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**Local Government Finance Circular 10/2020**

<http://www.gov.scot/Topics/Government/local-government/17999/11203>

By e-mail:

Directors of Finance of Scottish Local Authorities  
Copy Audit Scotland  
COSLA

Our ref: A27895914  
21 May 2020

Dear Director of Finance,

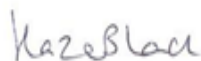
**LOCAL AUTHORITY ACCOUNTS 2019-20 – COVID-19**

I emailed on 14 April to advise on provisions in the Coronavirus (Scotland) Act 2020 in relation to temporary powers in relation to reports and other documents. I also advised that we would consider any proposals put forward by local authorities or auditors to reduce the reporting burden for the narrative reports in the annual accounts.

I received a number of responses which have been considered. This circular sets out the reduction in the reporting burden for the management commentary for 2019-20, together with other, non-statutory, advice on others matters raised.

I trust this is helpful.

Yours faithfully



Hazel Black  
Head of Local Authority Accounting

## LOCAL AUTHORITY ACCOUNTS 2019-20 – COVID-19

### *Scottish Government*

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#### **Part 1 – Background and non-statutory guidance**

#### **Part 2 – Statutory guidance – management commentary**

*Part 1 of this document gives non-statutory guidance only and is not part of the guidance itself, which is contained in Part 2.*

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### **PART 1 – BACKGROUND AND NON STATUTORY GUIDANCE**

#### **Background**

1. This circular has been issued to vary the statutory requirement for a management commentary in the Annual Accounts for 2019-20.
2. This circular also provides non-statutory guidance on a number of other matters, including a fuller explanation of the powers contained in the Coronavirus (Scotland) Act 2020 and how the various statements required to be made and published by the 2020 Act and the 2014 Regulations can be integrated and timetabled to ensure stakeholders are kept informed.

#### **Coronavirus (Scotland) Act 2020**

3. The Scottish Government has advised that it considers the provisions made in Schedule 6 of *The Coronavirus (Scotland) Act 2020* to be sufficient to allow each local authority to determine its own revised timetable for Annual Accounts.
4. The following explains how the Scottish Government has interpreted legislation to come to the conclusion that the provisions are sufficient. As with any legislation each local authority must satisfy itself that it can utilise the powers in Schedule 6 of the 2020 Act.

Section 96 of the Local Government (Scotland) Act 1973 deals with Accounts and Audit, with section 105 providing the Scottish Ministers with the power to issue regulations in relation to those accounts.

Section 96(3) of the 1973 Act requires each local authority to prepare an abstract of accounts for each financial year, with section 101(1) giving interested persons the right to inspect the accounts to be audited, together with associated documents.

Part three of *The Local Authority Accounting (Scotland) Regulations 2014* sets out the statutory requirements for “Published accounts and audit”.

#### ***Publishing the annual accounts***

Paragraph 8 of Schedule 6 of the Coronavirus (Scotland) Act 2020 sets out:

“(1) This paragraph applies to a statutory duty (however expressed)... that requires ...a Scottish public authority to publish a report (and any other associated documents) in connection with the exercise of ..its functions on or by a particular date while this paragraph is in force.

(2) The ..Scottish public authority may decide to postpone complying with the duty if they or, as the case may be, it are of the view that complying would be likely to impede their or, as the case may be, its ability to take effective action to prevent, protect against, delay or otherwise control the incidence or transmission of coronavirus.”

The 2020 Act applies to a statutory duty to publish “however expressed”. Regulation 8(7) and 8(8) of the 2014 Regulations require the Annual Accounts (abstract of accounts) to be submitted to the auditor no later than 30th June and for those unaudited accounts to be published on the website of the local authority.

Regulations 8(7) and (8) link submission of the accounts for audit and publication of those accounts to the public via its website, so a reasonable interpretation is this is a single publication duty, and as such the requirement to publish that report (the unaudited accounts) can therefore be postponed using the powers in the 2020 Act.

Regulations 8(9) and 8(10) of the 2014 Regulations require a local authority to meet before 31 August to consider the unaudited accounts. The Parliamentary intention in the 2020 Act is to provide a flexibility. If it allows a publication date to be postponed it makes no sense that a requirement to consider that report negates that flexibility. The interpretation as to this requirement is that the regulations are interpreted as intending that the unaudited accounts be considered within 2 months of publication.

