

>>> Scottish News

September 2005

A black and white photograph showing the silhouettes of several people in a group, some of whom appear to be shaking hands, suggesting a business meeting or agreement. The background is a light, hazy gradient.

Merger Update

>>PLUS POLICY & TECHNICAL UPDATES
>>EVENTS & MEMBERS NEWS

CIPFA IN SCOTLAND

CIPFA in Scotland

8 North West Circus Place
Edinburgh EH3 6ST

T: 0131 220 4316

F: 0131 220 4305

www.cipfascotland.org.uk



>>> **Don Peebles**
Policy and Technical Manager

don.peebles@cipfa.org
Direct Dial: 0131 718 2713



>>> **Helen Mackay**
Events Manager

helen.mackay@cipfa.org
Direct Dial: 0131 718 2709



>>> **Angela Scott**
Head of CIPFA in Scotland

angela.scott@cipfa.org
Direct Dial: 0131 718 2706



>>> **Robert Hogg**
Business Development
Manager

robert.hogg@cipfa.org
Direct Dial: 0131 718 2708

Advertising Opportunities

Scottish News reaches a wide audience within the Public Sector. If you would like to advertise a job vacancy, or promote a forthcoming event, please contact Angela Scott at CIPFA in Scotland for further details.

External Contributors

Arthur Cockburn, Prospect Community Housing

Disclaimer

The views expressed by the external contributors in this publication are that of the authors and are not necessarily the views of CIPFA.

>>> CIPFA IN SCOTLAND NEWS

NEW APPOINTMENT

CIPFA Scotland has appointed a further accountant to the Policy & Technical team based in Edinburgh. Tim Burrows has been appointed Policy & Technical Officer on a secondment from Audit Scotland.

Tim has experience in the public sector as well as previous experience in the investments and pensions sector. Tim will assist in developing and taking forward the Institute's technical programme.

Tim can be contacted on 0131 718 2701 or at tim.burrows@cipfa.org

TIS ONLINE NEEDS YOU!

IPF's TISonline service provides financial information and guidance to those working in the public sector. Information streams are produced by practitioners working in the field, using their knowledge and expertise to cover key issues in over 33 areas of public finance. A number of editorial boards are seeking representatives from Scotland to ensure that the website content is accurate and fully comprehensive:

- Health
- Transport
- Personal Social Services
- Education
- Planning

Scottish representatives comment on and produce drafts, highlight any current issues and keep content up to date. Contributing is a useful way of developing your professional skills, and all work with TISonline editorial boards qualifies for CPD credits. Meetings occur two to three times a year, and TISonline also has the capacity for online working. All travel and subsistence expenses are reimbursed, and contributors have complimentary access to TISonline for the duration of their membership.

For more information on contributing, including any of the vacancies above, please contact Sarah Ellison on 020 7340 1203 or email sarah.ellison@ipf.co.uk

GROUND BREAKING LEARNING CENTRE LAUNCHED BY CIPFA

CIPFA proved its commitment to members' life long learning by unveiling a ground breaking online learning tool to help members meet their continuing professional development (CPD) needs.

The CIPFA Learning Centre (CLC) is an interactive online service, which will provide CIPFA's 13,500 members with quick, timely and topical information to enable them to enhance and update their skills, and to meet their CPD requirements. It is available to members at <http://learning.cipfa.org.uk>

Complementing CIPFA's decision to implement mandatory CPD earlier this year, the site has been designed to make CPD an easy and enjoyable experience for CIPFA members. It aids efficiency and effectiveness by automatically creating

CPD plans and records as users identify their learning needs, and linking CPD planning to related online learning material, courses, and publications. It enables members to update their CPD records at the click of a button rather than keep logbooks of activity.

Members will use their email address and password to access their personal records. Once into the site, they can review their learning needs, create CPD objectives, create and amend their CPD plan, update it with recent activity, archive and later view their CPD records for the past four years.

The CLC will include a wealth of technical and management material both from the considerable and authoritative resources of the CIPFA Group, and from

a wide range of websites such as those of Government departments and regulatory bodies.

In addition, the site will contain the comprehensive leadership and management-related learning materials developed by goodpractice.net, CIPFA's partner in the creation of the CLC. Another feature of the site is the facility to identify online 'CPD buddies'. This will enable members to share development plans with other CIPFA members, work colleagues and their employer, and create and contribute to online discussion groups. This facility will also, for example, enable sector-based groups to discuss government and other consultation documents and share and compare their analysis of implications.

