

**Consultation on simplifying and streamlining the presentation of local authority financial statements**

Q1 How do you consider that reporting of the performance of local authorities might be improved within the Comprehensive Income and Expenditure Statement?

The local structure, that will have been reported all year to Cabinet and which any local residents would be more familiar with if they had followed the budget through the year, should be the starting point for this disclosure. This then becomes a final year-end position with accounting adjustments on top of budgeted exp./inc. and could more easily be shown as gross exp/inc and net spend as per outturn, followed by a column for accounting adjustments, and final net position. This would help show how the outturn changes to the accounting position with subsequent disclosure notes on the accounting adjustments.

Q2 Do you consider that reporting performance of the authority might be improved by reporting the costs of services in accordance with the management structures of the individual authority rather than the service headings in Section 3 of *SeRCOP*? What do you consider to be the potential barriers to this?

As above this is considered more beneficial to local Councillors and the electorate, but could make comparison between Authorities that much harder due to lack of consistent service groups. However, with the requirement to report to Government on a set format, those that are interested could access consistent figures through this avenue.

Q3 If you consider that the reporting of services in the Comprehensive Income and Expenditure Statement should be changed, how do you consider that *SeRCOP* might need to be updated to streamline the reporting of statutory service based returns?

The accounts should be a reflection of the Authority that they are reporting on, and are considered better served by not following centrally prescribed service groupings but local structure.

Q4 How do you consider that reporting of the performance of local authorities might be improved within the Movement in Reserves Statement?

The main GF and HRA balances should be analysed from opening balances, showing service costs and accounting adjustments in similar vein to the WGA reserves requirement, which would result in fewer adjustment rows. Other accounts could then be disclosed separately.

Q5 A line in the Movement in Reserves Statement provides a reconciliation between the accounting requirements stipulated in the IFRS-based Code and the statutory reporting requirements for the charges for taxation and rent setting purposes. How do you consider the analysis provided by this statement or related notes might be improved for this reconciliation? What do you think currently obscures the key messages for the users of the financial statements?

The current format makes the table too complicated by including other accounts within. It should be a focus on GF/HRA balances, with a balancing column for other reserves.

Q6 Are there statutory reversals currently used to mitigate the impact of proper accounting practice on the general fund that are no longer material and could potentially be removed?

n/a

Q7 CIPFA has been encouraging local authorities to 'take a red pen' to immaterial disclosures in the accounts. It has also issued its publication *Financial Statements; A Good Practice Guide for Local Authorities*. Are there areas that CIPFA or CIPFA/LASAAC could provide more guidance to assist local authorities with this?

Pension disclosures have become increasingly meaningless and are often a case of repeating the information from actuaries in the accounts. Being able to reduce the tables of values for investments and equities would likely clear pages from the accounts.

Q8 What do you consider is the best approach to "Tell the Story" of local authority performance ie what form and type of narrative report should accompany the financial statements. It would be helpful if interested parties consider their responses in the light of the requirements of the Local Authority Accounts (Scotland) Regulations 2014 and the proposed Accounts and Audit (England) Regulations 2014.

The increase in narrative to 'tell the story' in itself could expand and potentially complicate the accounts. The main accounts should be the source of information for local people on the performance of the Authority. As with the private sector where profit or loss is simple to comprehend from the income and expenditure statement, having a local authority statement that shows the General Fund/HRA performance is considered beneficial, without the need for additional narrative to explain the position. It implies in itself recognition that the current format of the accounts is hard to understand, which should be a cause for concern.