

LASAAC MINUTES

Meeting of 14th November 2005, Holiday Inn Hotel, Edinburgh

Present: Grant Macrae, Nick Bennett, Derek Yule, Ian Robbie, Russell Frith
(from agenda item 5), Gavin Stevenson, Derek Glover, Lynn Brown, Karen Mitchell,

Apologies Jim Stevenson, Sandy Brown, David Nibloe, Fiona Kordiak, Hazel Black,

In attendance: Don Peebles, Angela Scott.

Minute Ref	Action
37/05	<p>Grant welcomed Lynn Brown to her first meeting. Lynn is Director of Financial Services at Glasgow City Council and past chair of CIPFA in Scotland.</p> <p>Apologies</p>
38/05	<p>Apologies were received from Jim Stevenson, Sandy Brown, David Nibloe, Fiona Kordiak, Hazel Black.</p> <p>Minutes of the Meeting held on 6th September 2005</p>
	<p>In reviewing the minutes Derek Yule drew the Committee's attention to forthcoming legislation on transport partnership. Gavin Stevenson advised that Audit Scotland had considered this legislation and had concluded that The Local Government (Scotland) Act 1973 does in fact apply for audit purposes and confirmed, in response to a question from Grant, that they would be considered as separate appointments. Don confirmed that Hazel Black had already forwarded some details of this to LASAAC and it was agreed that this would be added to the workplan.</p> <p style="text-align: right;">D.Peebles</p> <p>Lynn referred to the action points and advised the Committee that as Director of Financial Services at Glasgow City Council it is her intention to write to the Scottish Executive on the impact of FRS 17 on trading accounts and that this would be copied to Don. Derek Glover acknowledged that the Scottish Executive had discussed the matter.</p> <p style="text-align: right;">L.Brown</p> <p>A letter of clarity for submission to the Scottish Executive was discussed although, Angela reminded the Committee of the history of trading accounts and that early guidance was prepared without clarity of policy intention. Derek Glover acknowledged that there had been a</p> <p style="text-align: right;">D.Peebles</p>

	<p>turnover in personnel in this area within the Scottish Executive.</p> <p>Gavin commented that there was a wider issue for trading accounts in the overall demonstration of best value and that he was concerned that demonstration may be left to the audit process. Returning to FRS 17, Grant noted one practical problem, the potential differing views from actuaries. Lynn noted that this was properly reflected in the actuaries view of an older workforce on the west coast compared to the east coast where the issue of FRS 17 and impact on STO's appeared less acute.</p> <p>Gavin noted that there were some STO's where early financial surpluses were being impacted upon as a consequence of FRS 17.</p> <p>It was agreed however that FRS 17 may not always be the issue for STO's in not achieving break-even. Lynn noted that the position was different for trading accounts in England & Wales.</p> <p>There was some discussion on the Prohibition of Smoking in Certain Premises (Scotland) Regulations 2006 and Grant noted that this was on the action list.</p> <p>The minutes were approved as an accurate record.</p>	
39/05	<p>Membership</p> <p>Grant noted that there was no indication of a replacement ACCA representative yet. Nick advised that he had discussed this with Andy Wynne who did have several candidates in mind and had apologised for not being in touch. It was agreed Don should contact Andy.</p> <p>Grant advised that the Committee was required to appoint a Vice Chair and nominated Lynn Brown which was seconded by Ian Robbie. The Committee approved Lynn as Vice Chair.</p> <p>Grant commented upon the need to ensure two-way communication between LASAAC and the Directors of Finance. Lynn agreed commenting that opportunity during the year should be taken for communication.</p>	D.Peebles
40/05	<p>Items b/f from September Meeting</p> <p>Grant reminded the Committee of two matters which had been deferred from September:</p> <p>WGA</p> <p>Grant advised that papers had been issued to local authorities for return. There was no indication, anecdotal or otherwise, that problems were being encountered.</p>	

