

LASAAC MINUTES

Meeting of 5th May 2004, Apex City Hotel, Edinburgh

Present: Carolyn Williamson, Nick Bennett, Derek Yule, Stephen Crichton, Derek Glover, Russell Frith, Grant Macrae.

Apologies Jim Stevenson Sandy Brown, Steven Keightley, Ian Robbie, David Deas, Ian Arnott, Aileen Wright, Bill Hughes, Fiona Kordiak,

In attendance: Don Peebles, Angela Scott, Kieran Rix (HM Treasury)

Minute Ref		Action
12/04	<p>LASAAC Annual Report 2003/4</p> <p>Nick opened the meeting and noted that this represented the end of his term as Chair. Nick thanked Angela and Don for their support and also acknowledged and thanked the members of the Committee for their support during his term as Chair.</p> <p>Nick then advised that his last duty as Chair was to formally launch the annual report for 2003/4 and remarked that it was an excellent publication and also asked that committee members distribute the report to all interested parties.</p> <p>Nick then formally handed over the role of Chair to Carolyn Williamson noting the historic nature of the occasion in that Carolyn would be the first female Chair of the Committee.</p> <p>Carolyn, on assuming the Chair, thanked Nick for his period as Chair and noted that the content of the annual report for the last year alone was a measure of the progress made by the Committee under his term. Carolyn noted that Nick becomes designated “Past Chair” and that he will remain on the Committee and the Committee will therefore continue to benefit from his advice and experience. Carolyn presented Nick with a gift from the Committee to acknowledge the conclusion of his period as Chair.</p> <p>Before the commencement of formal business, Carolyn delivered opening remarks commenting that the LASAAC objectives in the constitution cover proper accounting practice and development of the SOR but the specific objective on “ continuously striving to improve</p>	

	<p>the importance of local authority accounts as a source of valuable information” was of particular personal interest</p> <p>Carolyn highlighted the ‘importance’, and ‘valuable information’ as key words and noted that as accountants we sometimes get lost in debate over FRS 17, or other accounting technicalities and allow ourselves to forget that we do produce a valuable product and that we do provide valuable information. Carolyn noted that perhaps we undersell ourselves within a mire of technical debate and sometimes fail to win over stakeholders and other practitioners who increasingly see local authority accounts as a technical project rather than the result of a statutory process which does in fact provide that important and valuable information.</p> <p>Carolyn considered that the work carried out on improving published accounts scratched the surface of accountability and that there was more to do, including attempting to win over readers of accounts by making published accounts more presentable and readable but also the equally big challenge was to convince practitioners of the importance of the financial statements. If practitioners could not be won over then they won’t believe that what they re producing is either important or valuable. Carolyn identified a clear role for LASAAC here and, in urging members to be active members of the Committee, set out 3 things that she would like to focus upon as Chair:</p> <ul style="list-style-type: none">• to continue to work to ensure that local authority accounts are recognised as both important and valuable which as a minimum, will require all members of the committee to become advocates for both the work of the committee and for local authority accounts;• seek to engage differently with interested stakeholders like chief accountants and directors of finance. This could be done by advising directors and taking them with us on technical matters like group accounts and WGA. Also directors and chief accountants should be urged to participate in debate and convince them that their views are valued when they do participate; and• build on Nick’s practical approach to guidance and continue to provide assistance and support to practitioners so that the work of LASAAC itself is recognised as important and valuable.. This work should be informed by practitioners and from increased engagement.	
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13/04	<p>Minutes of the Previous Meeting</p> <p>The minutes were approved as an accurate record of the meeting on 24th March 2004, subject to minor amendments advised by Russell and Grant.</p>	D.Peebles
14/04	<p>Membership</p> <p>Carolyn reminded the Committee that the Constitution requires rotation of Chair between Director of Finance and an Auditor and that Grant Macrae had been nominated as Vice Chair. This was approved by the Committee.</p> <p>Derek Glover advised that the Scottish Executive was seeking to take up a second place on the Committee.</p> <p>Ian Arnott has formally resigned his membership. It was considered that any replacement should be a practitioner. The Committee discussed potential candidates and agreed that an approach should be made to the identified candidate.</p>	D.Peebles
15/04	<p>Funding Arrangements 2004/5</p> <p>Carolyn introduced the paper which proposed the level of funding required from each funding body for 2004/5 and noted the increase in resources applied in 2003/4.</p> <p>The committee debated the proposed activities for 2004/5. Angela considered that the estimate for WGA may be light and should be enhanced to which both Carolyn and Nick agreed. Kieran Rix welcomed this as a practical approach by Committee. Angela also considered that the ICAS document (<i>Accounting for Public Service – Towards a New Reporting Framework</i>) was worthy of consideration by the Committee. It was agreed that time would be applied to these items.</p> <p>The funding arrangements for 2004/5 were approved. The proposed activities, subject to amendment for WGA and the ICAS report, was also approved</p>	D.Peebles
16/04	<p>Items deferred from 24 March meeting</p> <p>CIPFA Directors of Finance Section meeting</p> <p>Don advised that Nick as Chair had attended the January meeting of the Section with Vernon Soare, the Director of Policy & Technical at CIPFA. The reason for attendance was in response to comments from Directors on reporting financial information. The broad thrust of the comments were the increasing complexity of local authority accounts typified by FRS 17 and FRS 15 (in the form of capital accounting).</p>	

