funding issue was the more significant element for authorities. The role of statutory mitigation was raised.</p> <p>Derek Yule queried the scale of the funding implications. Fiona stated that it had been difficult to assess materiality. Many councils had disclosed contingent liabilities rather than definitive amounts.</p> <p>Derek Yule noted that Hazel's paper had raised a number of issues. At present current practice was normally to include decommissioning works in capital plans and fund or finance them as they arose.</p> <p><u>Capital Financing Requirement</u></p> <p>Nick queried the impact on the Capital Financing Requirement. Gareth suggested that a key question was whether a relevant provision should be treated like a capital creditor (increasing the CFR as it represents an underlying liability) or was different in</p>	

nature (is not regarded as an underlying liability until settlement is actually required).

Proposed Approach –Provision Supported by Loans Fund Advance

Bruce noted that the criteria for a provision had to be met before recognition as capital expenditure. This includes making a reliable estimate.

Bruce suggested that a loans fund advance should be created when estimated asset decommissioning costs are recognised and repaid over the life of the asset. This would require to be adjusted for any increases or decreases in the estimate of costs. The repayment of the loans fund advance over the life of the asset would ensure that income had been set aside over that period to ensure the cost of asset decommissioning was fully funded by the time it arises.

Bruce noted that if borrowing in advance of need was a concern the provision could be netted off in the calculation of the CFR.

Retrospective Application – Existing Obligations

Ian Robbie indicated the approach may be problematic for authorities which have not previously provided for decommissioning obligations. Fiona concurred, noting that significant prior period adjustments may be required.

Derek Yule indicated that many councils have planned for decommissioning costs in the capital plan. The impact of any guidance would need to be explored.

Ian Robbie commented that councils should have been building up an 'asset (eg cash) backed' provision for settlement when the asset is decommissioned. Derek Yule noted the technical accuracy of this but that councils were not in that position for existing obligations and were generally reliant on borrowing to finance the works.

Fiona suggested that cash was not the only focus but that the impact on the general fund should be considered. Bruce's proposal reflected a sense of intergenerational equity and seemed intrinsically sensible but the transitional General Fund impact could be a concern.

Hazel indicated a need for quantification. If a large impact was identified then transition arrangements for retrospective (pre-existing) obligations may be allowed e.g. by extending the advance repayment period beyond the asset's useful life. This may be subject to a maximum period.

Guidance – Timing and Content

Valerie queried whether it was too late for guidance for 2013/14. Russell indicated the issue had already been raised for 2012/13 as requiring resolution. Nick stated that there appeared to be widespread inconsistency in approach across Scotland and this

	<p>should be resolved for 2013/14.</p> <p>Hazel identified a need for transitional guidance and noted that a similar issue had arisen in relation to PFI recognition for some councils (where the long-term debtor for acquisition of the residual interest had not been charged to the General Fund).</p> <p>Derek Glover compared the situation to financial instruments implementation (specifically premia for the early repayment of debt). He noted that it was probably too late for the implementation of regulations or statutory guidance for 2013/14.</p> <p>Derek Yule noted that for a landfill site at or near its end of life a provision could be significant (e.g. several £m). Hazel suggested that the approach would be to allow advance repayments to be spread over a limited future period (e.g. 10 years).</p> <p>It was clarified that the impact on funding would change the profile of loans fund advances from those envisaged for the initial capital plan to the new proposed (possibly shorter) repayment period.</p> <p>Hazel stated a worked example should be provided. Tom suggested using a 'worst case' (landfill site use already ceased) scenario.</p> <p>Fiona indicated the guidance should detail the loans fund advance implications. Hazel stated that Scottish Government endorsement would be required.</p> <p>David requested that the guidance comments on materiality should be removed. Nick concurred.</p> <p>Action: Asset Decommissioning Obligations –Guidance on accounting, loans fund treatment and transitional arrangements to be developed as soon as possible with worked examples based on Highland and Argyll & Bute details. Materiality comments to be deleted. Scottish Government endorsement to be sought.</p> <p><u>Prospective Application</u></p> <p>In discussion it was ascertained that authorities were less likely to establish their own landfill sites but were moving towards use of independent contractors. As such the payments made by councils to contractors would be expected to include and cover the eventual costs of asset decommissioning.</p>	<p>G Davies, B West, D Yule, H Black</p>
<p>09/14</p>	<p>Audit Scotland Update</p> <p><u>Charities</u></p> <p>Russell noted:</p> <ul style="list-style-type: none"> • some progress by councils in reducing numbers (down from over 300 charities) but still over 100 charities • use could be made of OSCR options to reduce the number of returns (e.g. connected charities and re-organisation) • charities wound up in 2013/14 (or where application made 	