Regulation 10(1) of the 2014 Regulations require a local authority to meet to consider the audited accounts and aim to approve those accounts for signature no later than 30 September. The same interpretation can be applied to this requirement as to the meeting in August. In this case though regulation 10(1) states expressly that the date is an “aim”. The Regulations therefore anticipate that there may be occasion when events prevent that aim being achieved.

Regulation 11(1) to (3) is the duty to publish the annual accounts on a website no later than by 31 October, including publishing the accounts of its subsidiaries. The local authority must publish ... every further report provided by the auditor that relates to the signed annual accounts on a website no later than 31st December. Paragraph 8(2) of schedule 6 of the 2020 Act applies to these publication dates.

If a local authority decides to postpone the publication of its unaudited or audited accounts (2020 Act Schedule 6 paragraph 8(2)) it must publish a statement to that effect on or before the date by which the report is due, or as soon as reasonably practicable after the date (2020 Act schedule 6 paragraph 8(3)). The statement must indicate that the report will be published as soon as reasonably practicable (as required by paragraphs 8(4) and 10(2)). At this time Scottish Ministers consider it reasonable that a local authority publishes its audited Annual Accounts no later than 30 November 2020.

### ***Public inspection of annual accounts and associated documents***

Regulation 9 of the 2014 Regulations makes provision for interested persons to inspect and object to a local authority’s annual accounts.

Regulation 9(1)-(3) provides that a local authority must give public notice in accordance with section 195 of the 1973 Act (i.e. by displaying the notice at or near the principal entrance to the Offices) of the right of interested persons to inspect and object to its accounts, ...no later than 17th June.

Paragraph 9(1)(b)(iii) of schedule 6 of the 2020 Act applies to a notice of where a document may be inspected. A local authority may decide not to comply [paragraph 9(2)] but if so:

- Must publish the notice electronically [paragraph 9(3)(c)]
- Once the virus is no longer a risk, a local authority must either take steps to comply or publish a statement setting out reasons for non-compliance [para 10(4)] Such a reason could be that the notice has already been published electronically.

Regulation 9(4) of the 2014 Regulations requires that the notice ... must ....state that accounts to be audited and all books, deeds, contracts, bills, vouchers and receipts relating thereto will be available for inspection during the ordinary business hours of the local authority for a period of 15 working days from... the date specified in the notice. Regulation 9(5) sets out that the date must be at least 14 days after the date that notice is published, but cannot be later than 1st July.

Paragraph 9(1)(b)(iv) of schedule 6 of the 2020 Act applies to a duty to make available a document for inspection:

- Where possible, it must be published electronically [paragraph (3)(b)]
- Where electronic publication is not possible, the local authority must publish a statement to that effect [paragraph (4)]

Each local authority will be taking their own decision on postponing the publication of the annual accounts. Both the Act and the Regulations require certain statements to be made. In making those statements consideration should be given as to the information provided in those statements to ensure interested stakeholders are kept informed.

Should it not be possible to allow interested persons access to the council offices and physical documents, we suggest that publication of the request, together with the documents provided electronically are made in the same place on the website as the inspection notice. When it is not possible to provide the information in electronic format the request, together with the statement that the authority will not comply, should also be published in the same place on the website as the inspection notice.

## **The statements to be made and published**

### ***Postpone publication of unaudited accounts [30 June]***

In accordance with the 2020 Act the statement postponing the publication of the unaudited accounts must be published by 30 June or as soon as reasonably practicable after that date. However, the 2014 Regulations require the public inspection notice to be no later than 17 June, with the inspection period commencing no later than 1 July.

We suggest that if a local authority is planning to postpone the publication of the unaudited accounts the statement is issued no later than 17 June and this statement covers the following points:

- The Council is postponing the publication of the unaudited annual accounts required to be published by 30 June due to the Coronavirus pandemic. This postponement is made using powers contained in the Coronavirus (Scotland) Act 2020.
- The unaudited accounts will be published as soon as reasonably practicable. We anticipate that the unaudited accounts will be published no later than [31 August]. The Council usually meets to consider the unaudited accounts before the 31 August. Given this postponement the Council will consider the unaudited accounts no later than [2 month after publishing unaudited accounts/31 October].
- The public has the right to inspect the unaudited accounts and associated documents and we usually issue a notice as to when that inspection will take place. This is usually in [July]. Due to the postponement of the publication of the unaudited accounts the inspection period will be later this year, immediately following the publication of the unaudited accounts. A separate notice will be issued to advise the inspection period.