	<p>There was however no clear resolution from the meeting. Nick also commented on the meeting and on opening statements made by Directors. Carolyn commented on the balance between proper accounting practice and reporting but suggested that there was a perception among Directors that the SORP goes beyond what is actually required. Carolyn also commented that the capital accounting workshop was an opportunity for debate but that Directors had not attended and had therefore not influenced the debate.</p> <p>Angela considered that a lack of understanding of the process and the issues can bring resistance and that technical sessions could be delivered which would achieve the objective of engaging with Directors. Carolyn indicated that a 15 minute slot at Section meetings may provide the opportunity to do this.</p> <p>Grant considered that the hearts and minds at chief accountant level could be targeted which may result in upward engagement with Directors. Angela considered that this could be achieved by ensuring that chief accountants contributed to LASAAC working groups.</p> <p>The discussion developed and turned to the SORP consultation and Carolyn considered that 32 councils will handle consultation differently but that there is a misconception among staff that Directors can decide whether or not to comply with accounting standards.</p> <p>A practical suggestion was that the extensive SORP consultation document should be summarised for a lay reader to enable engagement and contribution more easily. A targeted approach to consultation was suggested by Angela to encourage chief accountants to engage in the process.</p> <p>Derek Yule advised that there is a strong view that local government is different and remarked on the notional nature of capital accounting entries. Nick noted that blame was attached to LASAAC when in certain instances there was imposition from the Scottish Executive and central government and felt it would be helpful to know if the Executive required compliance with UK GAAP.</p> <p>Carolyn considered that there should be pragmatic solutions to achieve compliance and compared the legacy of capital accounting to the apparent success of how we are introducing group accounts.</p> <p>Angela acknowledged that there was a role for CIPFA to challenge the ASB more and that future developments should be considered prior to addressing the detail. An overarching project plan was essential for this.</p> <p>Stephen commented that by the time of consultation there was limited scope for influence and that the point of exposure drafts was the appropriate time for early engagement and that this could be done</p>	
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<p>using a pool of technical representatives from authorities including Directors of Finance.</p> <p>Grant noted that the SORP was principles based and differed from other more practical SORP's and that the format itself may be a barrier to engagement. Stephen agreed noting that there were in fact very few people within local authorities involved in the technical aspects of accounting.</p> <p>Angela considered that the SORP should be capable of being mapped out for 3 years and be supported by a project plan and openly asked if there was a CIPFA/LASAAC project plan for the SORP. Kieran Rix remarked upon the wider future technical challenge which may require a 'philosophy' to be developed to address the potential massive changes to the accounting regime. Angela added that the future role of the SORP against the background of WGA was also a consideration.</p> <p>A meeting between the Chair and Vice Chair of LASAAC and the Chair of CIPFA/LASAAC was suggested by Carolyn to ensure consistency of direction and it was agreed that Carolyn and Grant would seek to meet with CIPFA/LASAAC.</p> <p>Local Authority Accounting Panel Don advised that a LAAP bulletin on charities had been issued but was applicable to England & Wales only and that this had been confirmed. Grant noted that charity legislation was passing through parliament and that there should be a watching brief on this.</p> <p>Stephen Crichton agreed to be LASAAC's representative on the Local Authority Accounting Panel subject to the agreement of his Director of Finance.</p> <p>Capital Reform Implementation Group Russell advised that there was some discussion on whether limits on capital expenditure may have been imposed and that the main message from the meeting was that local authorities should ensure that high quality information is submitted to the Scottish Executive. There was also a brief discussion on the provision of finance for flood prevention which had been accounted for previously as capital consent.</p> <p>Road User Charging Derek Glover reported from an initial meeting held on 22 March with Scottish Executive transport officials and officers from Edinburgh City Council at which both Derek and Don attended. The main issue was transparency to enable income and expenditure on projects to be</p>	<p>C.Williamson/ G.Macrae</p>
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	<p>reported. A final version of the regulations will be produced shortly which should require that reliance be placed on proper accounting practice.</p> <p>Derek advised that transport colleagues are now seeking to consult at the earliest possible stage and a point of debate was the inclusion or otherwise in the SORP of any potential statement. In response to a question from Grant, Derek confirmed that Edinburgh City Council was using a private company to deliver this initiative and Grant noted that incorporation in the group accounts would be a consideration. Derek noted however that in practical terms income would be received from which direct expenditure would be met and that group accounts in itself would not provide the level of transparency required.</p> <p>Derek considered that a disclosure note could be introduced although Carolyn considered that a separate statement may be more appropriate given the level of disclosures already required but agreed that it was important for LASAAC to begin to identify the issues. Angela noted that a statement of intent (of change to the SORP) could be issued.</p> <p>It was agreed that a working group be set up to take forward the issues and that Colin Stratton and a nominated person from CIPFA/LASAAC should be included in the group.</p>	<p>D.Glover/ D.Peebles</p>
<p>17/04</p>	<p>2004 SORP Update</p> <p>Don advised the Committee that the SORP was in preparation after the CIPFA/LASAAC meeting and that the amended group accounts proposals were:</p> <p>2004/5 - introduction of group accounts with transitional arrangements 2005/6 - full implementation with required comparative figures.</p> <p>Carolyn noted that the transitional arrangements meant that local authorities could compile group accounts outwith the statutory final accounts closure timetable.</p>	
<p>18/04</p>	<p>Implementation of FRS 17 and HRA</p> <p>Don advised that guidance had been prepared and distributed in early April. The guidance was drafted by Don and Colin Statton initially as a LAAP bulletin but that matters of procedure within CIPFA precluded the early release. The guidance was however distributed as interim guidance under a LASAAC heading to provide early assistance to practitioners in Scotland and was effectively the Scottish version of a proposed LAAP bulletin. Derek Glover formally recorded his thanks on behalf of the Executive for the assistance provided in progressing HRA matters.</p> <p>It was expected that the guidance would be withdrawn when the</p>	