ACCOUNTING FOR THE FUTURE OF SCOTTISH PUBLIC SERVICES



In 2002, a wave of accounting scandals broke in the United States. A number of leading companies have admitted to misstating their accounts, giving a misleading impression of the financial position of these companies.

The most prolific scandal has been Enron. Once it became clear that Enron's success was in effect an elaborate scam - a chorus of outraged investors, employees, pension holders and politicians wanted to know why Enron's failings were not spotted earlier.

The Sarbanes-Oxley Act was the American government's response to these accounting scandals and was created to protect investors by improving the accuracy and reliability of corporate disclosures. The Act is considered the

most significant change to federal securities laws in the United States since the New Deal in the 1930s.

The International Accounting Standards Board (IASB) has been constituted as an independent standard setter. It aims to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards. These standards will hopefully go along way to improving the accuracy and reliability of financial reporting information.

What do international accounting standards and headline hitting accounting scandals in America have to do with the development of the UK accountancy profession? The additional regulation required on the profession, the bureaucracy of Sarbanes-Oxley compliance, the complexity of international accounting standards are items which all 6 of the UK chartered accountancy bodies, are dealing with. Proposals to create a powerful new voice for the accountancy profession were

>>> MEMBERS' NEWS

launched on 13 September 2004 when the Chartered Institute of Public Finance and Accountancy announced plans for a strategic consolidation with the Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Accountants in England and Wales (ICAEW). Six months on from the formal launch, a two stage process was announced involving the integration of CIPFA and the ICAEW on detailed terms to be put to our respective memberships no later than autumn 2005. While the three Institutes continue to work closely together, CIPFA and the ICAEW have published draft proposals for a phase one integration of the two institutes. The vision is of an institute which spans the full breadth of the economy – public, private and charitable sectors – and all of the specialisms which make up the modern profession. An integrated body, in itself, won't prevent such scandals happening but it will go some way.

WHAT ABOUT SCOTLAND?

Our previous work on audit committee's is an example of CIPFA's existing commitment to raising standards of probity and stewardship, against the international background of accounting scandals as well as the fact that Scottish public services spend approximately \$27 billion of public money.

The new integrated institute will benefit from the presence which CIPFA currently has in each of the devolved government territories throughout the UK. The vision for the new organization operating in Scotland is one that is well placed to cover the full breadth of the Scottish economy.

Please read the proposals which appear on www.cipfa.org.uk and give us your views.

TOM SOWERBY AWARD

CIPFA has honoured Anne Bryce by awarding her one of the Institute's most coveted prizes – the Tom Sowerby Award for outstanding service to CIPFA students. Anne was presented with her award by CIPFA's president elect Diane Colley at the Career Conference, part of the CIPFA Annual Conference in Manchester.

Anne has a long history of dedication, innovation and commitment to CIPFA student activities and has undertaken all of this work in a completely voluntary capacity in her spare time. She has been a member of the Executive Committee of the Scottish Students' Society for over 17 years, making her the longest-serving member of the committee. She currently works as Chief Internal Auditor in the NHS in Scotland.

Anne's commitment to CIPFA student training has been consistent, energetic and sustained and has resulted in the Scottish Student's Society going from strength to strength, as the leading and most established student society in the UK. She is also very well known and respected in the wider CIPFA community, both in Scotland and at a UK level.

Anne acknowledges that CIPFA students represent the future of CIPFA, and the future of public finance within the UK. Her work has ensured that the Students' Society lecture programme of meetings have been relevant to the needs of CIPFA students and contributed to developing their rounded learning experience. Over the years she has herself given many talks to students – on student learning issues, technical matters and other current issues of relevance. She has also acted as a mentor and contact for students with particular concerns.

We believe, the new Institute will:

- help restore confidence in the accountancy profession for the general public and government.
- be in a strong position to regulate accountants working in both the public and private sector here in the UK;
- be able to lead the way in raising standards in financial reporting across the whole economy.





>>> policy and technical update

MEMBERSHIP CHANGES

LASAAC have appointed the following new members to the Committee:



Karen Mitchell who is the Head of Finance and IT at East Dunbartonshire Council representing CIPFA;

Lynn Brown
Director of Financial Services at Glasgow City Council representing CIPFA; and



Hazel Black, Head of Local Government finance and Accounting at the Scottish Executive and who will represent the Scottish Executive on the Committee.