### ***Notice of Inspection***

The notice should be issued 14 days before the inspection period as required by the 2014 Regulations.

The inspection notice is already required to be published on the website of the local authority. The changes required to the text of the notice will depend on the situation on lock-down that exists when the notice is published, and may need to reflect a position where a second lock-down may be put into place during that period.

Where access to offices is not possible the notice should set out the process a person needs to follow to ask for the documents they wish to see. This should include details of how the information will be provided [electronically] and where [council website including hyperlink]. The notice should explain the process where it is not possible to provide that information electronically [council to contact them to provide access when there is no longer a significant risk of the transmission of coronavirus]. The notice should set out that the change in the process has been made in response to the coronavirus pandemic using powers contained in the Coronavirus (Scotland) Act 2020.

Each local authority should discuss with their auditors, in advance, the content of the notice as it relates to making objections to the accounts. Local authorities are reminded that objections are to be directed to each local authority auditor and not the Controller of Audit.

Often notices and timetables in one council area jointly cover many different bodies e.g. IJB's, Joint Boards, Pension Funds etc. With potentially different timetables being followed by different entities there is greater need for liaison between the different bodies to ensure their timetables are coordinated and that the notices fully reflect each individual S106 body's arrangements and timetables.

### ***Postpone publication of audited accounts [30 October]***

Part 1 of the 2020 Act expires on the 30 September, so, unless the expiry period is extended by the Scottish Parliament, any local authority wishing to postpone the publication of the audited accounts will need to publish the statement to that effect no later than 30 September. The 2014 Regulations require the authority to meet to consider

the audited accounts with an aim to approve those accounts for signature no later than 30th September.

So, if a local authority is planning to postpone the publication of the audited accounts the statement should issue no later than 30 September and should include information as to when the local authority will meet to consider the audited accounts.

This statement can be part of the statement made when postponing the publication of the unaudited accounts or as a separate statement later.

## Timelines

5. Local authorities, in their discussions with auditors around such timescales, should strive to work to as early a date as practicable for both parties.

6. Scottish Ministers consider it reasonable that a local authority publishes its audited Annual Accounts no later than 30 November 2020.

## Narrative report - management commentary

7. Local authorities are encouraged to comply in full with the statutory requirements for a management commentary as set out in local government finance circular 5/2015.

8. However, in recognition of the current situation, we are relaxing some of the content requirements so that it focuses on the headline financial results for the year, financial position and risks going forward. We expect future risks to include those arising from COVID 19.

9. The management commentary is based on the Companies Act 2006 interpreted for local authorities. For 2019-20 a local authority is permitted, but is not required, to dis-apply some of the statutory requirements. The following table sets out the Companies Act requirements, the requirements set out in Local Government Finance Circular 5/2015, and the statutory minimum requirements for 2019-20.

<b>Companies Act 2006</b>	
Section 414C – Contents of strategic report	
Section 414C (1)	Sets out the purpose of the strategic report Statutory guidance circular 5/2015: “members” shall be interpreted to be all users of the accounts. “directors” shall be interpreted as being the local authority.
Section 414C (2)	Strategic report must contain – (a) a fair review of the company’s business (b) a description of the principal risks and uncertainties facing the company.  Statutory guidance circular 5/2015: Applies without modification  <a href="#">Applies. Expectation of particular focus on COVID-19</a>
Section 414C (3)	The review required is a balanced and comprehensive analysis of – (a) the development and performance of the company’s business during the financial year, and (b) the position of the company’s business at the end of the year, consistent with the size and complexity of the business.