	<p>Karen confirmed that procedures so far had operated satisfactorily within her own authority but that there was a practical issue regarding timing for completion of the WGA forms and completion of the audit. Grant acknowledged that there was a potential resources issue for local authorities and asked that the item be included on the next meeting agenda. Angela reminded the Committee that WGA was an HMT initiative and in Scotland was the responsibility of the Scottish Executive, any consideration by LASAAC should be for information</p> <p>Council Tax 2nd Homes Sandy and Hazel had contributed to the revision of guidance from the Scottish Executive on this matter. This was in the process of finalisation.</p>	D.Peebles
41/05	<p>CIPFA/LASAAC Meeting 15 September 2005</p> <p>Grant invited Nick to update the Committee on the proceedings. Nick apologised for the unavailability of minutes.</p> <p>(Russell entered the meeting during this item) Nick advised that the previous meeting had been both timely and positive. HMT didn't agree with the proposals within the draft SORP for Police & Fire pensions and explained that in England & Wales from 1 April 2006 funding changes would result in guaranteed contribution for Police & Fire pension and that subsequently the liability for past pensioners would be removed from the Police and Fire balance sheets and effectively appear on the central government balance sheet. HMT refused to accept any justification for the liability being included on central government balance sheet. The ASB were reluctant to approve a proposal which may result in a liability not appearing on anyones balance sheet. The HMT were proposing to revisit the Regulations.</p> <p>Lynn asked for clarification on treatment under WGA and Russell confirmed that the expectation was that the liability would appear on constituent body and not at central government level.</p> <p>Angela confirmed that the position for the ITC was that there was now no proposal include within the 2006 SORP.</p> <p>Grant asked Nick if minutes from CIPFA/LASAAC could be made available to LASAAC.</p>	N.Bennett
42/05	<p>SORP 2006 Invitation to Comment & Financial Instruments</p> <p>Nick introduced the ITC and thanked the Committee members on behalf of CIPFA/LASAAC for their input. Nick referred initially to the letter from the ASB which indicated that the SORP would be</p>	

'qualified' because FRS 25 and FRS 26 were not being adopted in full for those local authorities who had listed securities. Nick explained that only a few local authorities had listed securities which was the reason for not applying FRS 25 and FRS 26 in full. The SORP ITC does not fully reflect these standards, other than disclosure, and that the issues of measurement and valuation were referred to in the Financial Instruments Discussion Paper which has been issued with the ITC.

Nick advised that bodies with listed securities and who would be impacted in 2006 would be Birmingham, Liverpool and TFL (Transport for London).

After discussion it was confirmed that no local authorities in Scotland held listed securities and that, other than disclosure, FRS 25 and FRS 26 would not apply in 2006/7 but would apply in 2007/8.

There was debate on the likely impact on local authorities and Russell commented that one area would be valuation at fair value which would make a difference to local authorities. Lynn asked what the practical impact would be and Derek Glover considered that the biggest single factor would be in writing off premiums and discounts presently on the balance sheet.

The Committee then discussed what the role of the Scottish Executive may be in the light of budget difficulties for local authorities.

The position of one English local authority was discussed with limited balances. The impact of write off would be that the credit rating was adversely affected severely limiting the extent to which the local authority could in future raise money from the market.

Karen asked if the standards would cover PWLB debt. Russell considered that they cover all investments and liabilities. Grant commented that one difficulty with fair value was that it was more volatile.

Nick considered that this will be a big issue in 2007. Russell considered that the scale of debt premium was relatively bigger in Scotland.

Grant noted that there had been no analysis to identify the overall scale and impact upon local authorities in Scotland and summarised that in effect there was no issue for 2006/7 but that there would be in 2007/8 for local authorities with debt premiums.