	<p>LAAP bulletin was finalised. The bulletin has been further delayed however as a result discussions on the role of FRS 17 in the HRA in England. and Wales.</p> <p>Nick noted that the guidance was for 2003/4 which also meant that 2004/5 would require to be addressed and questioned whether a LAAP bulletin was the appropriate vehicle and if amendment to the 2004 SORP was possible. Don advised that a question on the HRA and FRS 17 had been asked within consultation which could enable amendment to the 2004 SORP. Russell confirmed that would be no particular difficulty with a perceived 'gap' in the SORP.</p> <p>Angela remarked that CIPFA/LASAAC had not considered this to be a major issue at the last meeting but that this could be taken up with Colin Stratton.</p>	<p>A.Scott/ D.Peebles</p>
<p>19/04</p>	<p>Group Accounts Communication Strategy</p> <p>Don introduced the revised strategy, work on which had been suspended awaiting CIPFA/LASAAC's deliberations on group accounts. The main addition to the strategy was the addition of a task to identify key milestones for local authorities.</p> <p>Carolyn considered that guidance at the earliest possible stage was important for local authorities. Angela considered that given the scale of this matter that there should be a wider involvement than the sub group which was previously set up which included Carolyn and Fiona Kordiak. Stephen agreed to identify a candidate from Glasgow City Council and Nick also agreed to contribute given his experience with the audit of private sector group accounts.</p> <p>The group would correspond electronically initially at an early stage.</p>	<p>D.Peebles/ C.Willamson/ S.Crichton/ N.Bennett/ A.Scott/ F.Kordiak</p>
<p>20/04</p>	<p>Accounting for Insurance</p> <p>Don introduced a report on this matter and tabled a letter from ALARM and extracts from both the 2003/4 and 2004/5 SORP Practitioner Guidance Notes. Although there was no change to legislation or to the SORP the guidance notes appeared to signal a change in accounting practice indicating that the present arrangements did not comply with the requirements of BVACOP. The core guidance in Scotland was LASAAC guidance which issued in 1995</p>	