	<p>Statutory guidance circular 5/2015: Applies without modification</p> <p><a href="#">Modified application. Deletion of “and comprehensive” before analysis.</a></p>
Section 414C (4)	<p>The review must, to the extent necessary for an understanding of the development, performance or position of the company’s business, include –</p> <p>(a) analysis using financial key performance indicators, and</p> <p>(b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.</p>
Section 414C (5)	<p>“Key performance indicators” means factors by reference to which the development, performance or position of the company’s business can be measured effectively.</p>
Section 414C (6)	<p>Where a company qualifies as medium-sized the review does not need to include non-financial performance indicators.</p> <p>Statutory guidance circular 5/2015: Applies with modification. A local authority is not exempt from the requirement to include other key performance indicators. The requirement for the review to include non-financial performance indicators is however varied. A local authority may include such performance indicators as management consider relevant. These do not necessarily need to include information relating to environmental matters or employee matters.</p> <p><a href="#">Dis-apply. Analysis not required, but a local authority is required to include a hyperlink to KPIs published elsewhere or a statement to the effect that this is not possible.</a></p>
Section 414C (7)	<p>For quoted companies, the strategic report must, to the extent necessary for an understanding of the development, performance or position of the company’s business, include -</p> <p>(a) the main trends and factors likely to affect the future development, performance and position of the company’s business, and</p> <p>(b) information about –</p> <p>(i) environmental matters</p> <p>(ii) the company’s employees, and</p> <p>(iii) social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies.</p> <p>Statutory guidance circular 5/2015: Paragraph 7(a) applies without modification to a local authority Paragraph 7(b) does not apply to a local authority</p> <p><a href="#">Applies. An expectation of particular focus on COVID-19</a></p>
Section 414C (8)	<p>In the case of a quoted company the strategic report must include –</p> <p>(a) a description of the company’s strategy.</p> <p>(b) a description of the company’s business model,</p> <p>(c) a breakdown showing at the end of the financial year –</p> <p>(i) the number of persons of each sex who were directors of the company;</p> <p>(ii) the number of persons of each sex who were senior managers of the company, and</p>

	<p>(iii) the number of persons of each sex who were employees of the company</p> <p>Statutory guidance circular 5/2015: Paragraph 8 (a) applies without modification Paragraph 8 (b) applies without modification Paragraph 8 (c) does not apply to a local authority</p> <p><a href="#">Dis-apply 8(a) and 8(b). Local authority to include a hyperlink to another document published elsewhere or a statement to the effect that is not possible.</a></p>
Section 414C (9)	<p>“Senior manager” is defined</p> <p>Statutory guidance circular 5/2015: Does not apply as section 414C (8) (c) does not apply</p>
Section 414C (10)	<p>For a group strategic report the reference to company in 414C (8) is to the parent company and the disclosures in 414C (8) (c) relate to the group</p> <p>Statutory guidance circular 5/2015: Does not apply as section 414C (8) (c) does not apply</p>
Section 414C (11)	<p>The strategic report may contain those matters required to be disclosed in the directors’ report if directors consider they are of strategic importance.</p> <p>Statutory guidance circular 5/2015: Applies but only to the extent that those matters set out for inclusion in a directors’ report are relevant to a local authority and they are considered to be of strategic importance.</p> <p><a href="#">Dis-applied. Except for “Important events affecting the company which have occurred since the end of the financial year” or to the extent that the other items are required to be disclosed by other statutory requirements.</a></p>
Section 414C (12)	<p>The report must, where appropriate, include references to, and additional explanations of, amounts included in the company’s annual accounts.</p> <p>Statutory guidance circular 5/2015: Applies without modification</p> <p><a href="#">Applies. But focus on only the most important areas</a></p>
Section 414C (13)	<p>For a group strategic report the references to company in this section of the legislation relate to the group.</p> <p>Statutory guidance circular 5/2015: Applies without modification <a href="#">Applies.</a></p>
Section 414C (14)	<p>The legislation does not require the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company.</p> <p>Statutory guidance circular 5/2015: Applies without modification <a href="#">Applies.</a></p>

10. Local Government Finance Circular 7/2016 *Loans Fund Accounting* requires the Management Commentary to direct the reader to the annual Strategy and annual



Report. This requirement does not apply to the extent that the annual Report is not yet published. A statement to the effect that this is not possible should be included.

*Circular 7/2016*

“69. The Management Commentary, a component of the statutory Annual Accounts, should include narrative as to how the capital plans of the authority are meeting the objectives of the council. Where that capital investment is financed from borrowing this is required to be prudent, affordable and sustainable. Key performance indicators are likely to be used to set policy and to demonstrate compliance with that policy. Any risks associated with a policy would be identified through the Commentary. The information contained in an annual Strategy and an annual Report will provide the detailed information, and narrative on an authority’s capital investment plans, treasury management (borrowing and investments), prudential indicators and the loans fund liabilities. The Management Commentary should direct the reader to the annual Strategy and annual Report to find this additional information.”

