

The substantive changes introduced into the 2009 SORP are:

- 1 The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS).

Not Applicable to Northern Ireland

- 2 The Accounting for local taxes (i.e. National Non-domestic Rates and Council Tax in England, Scotland and Wales and Rates in Northern Ireland) was not covered in detail in previous SORPs and the requirements are for the first time included specifically in the SORP.

The new accounting requirements mainly affect England where billing authorities act as agents of the major preceptors. Pre 2009/10 accounting practice was the inclusion of all council tax debtors in the billing authorities' Balance Sheets, which did not comply with UK GAAP. The 2009 SORP now requires appropriate shares of Council Tax debtors to be accounted for in the billing authorities' and major preceptors' Balance Sheets (Paragraphs 3.25 to 3.36 of the SORP).

In Scotland, billing authorities act as principal rather than agent when collecting Council Tax. Current practice accords with the 2009 SORP requirements which therefore represent no change for authorities (Para 3.37 of the SORP).

In Wales billing authorities also act as principal rather than agent. Current practice is to include all Council Tax debtors in the billing authority's Balance Sheet in line with the 2009 SORP requirement. However, presentational amendments are required in some Welsh Authorities to ensure that all Council Tax income is included in billing the authority's Statement of Accounts and precepts paid to major preceptors is presented as expenditure.

CIPFA/LASAAC's conclusion with regard to accounting for Rates in Northern Ireland was that current practice was sound and the 2009 SORP merely codifies current practice rather than representing a change in practice (Paragraph 3.124 of the SORP)

- 3 The SORP does not apply from 2009/10 to larger parishes and community councils in England and Wales (Para 1.7 of the SORP).

Not Applicable to Northern Ireland

- 4 The 2009 SORP includes accounting requirements in respect of Local Authority reorganisations (Paragraphs 3.83 to 3.86 of the SORP-see extract below).

Extract from SORP:-

- 3.83** Public sector bodies such as local authorities are deemed to be under common control. The combination of two or more local authorities into one new authority, or the transfer of functions (in full or in relation to a geographic area) from the responsibility of one authority to another, shall

be accounted for using the principles that apply to group reorganisations. Assets and liabilities shall normally be transferred at their carrying amount as at the transfer date, except where:

- (a) the authorities have agreed revised amounts (in accordance with their statutory duties),
and
- (b) such amounts were agreed after authorities transferring the services had issued their accounts for the year immediately prior to the transfer date, in which case, assets and liabilities shall be transferred at their agreed amounts, and the difference between these agreed amounts and their previous carrying amounts shall be disclosed in a note to the core financial statements.

3.84 Local government reorganisations take place at the start of a financial year. The reorganisation shall be achieved in the accounts by adjusting the opening Balance Sheet for the current year; transfers shall not be reflected in the Income and Expenditure Account, but shall be separately disclosed in the Statement of Total Recognised Gains and Losses. The notes to the accounts shall separately identify transfers of assets and liabilities (and any consequential changes to reserves).

3.85 For new authorities, no corresponding amounts for the previous year will be required in the core financial statements. The notes to the accounts of the new authority shall include an opening Balance Sheet (i.e. transferred assets and liabilities and opening reserve balances). This shall be clearly identified as the opening balance on the creation of the new authority, not the previous year's Balance Sheet.

3.86 For continuing authorities, newly acquired functions (or functions in relation to a geographic area) shall be disclosed separately in the current year. Functions (or functions in relation to a geographic area) transferred to another authority shall be disclosed separately in the comparative year. Where the transfer requires reporting in the notes to the accounts, a separate line disclosing the transfer shall be included after the balance brought forward from the previous year. A new sub-total shall be inserted to disclose the restated opening Balance Sheet figures. These lines will be required in the notes showing the movements in assets, liabilities and reserves, including the Statement of Movement on the General Fund Balance.

5 Very few changes to UK accounting standards have occurred since the previous (2008) SORP was developed and only two resulting amendments have been included, these are as follows:

- a) **revised** effective interest rate should be used where the financial instrument whose expected cash flows or life has been revised is being accounted for under hedge accounting.
- b) relates to FRS 21 *Events After the Balance Sheet Date* and further clarifies but does not amend when dividends payable should be recognised (Appendix A-FRS 21).

