

LASAAC MINUTES

[Approved by LASAAC 13 August 2014]

Meeting of 12 June 2014,

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

Present: In Edinburgh: Fiona Kordiak, Derek Yule, Hugh Dunn, Russell Frith, Hazel Black, Nick Bennett, David Watt, Ian Robbie; By telephone: Valerie Davidson, Tom Simpson

Apologies: Bruce West, Ian Lorimer, Derek Glover

In attendance: Gareth Davies

Minute Ref		Action
13/14	<p>Chair Introduction</p> <p>In his last meeting as Chair, Derek noted that LASAAC was in a position to continue the simplification of the financial statements and to modernise itself.</p> <p>Fiona assumed the Chair and, on behalf of the Committee, thanked Derek for his leadership and for supporting a group discussion approach in LASAAC meetings. Fiona noted that key issues for LASAAC would be:</p> <ul style="list-style-type: none"> • Clarification of its aims and objectives • Simplification of the accounts, especially through CIPFA-LASAAC • Integration of adult health and social care • Early preparation for transport infrastructure valuation 	
14/14	<p>Minutes of the meeting held 12 March 2014</p> <p>The minutes were approved.</p> <p>Action:</p> <ul style="list-style-type: none"> • Approved minutes to be loaded to website • Transport Infrastructure: LASAAC secretary to meet with Transport Scotland finance staff next week 	G Davies G Davies
15/14	<p>Membership and Attendance</p> <p>The papers were noted.</p>	
16/14	<p>Annual Report 2013/14</p> <ul style="list-style-type: none"> • It was queried whether evidence existed to suggest that 	

LASAAC is funded by:

	<p>LASAAC guidance supported consistency. Queries received indicated that guidance was used. Some guidance may require 'lead' time to implement but is still effective</p> <ul style="list-style-type: none"> • The benefits of LASAAC's activities could be more actively profiled. Noted that practitioner groups benefitted. • LASAAC activities to be clearly linked to the agreed LASAAC objectives in future. <p>The report was approved.</p>	
17/14	<p>LASAAC Membership Review</p> <p>Fiona identified three key issues:</p> <ul style="list-style-type: none"> • Aims and objectives • Membership • Funding options <p><u>Aims & Objectives</u></p> <p>In group discussion the following points were raised:</p> <p>Benefits</p> <ul style="list-style-type: none"> • LASAAC helped to prevent parties 're-inventing the wheel' • Influence and participation in CIPFA-LASAAC is important to present a Scottish perspective • LASAAC activities are wider than CIPFA-LASAAC. • Transparency in reporting is a core principle • The forum provided for collaborative working is a key benefit. <p>Objectives:</p> <ul style="list-style-type: none"> • The word 'interface' in the objectives should be replaced. • The objectives should include the quantification of the impact of changes in accounting requirements (e.g. IFRS implementation) • Objective 3 should be merged with objective 1. • LASAAC's objectives could be rephrased and widened in remit. 'Financial statements' should be widened to 'financial reporting' • Objective 4 – was more of a 'means' statement rather than an objective and should be removed <p>Communication</p> <ul style="list-style-type: none"> • Improving communication with stakeholders should be achieved • Different communication routes to be explored • LASAAC role to be emphasised • Potential for an e-mail flyer • Active distribution / mailing list for LASAAC items should be undertaken <p>Status of LASAAC Guidance</p>	

LASAAC is funded by:

	<ul style="list-style-type: none"> • Scottish Government to consider means of recognising or endorsing LASAAC guidance <p><u>Membership</u></p> <p>Modernisation</p> <ul style="list-style-type: none"> • Physical meetings are regarded as preferable but they need to include appropriate IT facilities (eg video / telephone conference) to facilitate participation by those facing time and travel limitations. • More microphones (cf COSLA) would be beneficial. • Potential CIPFA location moves should allow scope for IT improvement <p>Member Participation</p> <ul style="list-style-type: none"> • There is scope to alter the number of meetings per year and for more communication and activity between meetings • The model of working could be altered with less reliance on a significant volume of prepared papers, with more reliance on raising issues in discussion and member capacity to identify and comment directly on issues arising. • Increased scope for substitution exists, with substitution nominations presumably being at the discretion of the relevant funding body. This would assist in widening the participation base and succession planning. The benefits of consistent attendance were also noted. <p>Widening the membership base</p> <ul style="list-style-type: none"> • Members on LASAAC currently represented funding bodies not necessarily the employing organisations, although this does allow the experience & knowledge of different groups to be expressed • There is a need to balance experience, knowledge and strategic oversight with representation from practitioners and non-public sector participants. • Valerie Davidson indicated that she wished to retire from the committee. The Chair thanked Valerie for her participation. • 'Practitioners' refers to both audit and local government staff. The term statement preparers may be useful for differentiation. • The need for a formal membership 'quota' (second half of table, Appendix B) was not clear. Facility for appropriate co-option and ensuring access to appropriate skills could allow a more flexible approach. • Director of Finance nomination of statement preparers, for instance from a statement preparers group, would be beneficial. Potentially the councils, via the DoFs, could provide funding. • A request for co-option from a private sector (non-ICAS) auditor was considered. The committee considered that this should be postponed until a DoF section response on 	
--	--	--

LASAAC is funded by:

	<p>representation had been received.</p> <ul style="list-style-type: none"> • Currently representation of the private sector audit community was generally via ICAS nomination. This potentially creates entry difficulties for non-ICAS private auditors. • A 'conflict of interest' could arise if auditors were involved in developing accounting regulations. • Ensuring the right people are involved is essential. Participation in LASAAC requires active contribution. • Balance of representation is essential – the present situation is losing the balance regarding DoF / statement preparer representation. • Clarity on whether funders were contributing for places or the ability to influence outcomes is required. • Wider engagement with stakeholders (e.g. statement preparers & audit practitioners) does not need to rely on co-option. More use of a working group approach would assist. • The Scottish Government and Audit Scotland would consider utilisation of their vacancies for other representatives. • Participation in LASAAC activities, in whatever form, should be promoted and recognised as a means of career development / CPD. <p>Funding & Resource</p> <p>Benefits for funding bodies</p> <ul style="list-style-type: none"> • Demonstrating value for money for funding organisations is essential. A key aspect should be the delivery of agreed outcomes. • The revenue generating potential of Code development was discussed. • The market for Code sales in Scotland is limited (32 councils + others suggests annual sales of some 40 copies). • The costs of Code production (e.g. editorial preparation & printing) are not charged to CIPFA-LASAAC or LASAAC. • Simplification of the accounts to be advanced through CIPFA-LASAAC work. LASAAC members have already volunteered for involvement. • General activity to raise awareness of LASAAC was supported in principle but input would need to be limited to ensure that the reduced resources were focused on outcome achievement • Use of logos on LASAAC papers etc to recognise funding body contributions to proceed <p>LASAAC Resource</p> <ul style="list-style-type: none"> • Concern was expressed over the capacity for continuing project based work (e.g. the work on asset 	
--	---	--

LASAAC is funded by:



The Scottish Government

	<p>decommissioning was cited)</p> <ul style="list-style-type: none"> • It was noted that a drop of 20% in resource availability would have an impact. • Modernisation of arrangements as discussed to lessen the bureaucracy and paperwork of core business would help to mitigate. • Project work could be anticipated to require a wider participation base with more focus on principles rather than detailed guidance examples. • The need for a 2014-15 work plan to clarify the split between core and non-core (project) work was noted. <p>Action:</p> <ul style="list-style-type: none"> • LASAAC Objectives: the initial draft objectives should be amended as discussed • LASAAC Communication: Improved communication routes to be explored • LASAAC Guidance: Scottish Government formal support for LASAAC guidance to be investigated • Membership: Role of substitutions to be addressed in plans • Widening membership base: DoF Section to be formally invited to support practitioner representation (3 places), with clear explanation of benefits for authorities • Benefits for funders: LASAAC to formally request information on the costs and revenues of Code publication relative to Scotland • Benefits for funders: Logos to be added to LASAAC papers etc to recognise funding body contributions 	<p>G Davies</p> <p>G Davies</p> <p>H Black</p> <p>G Davies</p> <p>F Kordiak / G Davies</p> <p>F Kordiak / G Davies</p> <p>G Davies</p>
18/14	<p>LASAAC Work Plan 2013-14 & 2014-15</p> <p>The work plan for 2013-14 was noted.</p> <p>2014-15 work plan to be developed including:</p> <ul style="list-style-type: none"> • Integration of adult health & social care <ul style="list-style-type: none"> ◦ Primary focus on suitability of the guidance issued • Replacement of 1985 regulations: <ul style="list-style-type: none"> ◦ Role envisaged in development of management commentary requirements • Infrastructure Assets: <ul style="list-style-type: none"> ◦ Watching brief on Scottish specific elements <p>Action:</p> <ul style="list-style-type: none"> • Work Plan 2014-15 to be developed including integration, replacement 1985 regulations & infrastructure assets 	<p>G Davies</p>
19/14	Asset Decommissioning Obligations	

LASAAC is funded by:

	<p>[Valerie Davidson left the meeting during this item]</p> <p>Gareth noted that the exercise had assisted in demonstrating issues arising from practical implementation.</p> <p>In open discussion the following points were raised:</p> <ul style="list-style-type: none"> • Accounting applicable to more than just landfill situations. • The useful life of a landfill site was regarded as ending when it ceased accepting landfill waste. • Identification of what is classified as capital 'decommissioning' cash flows will require judgement. • Accounting requirements are distinct from the statutory funding policy. Generally the accounting requirements seem relatively clear. The scenarios presented only differed in the statutory funding arrangements – the accounting presentation was the same. • Unwinding of the discount (imputed interest) is (per IFRIC 1) not regarded as capital expenditure. This is a key issue affecting the funding impact. • Discounting of asset decommissioning cash flows to present value (& therefore the associated unwinding of the discount / imputed interest charges) may not always be regarded as material. • The main implication from the modelling work is that where restatement is required to comply with proper accounting practice: <ul style="list-style-type: none"> ◦ Previously unrecognised capital expenditure (the discounted decommissioning costs) will be required to be added to the balance sheet and funding of that capital expenditure will need to be made (capital receipts/ loans fund advance etc.) ◦ Previously unrecognised imputed interest (unwinding of the discount) will be immediately chargeable to the General Fund (revenue expenditure) • The scenarios included modelling which saw financing of the decommissioning costs continuing up to 21 years after the end of site operation. This seemed contrary to the underlying rationale of the accounting requirement to make provision in advance of the actual works. • Based on the modelling a prior period restatement is anticipated where the adjustment is material and should have been recognised in a prior period • Avoiding a significant funding impact on any restatement would be desirable. • The Scottish Government should be formally requested to provide statutory mitigation for the financial impact arising from any restatement required to comply with proper accounting practice. • Whilst this is a matter for the Scottish Government, we should ask the Scottish Government to take into 	
--	--	--

LASAAC is funded by:

	<p>consideration:</p> <ul style="list-style-type: none"> ○ Existing loans fund advances (i.e. those made up to and including the 2012/13 FY) should stand ○ Permitting any historic (restated) imputed interest charge which is required to be charged to the General Fund on restatement to be treated as capital expenditure for statutory purposes, and permit borrowing (a loan fund advance) for this cost. ○ The fixed period for the repayment of a loan fund advance for a new landfill site (or other asset) should be equal to the useful life of the landfill site (or other asset). Recognising that applying this approach to existing landfill sites, many of which may be nearing the end of their useful life, could cause a new financial pressure, permit the fixed period for existing sites to be extended. A period of up to 20 years (as from 13/14 financial year) is suggested. <p>The appropriateness of guidance for 2013/14 was raised. The committee concluded that mitigation should be requested and that LASAAC guidance should be issued. The timing of guidance should be co-ordinated with Scottish Government announcements regarding mitigation arrangements. Illustrative examples are not required.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Asset Decommissioning Guidance to be updated to reflect implementation learning points. • Scottish Government to be formally requested to provide statutory mitigation to mitigate the impact of restatements • LASAAC secretary to liaise with the Scottish Government concerning the timing of guidance <p><u>POST MEETING NOTES</u></p> <ul style="list-style-type: none"> • <i>Following the meeting relevant e-mail correspondence clarified specific aspects of LASAAC's discussions.</i> • <i>Those s95 officers not in attendance (BW, IL) were contacted for their views on the LASAAC proposals.</i> 	<p>G Davies</p> <p>G Davies</p> <p>H Black</p>
<p>20/14</p>	<p>CIPFA-LASAAC Code Board</p> <p>The paper was noted.</p> <p>Regarding the CIPFA-LASAAC Terms of Reference it was noted that paragraph 1.3 referred to</p> <p>"to any information which is provided with local authority</p>	

LASAAC is funded by:

	<p>statements of account”</p> <p>The term “statements of account” was regarded as being based in English statute and not relevant for Scotland. Therefore replacement with the following is requested:</p> <p>“to any information which is provided with local authority annual reports and accounts”</p> <p>Subject to this change the CIPFA-LASAAC Terms of Reference were agreed.</p> <p>Action:</p> <ul style="list-style-type: none"> • CIPFA-LASAAC secretary to be notified that the Terms of Reference are approved subject to the requested change being implemented 	G Davies
21/14	<p>Integration of Adult Health & Social Care</p> <p>The paper was reviewed with the following matters discussed:</p> <ul style="list-style-type: none"> • Agency / principal treatment may be a matter of judgement. It was suggested the policy intention was to provide the Integration Joint Board (IJB) powers in its own right. • Consistency of treatment between the Health Board (HB) and local government was raised. It was suggested that inconsistency may arise where two (or more) councils entered a single arrangement with a Health Board • Each partnership will probably develop its own way of working. This may mean some variation in IJB powers in practical terms dependent on arrangement. • The potential for an IJB to fail the ‘joint arrangement’ test was noted (e.g. due to the Chair casting vote). This may be an unintended consequence of the draft regulations. • It was agreed that the audit timetable would require consideration. • The potential impact of the draft regulations on the Service Expenditure Analysis was noted. <p>Action:</p> <ul style="list-style-type: none"> • Integration: Short response to the draft regulations (Set 1 &2) on key LASAAC items to be drafted for submission to Scottish Government <p>[David Watt, Nick Bennett and Hugh Dunn left the meeting] [Meeting still quorate: RF, HB, DY, IR, TS (phone), FK]</p>	G Davies
22/14	<p>Council Dwellings Valuation</p> <p>The report was noted.</p>	

LASAAC is funded by:

	Action: <ul style="list-style-type: none"> • Representatives of RICS Scotland council dwellings valuation working group to be invited to the next (physical) meeting of LASAAC 	G Davies
23/14	Audit Scotland Update <ul style="list-style-type: none"> • Open cast mining: controller of audit report on lessons to be learned to be produced by December 2014 	
24/14	Scottish Government Update <ul style="list-style-type: none"> • TIF guidance circular updated with more detailed guidance on the calculation of the average PWLB rate • COSLA have requested statutory intervention (consent to borrow & utilisation of capital receipts) to support equal pay compensation • Consent to borrow scheme issued regarding borrowing to on-lend to RSLs • NDR BRIS – Formal agreement on 12/13 revised targets may be issued by end of July. Joint working group expected to review scheme for 2014/15. • OSCR intend to review ALEO registered charities • Replacement of 1985 regulations: <ul style="list-style-type: none"> ○ Regulations have been redrafted, ○ some exemptions for local government charities (where the OSCR requirements would apply) ○ trusts (non-charitable) & non-charitable Common Good- will currently be affected by the regulations if no other feedback received ○ Smaller bodies – no specific exemptions, no specific feedback on valuation joint boards etc received ○ Planned date for issue 4 August 	
25/14	CIPFA & LAAP Update <ul style="list-style-type: none"> • Planned update of LAAP bulletin on component accounting • Scottish Government consultation on planned social care spend statistics publication (to provide a base line before integration) noted. Closes 31 July 2014. • IRAG Financial implementation checklist for IJBs now issued • Welfare Funds (Scotland) Bill noted as issued with implications regarding a new Service Expenditure Analysis classification raised. 	
26/14	Other Business <p><u>Appointment of Vice Chair</u></p> <ul style="list-style-type: none"> • Ian Lorimer's nomination as Vice Chair was approved, subject to Derek Yule remaining as a representative on CIPFA-LASAAC 	

LASAAC is funded by:

27/14	<p>Next Meeting</p> <ul style="list-style-type: none"> • Planned next meeting noted as 13 August 2pm • The need for a physical meeting was queried. Meeting may be held by correspondence if appropriate. • Members are requested to maintain the date in their dairies 	
-------	---	--

LASAAC is funded by:



The Scottish Government

ACTION POINTS FROM LASAAC MEETING OF 12 June 2014

	Minute Ref	Action	Action By	Status At 6 Aug 14
A	14/14	Approved minutes to be loaded to website	G Davies	Complete
B	14/14	Transport Infrastructure: LASAAC secretary to meet with Transport Scotland finance staff next week	G Davies	On agenda
C	17/14	LASAAC Objectives: the initial draft objectives should be amended as discussed	G Davies	On agenda
D	17/14	LASAAC Communication: Improved communication routes to be explored	G Davies	On agenda
E	17/14	LASAAC Guidance: Scottish Government formal support for LASAAC guidance to be investigated	H Black	On agenda
F	17/14	Membership: Role of substitutions to be addressed in plans	G Davies	On agenda
G	17/14	Widening membership base: DoF Section to be formally invited to support practitioner representation (3 places), with clear explanation of benefits for authorities	F Kordiak / G Davies	On agenda
H	17/14	Benefits for funders: LASAAC to formally request information on the costs and revenues of Code publication relative to Scotland	F Kordiak / G Davies	On agenda
J	17/14	Benefits for funders: Logos to be added to LASAAC papers etc to recognise funding body contributions	G Davies	Complete
K	18/14	Work Plan 2014-15 to be developed including integration, replacement 1985 regulations & infrastructure assets	G Davies	On agenda
L	19/14	Asset Decommissioning Guidance to be updated to reflect implementation learning points.	G Davies	On agenda
M	19/14	Asset Decommissioning: Scottish Government to be formally requested to provide statutory mitigation to mitigate the impact of restatements	G Davies	Complete
N	19/14	Asset Decommissioning: LASAAC secretary to liaise with the Scottish Government concerning the timing of guidance	H Black	On agenda
O	20/14	CIPFA-LASAAC secretary to be notified that the Terms of Reference are approved subject to the requested change being implemented	G Davies	On agenda
P	21/14	Integration: Short response to the draft regulations (Set 1 & 2) on key LASAAC items to be drafted for submission to Scottish Government	G Davies	Complete
Q	22/14	Representatives of RICS Scotland council dwellings valuation working group to be invited to the next (physical) meeting of LASAAC	G Davies	On agenda

LASAAC is funded by:



The Scottish Government