	<p>and which referred to LAAP Bulletin 13 neither of which had been formally withdrawn by either CIPFA or LASAAC.</p> <p>Derek Yule strongly expressed his doubts on the revised guidance proposals.</p> <p>It was agreed that a working group would be set up to review accounting for insurance and that other interested stakeholders including ALARM should be asked to contribute.</p> <p>It was agreed that local authorities should be advised that accounting arrangements for 2003/4 should remain consistent with that of previous years while awaiting the outcome of the review which should inform the position for 2004/5.</p>	<p>D.Peebles/ D.Yule/ S.Crichton</p> <p>D.Peebles</p>
21/04	<p>Accounting for Reserves</p> <p>Don advised that comments on the paper had yet to be received from Committee members but in the interim the issue of insurance had arisen and had indirectly identified that the section on insurance in the paper could be enhanced. Additionally, Audit Scotland's Overview Report for 2003/4 had been released which commented upon reserves in local authorities.</p> <p>Carolyn agreed that the profile of reserves had been heightened and it was appropriate to review the paper in the light of this. In the meantime Carolyn urged comments on the paper, in its present form, to be provided as soon as possible</p>	<p>D.Peebles/ R.Frith/ S.Brown</p>
22/04	<p>LASAAC Workplan</p> <p>Proposed and additions to the workplan were:</p> <ul style="list-style-type: none"> • amendment to WGA from watching brief to proactivity; and • accounting for insurance 	<p>D.Peebles</p>
23/04	<p>Local Authority Accounts (Scotland) Regulations 1985 / Improvement to Published Accounts</p> <p>Carolyn advised of the proposed amendment to the Regs and that she will represent CoSLA. Don, Russell and Derek Glover had already attended an initial meeting at the Scottish Executive to take this issue forward. Russell advised that the present arrangement which requires that the Controller of Audit approves the advertising of accounts by local authorities could disappear under revised regulations.</p> <p>There was discussion on the possibility of a statutory timetable for audit with general acknowledgement that the present form of self regulation by auditors worked in practice. Derek Glover considered that a statutory timetable should be considered.</p>	

	<p>It was agreed that LASAAC would respond formally when the regulations were being consulted on and at that point the views of the Committee would be formulated.</p> <p>Carolyn advised that she and Don, had delivered a presentation on the LASAAC/Inverclyde project at the recent Scottish Executive seminar which launched a best value video. The Scottish Executive were keen to adopt the project for public performance reporting, either within or without formal regulation, having taken the view that if the profession were progressing this then there was no requirement for the Executive to become involved further. Carolyn also advised that the project had been shortlisted for the CIPFA Public Reporting and Accountability Awards</p> <p>The presentation had however identified possible scope for confusion between the role of simplified accounts and the present abstract of accounts. It was proposed therefore to formally role out the prescribed format and core information to local authorities, explaining clearly the role of the statement.</p> <p>Angela suggested that in addition to Directors of Finance, Chief Executives could also usefully receive this notification on the basis that responsibility for public performance reporting may lie with Chief Exec policy staff.</p> <p>Carolyn noted that the working group should be reconvened to address the council tax leaflet and suggested that IRRV be invited to contribute and that Audit Scotland continue to be represented by David Deas. Carolyn also suggested that the form of the audit certificate for the summarised accounts could be considered.</p>	<p>D.Peebles</p> <p>C.Williamson/ D.Peebles/ D.Deas/ S.Brown.</p>
<p>24/04</p>	<p>WGA Kieran Rix HM Treasury</p> <p>Carolyn handed over to Kieran to update the Committee on progress of WGA.</p> <p>Kieran advised that he wished to address matters of both accounting policy and process. The importance of group accounts to the Treasury (HMT) was emphasised and the role of Office of National Statistics (ONS) was briefly outlined including the veracity of some statistics.</p> <p>A list of bodies to be designated will be released soon but Kieran acknowledged that this will not apply to Scotland. There will be reliance in Scotland on the present legislation which governs statistical returns. One issue is the potential for changes to statistical information with the possibility of parallel data collection. Derek Glover noted that the Executive was considering amendment to LFR's for this purpose.</p>	