Grant referred to paper 6(iv) which proposed wider consideration of financial instruments by LASAAC and also assessed what other efforts should be undertaken to highlight the issue in Scotland. Derek Glover asked that the Public Services Group be kept informed of any

	<p>work. In response to a question from Grant, Russell advised that Audit Scotland, like other stakeholders, had not fully formed a view on the matter.</p> <p>Lynn advised that the Directors of Finance would be informed of the matter although there was no Section meeting prior to close of the consultation.</p> <p>Grant noted that the proposed LASAAC meeting will be held after the close of consultation and therefore the Committee will have seen the outcome of these efforts but will not have had the opportunity to debate them. The timescale was discussed and Nick confirmed to Angela that the ASB had effectively approved the discussion paper.</p> <p>Ian considered that local authorities had taken treasury decisions based on existing rules including FRS 4 and if there had been forward knowledge of change then different decisions may have been taken and that there may be a middle ground for resolution. Ian also noted that discussion ideally should be at the point of the FRED rather than on implementation.</p> <p>In appointing members to the sub-group Grant drew similarities to FRS 17 and how a solution had shaped the impact upon local authorities. It was agreed that Don, Derek Glover, Karen and Lynn and Derek Yule would liaise electronically on this matter</p> <p>Grant invited Nick to speak on notional interest. CIPFA's Public Finance and Management Board (PFMB), after their review of the 2005 SORP had decided to reconsider the matter of notional interest and whether there should be a pan-public sector approach by CIPFA to the matter. Nick confirmed that the 2006 ITC invited comments on notional interest.</p> <p>Derek Yule considered it inappropriate that the PFMB should intervene and that any comment should have been at an earlier stage.</p> <p>The Committee wished to gain a better understanding of the effect of the relationship between PFMB and CIPFA/LASAAC and the timescale associated with the approval of the SORP.</p> <p>Russell advised that notional interest was being discussed at FRAB and that HMT may decide not to abolish this. In his opinion the likely outcome would be that it would be retained on a departmental Schedule 1.</p> <p>On the revaluation reserve Karen considered that this was a matter which should be brought to the early attention of local authorities.</p>	<p>D.Peebles/ D.Glover D.Yule/ L.Brown/ K.Mitchell.</p> <p>D.Peebles</p> <p>All Members</p>
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	<p>Grant commented that all matters within the ITC should be considered at the right level. Karen considered that not all councils had resources to enable a considered response.</p> <p>Grant closed discussion on the ITC drawing the Committees attention to the importance of all members encouraging comments on these important matters.</p>	
43/05	<p>LASAAC Workplan</p> <p>The workplan was noted</p>	
44/05	<p>Accounting for Insurance – Results from Consultation</p> <p>Don introduced the paper which had been subject to consultation. Only two responses had been received which would result in minor wording modification only. The Committee approved the paper for issue subject to minor wording modification.</p> <p>[Secretaries note: four further responses were received which may impact upon the wording and will be referred to the sub-group and if further modified, to LASAAC prior to issue]</p>	D.Peebles
45/05	<p>Road User Charging</p> <p>Derek Glover referred to the previous guidance on this matter which had become less than urgent after public ballot in Edinburgh resulted in a vote against congestion charging. Derek advised that Forth Estuary Transport Authority (FETA) intended to use the road charging powers and asked if the guidance could be issued for this purpose.</p> <p>Grant asked if the draft guidance was comprehensive enough and Derek confirmed that he would speak to FETA representatives. It was agreed that the SORP already required a disclosure note on this matter and that any further guidance would add to this.</p> <p>Grant suggested that Don, Jim Stevenson and Derek Glover take the matter forward</p>	D.Peebles/ J.Stevenson/ D.Glover
46/05	<p>LAAP Update</p> <p>Don updated the Committee on two items from the last meeting of LAAP</p>	