Stephen Crichton Head of Accounting and Budgeting at Glasgow City Council and who was a coopted member has tendered his resignation from the Committee.

2006 CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

A STATEMENT OF RECOMMENDED PRACTICE (THE SORP)

Seven changes are to be considered for amendment to the 2006 SORP. All proposed changes will be subject to consultation in November 2005 when an invitation to comment will be issued by CIPFA/LASAAC.

The proposed changes can be briefly summarised as:

1. Removal of notional interest
2. Revision to the Consolidated Revenue Account to progress towards compliance with UK GAAP
3. Changes to the Group statements to ensure consistency with the single entity statements
4. Proposals for the introduction of a revaluation reserve
5. Presentational changes arising from FRS 25
6. Other consequential changes arising from FRS's
7. Changes arising from legislation.

The proposed removal of notional interest, revision to the Consolidated revenue account and the introduction of a revaluation reserve represent the proposed major amendments to the SORP for 2006.

The changes signal the introduction of the proposed revisions which arose from the review of capital accounting.

Removal of notional interest is expected to be proposed after the CIPFA/LASAAC Committee undertook early consultation on this matter in 2004. The elimination of this item removes the need for the asset management revenue account and enables revision to the consolidated revenue account to ensure that it is more UK GAAP compliant.

It is expected that an income and expenditure account (I&E a/c) will be proposed which replaces the present consolidated revenue account. A further statement which would reconcile from UK GAAP to the tax raising base would be introduced and this would also enable a new and simplified statement of total recognised gains and losses to be introduced to replace the present statement of total movement in reserves.

The proposal for a revaluation reserve is one which represents a major challenge to local authority practitioners. In recognising this it is expected that a pragmatic approach to identification of a starting position for a reserve will be promoted.



>>> policy and technical update

FRS 17 IMPACT ON SIGNIFICANT TRADING OPERATIONS

At the meeting in September, LASAAC also debated Audit Scotland's Urgent Issue Note 2005/3. The Note draws attention to retrospective credits which may be applied to significant trading operations (STO's) to mitigate the effects of FRS 17 which arose from the introduction of the AA Corporate Bond Rate.

Central to the wider debate was the adverse impact upon the results of STO's which may arise from the change in the GAD rate to the AA Corporate Bond rate. The Committee recognised that the impact for some STO's in 2004/5 had been an adverse trading performance. Audit Scotland again commented that it was appropriate for this to become an issue in 2004/2005.

LASAAC recognised that given that this problem was now at the surface that it would be appropriate to attempt to ascertain what action ministers may take in the event where STO's fail to make their prescribed financial objective because of the FRS 17 impact. The Scottish Executive representatives on LASAAC will as far as possible investigate this matter.

Information on LASAAC can be obtained at:
www.cipfa.org/scotland/lasaac/index.cfm

LOBO's

At the last meeting in September the Committee discussed accounting for lender option/borrower option treasury products referred to as LOBO's. The Committee had previously considered a briefing paper on this subject and it was agreed that the Committee should consider the matter further. The extent of use of LOBO's in Scotland will be investigated. The Committee will also seek advice from treasury professionals to ensure that the Committee has full information to consider the issue as widely as possible.

ACCOUNTING FOR INSURANCE

The Committee is presently finalising a guidance paper which sets out the accounting treatment for local authorities insurance funds in Scotland. The paper will be released for a period of consultation

ACCOUNTING FOR AND DISCLOSURE OF RESERVES

The Committee is also in the process of finalising a paper which sets out the legislative background to reserves for local authorities in Scotland. This paper has already been the subject of a short period of consultation.

>>> policy and technical update

TREASURY MANAGEMENT PANEL



The CIPFA panel has considered the review of the Treasury Management Code. The panel's conclusion was that the Code itself was still fit for purpose, but that it would be helpful to bring aspects of the guidance up to date and to support the Code by further work on practical and technical issues to do with Treasury Management.

Specifically, performance measurement and the new investment powers (in England & Wales) were areas where the Code could be supported. Further work is now progressing on these areas.

CORPORATE GOVERNANCE PANEL

CIPFA in partnership with SOLACE is proposing to revise Corporate Governance in Local Government – A Keystone for Community Governance. The original Framework was published in 2001 and is intended to be followed as best practice for establishing a locally adopted code of corporate governance and for making adopted practice open and explicit.