Not Applicable to Northern Ireland

- 6 An amendment affecting Wales only is that the name of the Unapplied Grant Reserve has been changed to Unapplied Grant Account.

Not Applicable to Northern Ireland

- 7 The requirements concerning reflecting events after the Balance Sheet date in the Statement of Accounts has been amended for Wales and Northern Ireland:

The 2008 SORP concluded that the date to which events after the Balance Sheet date must be considered in Wales and Northern Ireland was subject to statutory provision rather than the general provisions of the SORP (and UK GAAP).

Following legal opinion CIPFA/LASAAC accepts that interpretation contained in the 2008 SORP was invalid. Consequently, the 2009 SORP now requires authorities in Wales and Northern Ireland to reflect events after the Balance Sheet date in Statements of Accounts in accordance with the general provisions of the SORP and UK GAAP (Paragraphs 3.46 to 3.47 of the SORP).

- 8 In Scotland, disclosure of the date the Statement of Accounts was authorised for issue and who gave that authorisation has been amended to bring it in line with guidance issued by LAASAC.

Not Applicable to Northern Ireland

- 9 In Scotland disclosure of total members' allowances paid in the year has been amended to reflect legislative requirements.

Not Applicable to Northern Ireland

- 10 The SORP 2009 requires the portion of long-term financial liabilities due to be settled within 12 months after the Balance Sheet date to be included in current liabilities.

- 11 Five note disclosures have been removed as requirements of the 2009 SORP as follows:

- Section 137 expenditure;
- expenditure on publicity;
- the building control account;
- Business Improvement District Schemes; and
- income under the Local Authorities Goods and Services Act

Voluntary disclosure is permitted.

- 12 Disclosure of officers' remuneration above a minimum level in bands must be disclosed in accordance with **applicable regulations** (not **current regulations** as per 2008 SORP); since it seems likely the regulations will be amended during 2009/10.

Note that: Further to the consultation carried out by CLG between March and June 2009 and the resultant comments from respondents, regulations are currently being drafted (by CLG) to improve transparency of reporting remuneration of senior officers in public bodies.

The final statutory instrument will be made, and laid before Parliament no later than 31 December 2009.

The new provision will come into force from 31 March 2010, requiring that the public bodies covered by the Account and Audit Regulations 2003 include in their annual statement of accounts detailed remuneration information for their senior employees.

If, as expected, the regulations affect the 2009/10 statements of account CIPFA will include guidance in the LAAP Bulletin covering closure of the 2009/10 accounts (which will be issued in March 2010).

If however the regulations don't take effect until the 2010/11 statements of account CIPFA will incorporate them in the 2010/11 Code Guidance Notes.

- 13 The 2009 SORP clarifies that local authorities should follow FRS 2 and FRS 9 when accounting for investments in subsidiaries, associates and joint ventures in the single entity accounts.

Not Applicable to Northern Ireland

Other Changes:-

14 **True & Fair**

Local authorities were previously required by regulation to prepare accounts that "present fairly" the financial position of the authority at the year end and its income and expenditure for the year. With effect from 1 April 2009 the responsible financial officer is required to certify that the annual statement of accounts provides a "true and fair" view.

The same changes are anticipated to be introduced via accounts direction in Northern Ireland by 2009/10.

15 **NI Rates-Debtor/Creditor for actual penny rate product adjustment**

The rate income for the year shall be the amount receivable for the year from the Land and Property Services Agency (LPSA), i.e. the income shall be based on the 'actual penny rate product' for the year.

Instalments of rates income are received from the LPSA during the year based on the 'estimated penny rate product' made when the Council's budget was set.

A debtor or creditor for the 'actual penny rate product' adjustment for the year that will be made by the LPSA in the following year shall be included as a debtor or creditor.

If the formal notification from the LPSA of the amount of the 'actual penny rate product' adjustment for the year is not available from the LPSA at the time the accounts are finalised an estimated amount shall be accrued. [**SORP Para 3.124**]