	<ul style="list-style-type: none"> • The latest version of CIPFA Practitioners Guidance notes was expected to be published January 2006; and • LAAP Bulletin 62 had been issued which set the capital interest rates for 2006/7. Assets carried at current value, the rate of interest was to be 3.5% and for assets carried at historical cost, the rate was to be 4.4% <p>Angela noted that an additional LAAP representative from LASAAC required to be appointed. Grant advised the Committee that any member who wished to take on this role should contact Don.</p>	All members/ D.Peebles
47/05	<p>Capital Expenditure & Borrowing Powers</p> <p>Don updated the Committee on a trend of recent technical enquiries which indicated that local authorities were becoming aware of the practicalities of the repeal of S.94 and the introduction of the prudential framework, particularly where funding was provided to external bodies. Previously, this may have been categorised as capital expenditure (notwithstanding capital accounting adjustments) but, in the absence of an asset, would now be classed as revenue expenditure. An additional matter was the difference between Scotland and England & Wales where regulatory powers had been introduced to effectively retain part of the previous controls regime.</p> <p>Derek Yule advised that his authority used CFCR but acknowledged that for local authorities without this option there may be difficulties.</p> <p>In response to a question from Russell Don advised that four authorities had sought guidance on this matter.</p>	
48/05	<p>Strategic Discussion</p> <p>Grant advised the Committee that in view of the agenda pressure this item would be deferred but in his view, to enable an appropriate length of time to be applied, that more time should be set aside. The Committee agreed that the next meeting would include two distinct sessions, normal business prior to lunch then an approximate two-hour session after lunch to address this important item.</p>	
49/05	<p>AOB</p> <p>Common Good and Group Accounts Ian Robbie raised the treatment of common good and whether it should be consolidated within group accounts. Grant referred to Audit Scotland's Technical Bulletin 2/2005. Gavin considered that there was a simple principle in that the Council controls the Common Good. Nick considered that it should be included and that the key drivers were that of influence and control.</p> <p>Single Status</p>	

	<p>The issue of payments by local authorities in respect of single status was discussed. It was agreed that funding was the key issue rather than accounting.</p> <p>Forward Meeting Dates 2006 dates were indicative only given that CIPFA/LASAAC dates had not yet been set. Lynn asked if meeting could be held on Mondays to avoid diary clashes and this was agreed. Don will contact Colin Stratton to identify CIPFA/LASAAC and LASAAC dates.</p> <p>SORP Non-Compliance Angela asked Russell and Gavin if a summary of SORP non-compliance issues could be reported to the next meeting</p> <p>Membership Angela advised that given that the issue of financial instruments was likely to be a key area for the Committee then the co-opted powers could be used to appoint a members with knowledge of treasury management and accounting. This was agreed that an approach would be made.</p>	<p>D.Peebles</p> <p>R.Frith/ G.Stevenson</p> <p>D.Peebles</p>
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ACTION POINTS FROM LASAAC MEETING OF 14th November 2005

Minute Ref	Action	Responsibility
38/05	Add transport partnership legislation to the workplan.	D.Peebles
38/05	Letter from Glasgow City Council to Scottish Executive to be copied to LASAAC	L.Brown
38/05	Letter of clarity from LASAAC to the Scottish Executive to be provided explaining change on FRS 17	D.Peebles
39/05	Contact Andy Wynne at ACC re replacement ACCA representative.	D.Peebles
40/05	WGA to be included on next agenda	D.Peebles
42/05	Financial Instruments liaison sub-group to coordinate responses from stakeholders in Scotland	D.Peebles/ D.Glover/ D.Yule/ L.Brown/ K.Mitchell.
42/05	All members to encourage response to ITC	D.Peebles
42/05	Contact PFMB re relationship with CIPFA/LASAAC	D.Peebles/ G.Macrae
44/05	Accounting for insurance comments to be circulated to sub-group, circulated to LASAAC after modification	D.Peebles
45/05	Road user charging guidance to be reviewed.	D.Peebles/ J.Stevenson/ D.Glover
49/05	Contact Colin Stratton to identify CIPFA/LASAAC and LASAAC dates	D.Peebles
49/05	Prohibition of Smoking in Certain Premises (Scotland) Regulations 2006 accounts expectations by Scottish Executive	H.Black
49/05	Summary of SORP non-compliance issues could be reported to the next meeting	R.Frith/ G.Stevenson
49/05	Appoint a co-opted member with knowledge of treasury management and accounting to assist in the consideration of financial instruments.	D.Peebles