

**CODE OF PRACTICE ON LOCAL  
AUTHORITY ACCOUNTING IN  
THE UNITED KINGDOM – A  
STATEMENT OF RECOMMENDED  
PRACTICE 2009**

**EXTRACT OF INVITATION TO COMMENT -  
QUESTIONS**

**10 November 2008**

AT THE HEART OF  
PUBLIC SERVICES



**Accounting for private finance initiative (PFI) and similar contracts**

Q1 Do you agree with the proposals to base the accounting requirements for PFI and similar contracts on the FReM from 1 April 2009? if you do not agree please give reasons.

Agree

Q2 Do you agree that if, as discussions progress and events unfold, CIPFA/LASAAC concluded that the adoption of FReM-based accounting requirements for PFI would risk adverse impact on budget requirements and taxation, it should not proceed with implementing the proposal in 2009/10?

Agree

Q3 Do you have any comments on the detail of the section on accounting for PFI and similar contracts of the 2009 Exposure Draft SORP?

None

**Accounting for NNDR and council tax in the core financial statements in England, Scotland and Wales**

*National non-domestic rates*

Q4 Do you agree that in England, Scotland and Wales billing authorities act as agents of their respective jurisdictions' Governments when collecting NNDR?

Agree

Q5 Do you agree that a billing authority:

- (a) Should not include income in its Income and Expenditure Account for the NNDR it collects from taxpayers?
- (b) Should not include NNDR taxpayer debtor and creditor balances in its balance sheet?
- (c) Should include a creditor in its balance sheet for NNDR cash collected from taxpayers at the balance sheet date but not yet paid to the Government ('national pool') or a debtor for cash overpaid to the Government?

If you disagree, please indicate the element(s) with which you disagree and your preferred treatment.

Agree

Q6 Do you agree with CIPFA/LASAAC's proposals for including NNDR cash flows in the Cash Flow Statement?

Agree

Q7 Do you have any comments on or suggestions for amending paragraphs 3.65e to 3.65j of the consultation SORP Exposure Draft, which cover NNDR? If so, please give them. It would be helpful if reasons are given and alternatives suggested for matters with which you disagree.

None

Council tax (England)

Q8	Do you agree that in England a billing authority acts as an agent of its major preceptors when collecting the element of council tax relating to the major preceptors' council tax precepts?
AGREE	
Q9	<p>Do you agree that:</p> <ul style="list-style-type: none"> <li>(a) A billing authority should not include any income in its Income and Expenditure Account for the council tax income relating to major preceptors' precepts?</li> <li>(b) For both billing authorities and major preceptors the council tax income credited to the Income and Expenditure Accounts should be their accrued council tax income for the year and that the difference between this and the amount required by the Collection Fund regulations to be included in the General Fund should be included as a reconciling item in the Statement of Movement on the General Fund Balance?</li> <li>(c) Council tax debtor and creditor balances are not wholly assets and liabilities of the billing authority but should be carried in the relevant proportions on the balance sheets of the billing authority and major preceptors?</li> <li>(d) Relevant proportions of the net cash collected from council tax debtors belongs to the major preceptors and that at the balance sheet date creditors or debtors should be recognised by the billing authority for cash not yet paid or overpaid respectively to major preceptors?</li> <li>(e) Major preceptors should recognise a debtor or creditor for the net cash collected on their behalf by the billing authority from council tax debtors and creditors but not yet paid to them, or overpaid, at the balance sheet date?</li> </ul> <p>If you disagree, please indicate the element(s) with which you disagree and your preferred treatment.</p>
<p>Agree in principle to points a, c, d and e, but feel that this will place increased pressure on Billing Authorities to provide information to precepting authorities when we are already working to tight deadlines.</p> <p>In respect of point b the current SORP gives the option of accruing or simply showing the precept figure. The latter is easily recognisable to the reader of the accounts as it will match figures given in the Council Tax leaflet issued some 15 months before. We recently were asked to consider implications of more simplified reporting but this appears to require further notes to clarify the figures to the readers of the accounts.</p>	
Q10	Do you agree with CIPFA/LASAAC's proposals for including council tax cash flows in the Cash Flow Statement?
Agree	
Q11	Do you have any comments on or suggestions for amending paragraphs 3.24a to 3.24p of the consultation SORP Exposure Draft, which cover council tax income in England? If so please give them. It would be helpful if reasons are given and alternatives suggested for matters with which you disagree.
None	
<i>Council tax (Wales)</i>	
Q12	Do you agree that in Wales a billing authority acts as principal when collecting the element of council tax relating to the major preceptors' council tax precepts?