11. I draw your attention to the Audit Scotland [Good Practice Note: Management Commentaries](#) which was issued in February this year. Councils should use this Good Practice Note to assess and enhance their management commentaries.

### **Statement of Responsibilities and Annual Governance Statement**

12. The statement of responsibilities and annual governance statement are essential accountability documents and are, if anything, more important at this time. Also, normal accountability and controls applied for at least 11 of the 12 months of 2019-20.

13. Having said that, a local authority is only expected to comply with the minimum requirements for the annual governance statement in 2019-20. Where a local authority has experienced difficulties in getting the assurances required, for example annual assurance certificates or similar, this should be explained.

14. Audit Scotland are discussing with auditors the issue of asset valuations, including the implications of a valuer disclosing a material uncertainty in their reports, to promote a consistent approach. The guidance from RICS is clear that such a disclosure is not meant to suggest that the valuation cannot be relied upon; however it does indicate that less certainty can be attached to the valuation than would otherwise be the case. The accounting code states that even a high level of measurement uncertainty does not prevent an estimate from providing useful information. However, information on the assumptions around the estimate are required to be disclosed. Auditors are required to evaluate whether the estimates and related disclosures are reasonable.

15. Where a valuer declines to give a valuation and this valuation is required this will need to be explained in the annual accounts.

16. Section 95 officers will need to consider their own valuation circumstances when determining whether to certify the accounts as being true and fair or whether they need to make some kind of qualifying statement.

### **Electronic signatures**

17. We have been asked whether electronic signatures may be used for the annual accounts. The Scottish Government has no objection to the use of electronic signatures, it is for each local authority to ensure the security of those signatures. We understand Audit Scotland are considering electronic signatures for the audit certificate.

## **Other matters**

18. There are a couple of non COVID-19 matters that I would like to take the opportunity to raise which relate to the annual accounts.

### ***Accounting for capital grants***

19. [Local Government Finance Circular 3/2018](#) sets out the accounting treatment for capital grants. From the LFR returns last year we picked up that a few local authorities are not accounting for capital grants correctly in a particular circumstance – where the capital grant is used to fund a capital grant to a third party.

20. The Circular advises “There is no legislative requirement in Scotland to capitalise the grant made to a third party when that grant is funded by a capital grant or contribution made to the local authority. The treatment in Scotland is to treat both the grant expenditure to the third party and the grant income to the local authority as service revenue expenditure and service revenue income. No statutory adjustment is required.”

21. This is different from the treatment set out in the Accounting Code, which requires all the capital grant to be transferred to the CAA, with the revenue expenditure (the capital grant) being a credit to the GF from the CAA.

“4.6.3.3 Such expenditure shall be charged to surplus or deficit on the provision of services in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure shall be accounted for by debiting the capital adjustment account and crediting the general fund balance and showing as a reconciling item in the movement in reserves statement.”

22. The Scottish Government statutory guidance takes precedence over the Accounting Code. Local authorities should ensure they follow the Scottish Government guidance.

### ***Non Domestic Rates – contribution from the Pool***

23. The annual contribution from the NDR pool is set out in the annual Order, for 2018-19 this is [SSI 2018/91](#). The amounts set out in column 3 of schedule 1 is the amount that should be recorded in the annual accounts.

24. Some NDR reliefs require a local authority to fund part of that relief. A minority of local authorities are accounting for the cost of that relief by reducing the amount of contribution from the NDR pool. The cost of the relief that is met by the local authority is a service revenue cost and should not be accounted as a reduction in the value of the contribution from the pool.

25. Please follow the LASAAC guidance as set out in [LASAAC example presentation Of non-domestic rates](#)

Scottish Government  
21 May 2020

## [PART 2]

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### LOCAL AUTHORITY ACCOUNTS 2019-20 – COVID-19 – MANAGEMENT COMMENTARY

Issued by Scottish Ministers under section 12(2)(b) of the Local Government in Scotland Act 2003

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#### APPLICATION

1. A local authority is required to prepare a management commentary. A local authority may choose to apply Local Government Finance Circular 5/2015 in full, or may choose to take advantage of some, or all, of the reduced disclosure requirements as set out in this guidance.
2. This statutory guidance applies only to the financial year 2019-20.
3. A local authority is required to prepare a management commentary having regard to this guidance, and more generally the Financial Reporting Council *FRC Guidance on the Strategic Report* published June 2014.
4. Where a local authority is required to prepare group accounts the management commentary must be a group management commentary
5. The management commentary is required to represent the **collective view** of those charged with governance, and evidenced by them approving it for signature.
6. In preparing its management commentary a local authority is required to apply the **communication** principles set out in the *FRC Guidance on the Strategic Report*.
7. The content of the management commentary are those matters required to be included as content in a strategic report as set out in section 414C of the Companies Act 2006, interpreted for local authorities as set out below.

