

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 February 2007

Report of the Director of Finance

Part 1- Public

Matters for Information

1 CONSULTATION ON THE 2007 LOCAL AUTHORITY STATEMENT OF RECOMMENDED PRACTICE (SORP)

This paper sets out the Council's suggested response to the proposed changes to the Code of Practice on Local Authority Accounting in the United Kingdom, A Statement of Recommended Practice (The SORP) for 2007. The SORP governs the way in which the Council's Statement of Accounts is prepared.

1.1 Introduction

1.1.1 The SORP is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and reviewed continuously and is normally updated annually.

1.1.2 In recent years CIPFA have introduced changes to the SORP with the aim of bringing local authorities' Accounts more in line with the private sector where possible. The proposals in this consultation are a further step in that direction.

1.1.3 The consultation paper gives details of the proposed changes to the SORP for accounting periods commencing on or after 1 April 2007. The return date for comments is 14 February 2007, which regrettably means that this report is presented for information only. However, this item is also being presented to the General Purposes Committee on 5 February, and any points raised by Members at that meeting will be included in our response.

1.1.4 The consultation paper can be found at the following web link :
<http://www.cipfa.org.uk/pt/consultations.cfm>

1.2 Proposals

1.2.1 This is a technical document and my officers have formulated a response to the Consultation Paper. The list of questions and responses is attached at **[Annex 1]**.

1.2.2 Following responses to the 2006 Consultation Paper CIPFA decided to delay the implementation of some of the proposals pending further consideration.

- The introduction of a UK GAAP compliant Revaluation Reserve and consequential changes to the Fixed Asset Restatement Account and Capital Financing Account.
- Changes resulting from accounting standards developments.

1.2.3 These proposals have been included in the 2007 Consultation Paper.

1.2.4 With respect to the proposed changes, the more significant are:

- Accounting for Financial Instruments.
- Introduction of a UK GAAP Revaluation Reserve.
- Accounting for Local Area Agreements.

1.3 Impact of the Proposals

1.3.1 Financial Instruments cover both borrowing and investments. The Consultation Paper sets out the proposals for the measurement, presentation and disclosure requirements of financial instruments in accordance with Financial Reporting Standards 25, 26 and 29. We are in general agreement with the proposals so long as there is a nil impact on taxpayers.

1.3.2 We are in general agreement with the proposals surrounding the introduction of a Revaluation Reserve. However, if the preferred option is not taken forward we have asked that it be delayed a further year due to the preparatory work that will be required.

1.3.3 We agree with the proposed accounting arrangements for Local Area Agreements.

1.4 Legal Implications

1.4.1 For the purposes of local government legislation local authorities are required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom, the SORP.

1.5 Financial and Value for Money Considerations

1.5.1 As set out above.

1.6 Risk Assessment

1.6.1 The proposals outlined in the Consultation Paper will require preparatory work and a review of working practices to be undertaken during 2006/07, not to do so may cause difficulties in meeting statutory deadlines.

Background papers:

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Consultation Paper on the 2007 Local Authority SORP

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