Not applicable

Q13 Do you agree that a billing authority in Wales:

- (a) Should include the whole accrued council tax income for the year in its Income and Expenditure Account, including the amounts raised to cover major preceptors' (ie Police Authorities') precepts?
- (b) Should carry the council taxpayers' debtor and creditor balances, including amounts relating to the major preceptor precepts, in its balance sheet?

If you disagree, please indicate the element(s) with which you disagree and your preferred treatment.

Not applicable

Q14 Do you agree with CIPFA/LASAAC's proposals for including council tax cash flows in the Cash Flow Statement?

Not applicable

Q15 Do you have any comments on or suggestions for amending paragraphs 3.24r to 3.24u of the consultation SORP Exposure Draft, which cover council tax income in Wales? If so, please give them. It would be helpful if reasons are given and alternatives suggested for matters with which you disagree.

Not applicable

*Council tax (Scotland)*

Q16 Do you have any comments on or suggestions for amending paragraph 3.24q of the consultation SORP Exposure Draft, which covers council tax income in Scotland? If so, please give them. It would be helpful if reasons are given and alternatives suggested for matters with which you disagree

Not applicable

#### **Accounting for rates in the core financial statements in Northern Ireland**

Q17 Do you agree that the income credited to the Income and Expenditure Account in respect of rates for the year should be the amount receivable for the year from the Land and Property Services Agency?

Not applicable

Q18 Do you agree that a debtor or creditor for the 'actual penny rate product' adjustment for the year that will be made by the Land and Property Services Agency in the following year should be included as a debtor or creditor?

Not applicable

#### **Removal of larger parish and community councils from the application of the SORP**

Q19 Do you agree that the larger parish and community councils should be removed from the application of the SORP if an appropriate alternative source of 'proper practices' becomes available to take its place for the 2009/10 year of account?

	Agree
Q20	Do you agree that in England the Joint Practice Advisory Group and the Local Authority Audit Liaison Group in Wales, which are currently the bodies that prepare the non-statutory 'proper practices' guidance for the preparation of accounts by all local and community councils except the 40 or so larger parish and community councils, are the appropriate bodies to prepare guidance for the larger parishes and community councils? If not, please give your reasons and preferred alternative.
	Agree
Q21	Do you agree that paragraph 3.76 of the SORP should be amended to delete references to " <i>town, parish and community councils</i> " and " <i>internal drainage boards</i> "?
	Agree
<b>Accounting for reorganised local authorities</b>	
Q22	Do you agree that local government reorganisation should be treated as a "machinery of government" change, and accounted for in the same manner as a group restructuring using merger accounting?
	Agree in principle
Q23	Do you agree that transfers should be reported in a restated opening balance sheet, and not through the Income and Expenditure Account?
	Agree in principle
<b>Other minor changes</b>	
<i>Financial reporting standards</i>	
Q24	Do you agree that there are no financial reporting standards developments that need to be included in amendments to the SORP?
	Yes, to the best of our knowledge.
Q25	Do you agree that if <i>Improvements to Financial Reporting Standards</i> is issued shortly as an FRS, CIPFA/LASAAC should consider further whether there are any matters that could usefully be included as minor clarifying amendments in the 2009 SORP?
	Agree
<i>Unapplied grants reserve</i>	
Q26	Do you agree with changing the name of the unapplied grant reserve to unapplied grant account?
	Agree
<b>Matters not covered by the 2009 SORP invitation to comment</b>	

Q27 Do you consider that there are additional amendments that need to be made to the 2009 SORP? If so, please give details of the matter.

No, to the best of our knowledge.