<b>Companies Act 2006 Section 414C Contents of strategic report</b>	
General	company and quoted company = local authority (or local authority group)
<b>Section</b>	
414C (1)	“members” shall be interpreted to be all users of the accounts. “directors” shall be interpreted as being the local authority.
414C (2)	Strategic report must contain – (a) a fair review of the company’s business (b) a description of the principal risks and uncertainties facing the company.  Applies, with an expectation of particular focus on COVID-19.
414C (3)	The review required is a balanced and comprehensive analysis of – (a) the development and performance of the company’s business during the financial year, and

	<p>(b) the position of the company's business at the end of the year, consistent with the size and complexity of the business.</p> <p>Applies with modification. The review is required to be a balanced analysis of, not a balanced and comprehensive analysis of.</p>
414C (4)	<p>The review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include –</p> <p>(a) analysis using financial key performance indicators, and</p> <p>(b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.</p>
414C (5)	<p>"Key performance indicators" means factors by reference to which the development, performance or position of the company's business can be measured effectively.</p>
414C (6)	<p>Where a company qualifies as medium-sized the review does not need to include non-financial performance indicators.</p> <p>Does not apply. A local authority is required to include a hyperlink to KPIs published elsewhere or a statement to the effect that this is not possible.</p>
414C (7)	<p>For quoted companies, the strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include -</p> <p>(a) the main trends and factors likely to affect the future development, performance and position of the company's business, and</p> <p>(b) information about –</p> <p>(i) environmental matters</p> <p>(ii) the company's employees, and</p> <p>(iii) social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies.</p> <p>Paragraph 7(a) applies without modification to a local authority, with an expectation of particular focus on COVID-19</p> <p>Paragraph 7(b) does not apply to a local authority</p>
414C (8)	<p>In the case of a quoted company the strategic report must include –</p> <p>(a) a description of the company's strategy.</p> <p>(b) a description of the company's business model,</p> <p>(c) a breakdown showing at the end of the financial year –</p> <p>(i) the number of persons of each sex who were directors of the company;</p> <p>(ii) the number of persons of each sex who were senior managers of the company, and</p> <p>(iii) the number of persons of each sex who were employees of the company</p> <p>Does not apply. For 8(a) and 8(b) a local authority is to include a hyperlink to another document published elsewhere or a statement to the effect that is not possible.</p>
414C (9) and (10)	<p>Does not apply as section 414C (8) (c) does not apply</p>
414C (11)	<p>The strategic report may contain those matters required to be disclosed in the directors' report if directors consider they are of strategic importance.</p>

	Only applies to “Important events affecting the company which have occurred since the end of the financial year” or to the extent that the other items are required to be disclosed by other statutory requirements.
414C (12)	The report must, where appropriate, include references to, and additional explanations of, amounts included in the company’s annual accounts.  Applies. But focus on only the most important areas
414C (13)	For a group strategic report the references to company in this section of the legislation relate to the group.  Applies.
414C (14)	The legislation does not require the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company.  Applies.

8. Local Government Finance Circular 7/2016 *Loans Fund Accounting* requires the Management Commentary to direct the reader to the annual Strategy and annual Report. This requirement does not apply to the extent that the annual Report is not yet published. A statement to the effect that this is not possible should be included.

9. The content elements should not be treated as a list of disclosures and addressed in isolation. The management commentary should recognise, highlight, and explain the relationships and interdependencies between elements and other disclosures in the Annual Accounts.

10. In preparing its management commentary a local authority must consider **materiality**. Only information that is material in the context of the management commentary should be included within it. When considering materiality a local authority is to have regard to the principles as set out in paragraphs 5.4 and 5.5 of the *FRC Guidance on the Strategic Report*.

11. A local authority is not required to include a Narrative Report in the Annual Accounts as set out in the Code of Practice on Local Authority Accounting in the UK (the Code).

**Scottish Government**  
**21 May 2020**  
**Victoria Quay, Leith, Edinburgh EH6 6QQ**