	<p>by 31/3/14) would not require a full audit</p> <p><u>Adult Health & Social Care Integration</u></p> <p>Russell noted the bill had now been passed with a 'body corporate' now being legally established as a section 106 body. It was considered likely that the Accounts Commission would appoint the existing authority audit to the body corporate audit for 2015/16.</p>	
<p>10/14</p>	<p>Scottish Government Update</p> <p>Hazel noted:</p> <p><u>Non-Domestic Rates (BRIS)</u></p> <ul style="list-style-type: none"> • variation in appeals decided during 2012/13 had been treated as a significant event by the Scottish Government with targets being adjusted • COSLA had requested that final 12/13 targets should be reviewed based on audited returns • The last two audited returns had only been received today (12 March) • COSLA were to consider the returns before final 12/13 targets were agreed <p><u>Non-Domestic Rates (TIF)</u></p> <ul style="list-style-type: none"> • 2 schemes approved • Guidance is to be issued on TIF as a Finance Circular – specifically on the allowance for debt costs when calculating the amount of TIF NDR that can be retained by an authority. The calculation will be based on the capital expenditure with a fixed interest rate. This is not expected to always match to the loans fund advance repayments being made by the authority. <p><u>Replacement of 1985 Regulations</u></p> <ul style="list-style-type: none"> • The regulations will not affect 2013/14 accounts. • The regulations may need to specifically reflect the treatment of the 'body corporate' as a s106 body <p>Valerie noted that the body corporate would appear to be in the same position as Strathclyde Partnership for Transport so the regulations may need to address SPT specifically as well.</p> <p><u>Replacement of 1985 Regulations – Smaller Bodies</u></p> <p>Hazel referred to the paper which had been distributed <i>[secretariat note: paper provided by Hazel on Tuesday but not e-mailed to members until Wednesday morning. Paper copies were also tabled]</i></p> <p>Hazel noted:</p> <ul style="list-style-type: none"> • The situation in England was different to Scotland. 	

- England has > 10,000 small bodies, largely parish councils and similar, which have an existing alternative regulatory and accounting framework to comply with
- Scotland has 33 section 106 bodies. No alternative regularity or accounting framework applies.
- Where it applies the Code of Practice does not currently differentiate between bodies of different size
- Specifying regulations that excluded some or all s106 bodies could result in the need to develop, from a blank slate, additional regulatory and accounting frameworks

Russell noted the concerns expressed over small bodies were whether the regulatory burden was proportionate. Nick agreed citing the need for public advertisement and public inspection.

Hazel questioned whether a criteria or threshold for 'smaller' bodies could be specified. Valerie queried English practice. Hazel stated the English threshold was linked to the companies act. Hazel had discussed the treatment with her English counter-part at DCLG.

Valerie indicated there was a 'two step' issue:

- How to deal with s106 bodies
- And
- How to deal with small s106 bodies.

Valerie suggested a full audit for small s106 bodies may be excessive. Hazel indicated a desire to avoid developing a new and separate framework specifically for a small number of small bodies.

<Bruce left the meeting>

Fiona suggested the underlying question was why some really small bodies existed. Valerie suggested the intention was to facilitate joint working. Hazel noted that setting a threshold may have the effect of encouraging an increase in the number of bodies below the threshold. Additionally there had previously been significant focus on ALEOs.

Nick suggested that anything that was superfluous to the companies act could possibly be eliminated for small bodies. Hazel noted that primary legislation could not be changed but administration issues could be tackled. Hazel noted that potentially the Code could specify the accounting treatment for small s106 bodies. The Scottish Government was unlikely to do this.

Fiona noted that the regulations would not affect 2013/14. It was agreed that all members should review the draft regulations to provide Hazel with comments. These could address

- Which specific elements could be a burden for small s106 bodies
- What threshold criteria might be applied to define

	<p>small s106 bodies</p> <ul style="list-style-type: none"> • Potential solutions or treatments <p>Action: Replacement of 1985 regulations – all members to review the regulations to provide Hazel with any suggestions on the treatment of small s106 bodies</p>	All members
11/14	<p>CIPFA and LAAP Update</p> <p>The paper was noted. Marjory requested early issuance of the LAAP bulletin if possible.</p>	
12/14	<p>Next Meeting</p> <p>ACTION: Dates for next meeting 10 am Thursday 12 June 2014</p>	G Davies

ACTION POINTS FROM LASAAC MEETING OF 12 March November 2014

	Minute Ref	Action	Action By	Status At
A	1/14	Transport Infrastructure- Secretary to liaise with Transport Scotland and SCOTS to establish existing central government approach to AMP and financial reporting, with a report to the June meeting.	G Davies, [in co-operation with C Francis & g Ferguson of SCOTS]	Ongoing
B	1/14	Transport Infrastructure- Continuing dialogue and co-operation with SCOTS to be maintained.	G Davies	Ongoing
C	2/14	Minutes of 7 November to be loaded to the website	G Davies	Complete
D	4/14	Secretary to contact Hugh to confirm attendance at June meeting	G Davies, H Dunn	Complete
E	6/14	secretary to draft a letter to ACCA expressing LASAAC disappointment at withdrawal but also recognition of the support and practitioner engagement in the past	G Davies, D Yule	Complete
F	6/14	Chair, Vice Chair and Secretary to liaise regarding review and stakeholder dialogue	D Yule, F Kordiak, G Davies	On agenda
G	6/14	Funding request, at existing funding body contribution levels of £11,785, for 2014/15 to be submitted to funding bodies	G Davies	Complete
H	6/14	Bruce and Tom to be co-opted members for 2014/15	B West, T Simpson, G Davies	Complete
I	8/14	Asset Decommissioning Obligations –Guidance on accounting, loans fund treatment and transitional arrangements to be developed as soon as possible with worked examples based on Highland and Argyll & Bute details. Materiality comments to be deleted. Scottish Government endorsement to be sought	G Davies, B West, D Yule, H Black	On agenda
J	10/14	Replacement of 1985 regulations – all members to review the regulations to provide Hazel with any suggestions on the treatment of small s106 bodies	All members	Complete