The Framework defines how the principles that underpin good governance in local government ie openness and inclusivity; accountability and integrity should be reflected in the dimensions of a local authority's business.

As part of the review, the views will be sought from local authorities and stakeholders on how the framework has operated in practice. Crucially the review will also take account of the Good Governance Standard for Public Services which was developed by the Independent Commission on Good Governance in Public Services to which CIPFA was a key partner.

LOCAL GOVERNMENT FINANCE REVIEW COMMITTEE

The work of the Committee has now entered the second phase which is oral evidence from selected contributors to the review. CIPFA Scotland has been invited to provide evidence to the Committee in Edinburgh on 27th October 2005.

CIPFA's written submission to the Committee can be obtained at:
www.cipfa.org/scotland/responses.cfm

Further information on the work of the Review Committee can be obtained at:
www.localgovernmentfinancereview.org/default.aspx



SOCIAL HOUSING

>>> policy and technical update

CHARITY LAW REFORM

The Bill has now been passed by the Scottish Parliament. Implementation of the Act will be staggered, with different parts being introduced at different times. It is the Executive's aim however, that the Act will be fully implemented by April 2006.

Contact: Rob Hughes rhughes@sfha.co.uk

RIGHT TO BUY

No more has so far been heard from the Scottish Executive about the setting up of its proposed group relating to the report the Executive must make to Parliament on the right to buy by September 2006.

In the meantime, SFHA is preparing a campaign brochure calling for RTB to be excluded from new council and housing association tenancies and from association stock due to come into RTB in 2012. The brochure will hopefully be launched in September.

Contact: David Bookbinder dbookbinder@sfha.co.uk

SHARED EQUITY

The first draft of the Guidance for the strategic targeting of purchasers in new developments has been produced by ODS Consultants, and they are currently compiling the views of stakeholder members.

A website forum to allow members to discuss shared equity issues is available. If you do not have a password one can be obtained by contacting the SFHA Information and Communications Officer, Neil Donald, ndonald@sfha.co.uk.

Contact: Pauline Barbour pbarbour@sfha.co.uk

LENDING TO RTB PURCHASERS

The Housing Corporation has recently issued for comment draft guidance for RSLs south of the border on giving mortgage sales advice following the introduction of mortgage regulation. Previously, housing associations in Scotland could be a lender of last resort to RTB purchasers, but SFHA is not aware of any association in Scotland ever doing such. Communities Scotland is considering putting advice out in line with the Housing Corporation Guidance, but only if there is any need to do so. Could anyone who has ever advanced loans to RTB purchasers please email Bob Hartness and advise of such.

Contact: Bob Hartness bob.hartness@bakertilly.co.uk

VIABILITY STATEMENT

Communities Scotland has temporarily withdrawn the requirement for association committees to sign off a statement on their future viability. The statement will be reworked by a working group consisting of SFHA, representatives from the finance forums and from the accounting body ICAS.

Contact: Rob Hughes rhughes@sfha.co.uk

SEMINARS

For full programme details and
to book online visit
www.cipfa.org.uk/scotland/events.cfm

ANNUAL GOVERNANCE SEMINAR

10 OCTOBER 2005, EDINBURGH

This seminar looks at the guidance on governance that is available and considers the citizen's perception, risks facing our public services, our capacity to deliver good governance, behaviour that supports or threatens good governance and how we plan to engage stakeholders and make accountability real. Chaired by David Robb, Head of Public Bodies Unit, Scottish Executive, the programme will include:

- **Governance and Guidance** - Angela Scott, Head of CIPFA in Scotland
- **Governance and the Citizen** - Professor Alice Brown, Scottish Public Services Ombudsman
- **Governance and Risk** - Robin Urry, ex European Commission Joint Research Centre
- **Governance and Capacity** - Zoë van Zwanenberg, Chief Executive, Scottish Leadership Foundation
- **Governance and Responsibility** - Professor Lorne Crerar, Convenor, Standards Commission for Scotland
- **Governance and Accountability** - Hugh Hall, Managing Director, Audit Services Group, Audit Scotland

ASSET MANAGEMENT SEMINAR

24 OCTOBER 2005, THISTLE HOTEL, GLASGOW

Audit Scotland's Annual Overview Report of the Local Authority Audits in 2004 highlighted that local authorities need to review and improve their asset management arrangements. The emerging evidence from the audits of Best Value also indicates the need for asset management improvement as it has a direct impact on the financial and property resources available to councils. This seminar will assess the current position of asset management while addressing the practicalities in breakout workshops. The programme includes:

- **Linking Investment to Asset Management Planning** - Alan George, Client Director, Sector Treasury Services
- **Asset Management Planning? The Evidence So Far** - Pearl Tait, Senior Audit Manager, Audit Scotland
- **How to compile an Asset Management Plan** - David Bentley, Head of Asset Management, CIPFA/IPF
- **Effective Service Development** - Michael Booth, Associate Director, DTZ Pieda Consulting
- **Managing Assets Efficiently** - Brian Lawrie, Head of Finance and Asset Management, Fife Council

FINANCE AND LEADERSHIP IN PUBLIC SERVICES SEMINAR

2 NOVEMBER 2005, EDINBURGH

This seminar looks at some of the strategic imperatives for the modern finance professional in Scottish public services. It will consider key challenges, the strategic role of finance, opportunities and threats and the experience of others. It will be of relevance to anyone with responsibility for finance in public services. The programme will include:

- **The Challenges Facing Scottish Public Services** - John Elvidge, Permanent Secretary, Scottish Executive*
 - **Finance in Strategic Management of Public Bodies** - Steve Freer, Chief Executive, CIPFA
 - **Opportunities and Threats** - Philip Eisenhart, Group Director, Holyrood Communications
 - **Finance and Corporate Recovery** - Anna Klonowski
 - **Finance and Service Delivery** - Peter Bates, Chair, NHS Tayside
 - **Governance and Accountability** - Tom McCabe MSP, Minister for Finance and Public Service Reform*
- *to be confirmed

ANNUAL PERFORMANCE SEMINAR

14 NOVEMBER 2005, EDINBURGH

This seminar looks at performance management from the perspective of government, the manager and the citizen, considering how we can best provide performance management that satisfies all of these stakeholders. It also considers how performance can be improved through more effective teamwork, collaboration and the strategic use of financial resources. The programme will include:

- **Performance and Government** - Heather Koronka, Head of Public Sector Performance & Improvement, Scottish Executive
- **Performance and the Citizen** - Christopher Thomaskutty, Deputy Director of Citistat Operations, City of Baltimore, USA
- **Performance and the Manager** - Carol George, Performance Management Consultant
- **Performance and the Team** - Catriona Young, Occupational Psychologist, The Keil Centre
- **Performance and in Collaboration** - Dr Alan Neilson, Management Consultant
- **Performance and Finance** - Carolyn Hardie, Chief Accountant, Glasgow City Council

FINANCE TRAINING COURSES

For full programme details and
to book online visit

www.cipfa.org.uk/scotland/events.cfm

PENSIONS ACCOUNTING WORKSHOP

28 SEPTEMBER 2005, EDINBURGH

In conjunction with Capita Hartshead, this workshop will provide a general overview on pensions and how they affect various stakeholders. The workshop will focus on 'where pensions are going', with particular reference to FRS 17 and Pension Simplification. The sessions will be at a level to suit a wide range of pensions knowledge and experience.

LOCAL GOVERNMENT VAT: GENERAL VAT AWARENESS

5 OCTOBER 2005, EDINBURGH

In association with PricewaterhouseCoopers, this course examines the basic principles of VAT and their application to local authorities. It consists of an overview of the way VAT works, and looks in detail at the VAT treatment of income and expenditure. The programme will include Overview of VAT System; VAT Liability; VAT and Income/Expenditure; Deductible/Non-deductible VAT; Evidence for VAT Recovery; Customs Visits and basic land and property rules.

ACCOUNTING STANDARDS OVERVIEW

25 OCTOBER & 8 DECEMBER 2005, EDINBURGH

This comprehensive two day course is designed to provide an overview of all the accounting standards and how they affect the public sector. The course is led by John Layton, who previously was responsible for the provision of technical advice on public sector financial matters at PricewaterhouseCoopers and was the firm's principal technical contact with the Audit Commission and Accounts Commission.

THE CIPFA FINANCIAL MANAGEMENT (FM) MODEL

31 OCTOBER 2005, EDINBURGH

The CIPFA FM Model is a practical tool for improving organisational effectiveness. It is not about finance departments or finance staff, but about how finance is diffused throughout the organisation, from the board through to service delivery. This course provides an excellent guide to the CIPFA FM Model for anyone who expects to be involved in shaping the future of finance, performance and governance of Scottish public services.

FINANCE TRAINING COURSES