<p>In England a draft consolidation pack will be released in September. This will take the form of spreadsheets into which local authorities input data and produces a series of statements. Staff costs were discussed including matters of consistency and Carolyn considered that potential inconsistency should be identified at an early stage.</p> <p>Carolyn noted that an important point for practitioners was understanding why WGA was necessary and related this to the group accounts timetable which CIPFA/LASAAC had related directly to WGA. It was considered important to be able to convince practitioners of the benefits of WGA and be able to give assurances that the timetable would be maintained. Russell noted that the timetable had already slipped and that further slippage would not be well received within central government. The present timetable continues to be dry runs in 2004/5 and 2005/6 and publication of 2006/7 results.</p> <p>Kieran explained that HMT relies on ODPM for data and that a consequence in England for HMT will be the receipt of reliable data. The matter of funding was considered and it was identified that the audit process will be funded but the funding mechanism (new burdens procedure) does not apply to the provision of additional information. Nick asked if there was a requirement for auditors to sign off as 'true and fair'. Kieran confirmed that this was not required.</p> <p>The valuation of infrastructure was discussed and the valuation methodologies accounted in part for the £170BN which results in a negative balance sheet. While the local government SORP could be changed Kieran acknowledged that there are conceptual issues. In England the ODPM is considering depreciation based capital support. Derek Glover advised that the equivalent in Scotland would be an input factor to the client group approach but that this was not being considered. Derek questioned the worth of amendment to valuation for infrastructure. Kieran considered that better information would be provided. Nick noted however that the SORP does not require revaluation of infrastructure.</p> <p>Kieran considered that any amendment to infrastructure would ideally be introduced for 2005/6 although 2006/7 was more realistic with 2007/8 appearing most realistic.</p> <p>Angela considered that valuation of infrastructure should be taken up with CIPFA/LASAAC. Carolyn considered that LASAAC should form a group to consider the consolidation pack which will be released although it was agreed to await the outcome from a meeting of the Scottish Executive coordination group. Kieran was asked to contribute. Angela suggested that Alison Douglas could be asked to contribute as could other practitioners.</p> <p>Matters of funding and additional costs should be pursued by Directors of Finance with CoSLA.</p>	<p>D.Peebles/ A.Scott</p>
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	<p>Kieran concluded by stating the HMT position on notional interest which was that while there may be issues of costing and pricing, there was no particular requirement for notional interest. This was welcomed by the Committee.</p>	
	<p>With no other business the date of next meeting was confirmed as 8 September 2004.</p>	

ACTION POINTS FROM LASAAC MEETING OF 5th MAY 2004

Minute Ref	Action	Responsibility
13/04	Amendment to minutes as advised by R.Frith and G.Macrae.	D.Peebles
14/04	Approach the identified candidate for cooption to Committee.	D.Peebles
15/04	Increase proposed level of resources for WGA and include consideration of the ICAS report <i>Accounting for Public Service – Towards a New Reporting Framework</i> .	D.Peebles/
15/04	Write to each funding body advising of the 2004/5 level of funding	D.Peebles
16/04	Meeting between Chair, Vice Chair of LASAAC and Chair of CIPFA/LASAAC	C.Williamson/ G.Macrae
16/04	Notify LAAP that Stephen Crichton is LASAAC representative (subject to confirmation from Stephen).	D.Peebles/ S.Crichton
16/04	Formation of working group to progress Road User charging issues.	D.Peebles/ D.Glover
18/04	Ascertain whether any amendment is proposed to the 2004 SORP in respect of the HRA.	A.Scott/ D.Peebles
19/04	Commence active work on group accounts strategy.	D.Peebles/ C.Williamson/ S.Crichton/ N.Bennett/ A.Scott/ F.Kordiak
20/04	Set up working group to review accounting for insurance arrangements and include other interested stakeholders.	D.Peebles/ D.Yule/ S.Crichton
20/04	Advised local authorities that accounting arrangements for insurance for 2003/4 should remain consistent with that of previous years.	D.Peebles
21/04	Comments to be received on Accounting for Reserves and paper reviewed to assess revisions for insurance and for the impact of the Audit Scotland report.	D.Peebles/ R.Frith/ S.Brown
22/04	Amend workplan for WGA from watching brief to proactivity; and for	D.Peebles

	accounting for insurance.	
23/04	Formally role out the summarised core information to local authorities, explaining clearly the role of the statement.	D.Peebles
24/04	Reconvene working group to address improvements to the council tax leaflet.	C.Williamson/ D.Peebles/ D.Deas/ S.Brown
25/04	Set up working group on WGA	D.Peebles/ A.Scott