

OUTLINE SPECIFICATION FOR FIRST DRY RUN LOCAL GOVERNMENT WGA DATA

Other than items 2, 6 and 14 all items can be drawn directly from the SORP primary statements and notes.

1. Consolidated Revenue Account

- Corporate I&E items (Net Cost of Services derives from Item 2)
- Appropriations
- Tax and general grants
- All drawn from the face of the published statement

2. Net Cost of Services Subjective Analysis

- Net cost of services as per BVACOP recommended subjective analysis
- Probably at 'sub-group' level (e.g. direct employee expenses)
 - *This is discussed further in the Commentary below*

3. AMRA detail

- Details of transactions on the Asset Management Revenue Account (AMRA) (as per note C to the Consolidated Revenue Account in SORP)
 - Required to allow cost of capital charge to be reversed out and to show external interest in accordance with GAAP

4. Balance Sheet Summary

- No input required (derives from subsequent data)

5. Fixed Assets

- Opening balance and movements on fixed assets by class (per Balance sheet notes (parts of Balance Sheet Notes F, G, H & J))

6. Deferred Costs

- Opening balance and movements on deferred charges (per Balance Sheet Note B)
- Opening balance and movements on premiums and discounts
 - *This is discussed further in the Commentary below*

7. Investments

- Closing balances on investments analysed by type of investment
- Closing balances on short-term investments analysed by type of investment
- Per Balance Sheet and notes

8. Current Assets

- Closing balances of stocks, debtors within one year, debtors after one year and cash
- Per Balance Sheet and notes

9. Liabilities

- Closing balance of creditors within one year and of creditors after one year
- Opening balance & movements in provisions
- Opening balance & movements in deferred income
- Opening balance & movements in government grants deferred
- All per Balance Sheet and notes

10. FRS 17

- Opening balance and movements in asset/liability
- Major disclosure items
- All per FRS 17 notes (parts of Consolidated Revenue Account Note N, Balance Sheet Note W and Statement of Total Movement in Reserves Note C)

11. Reserves

- Opening balance and movements in reserves
- All per Statement of Total Movements in Reserves

12. Collection Fund

- Income & Expenditure of the Collection Fund in accordance with the SORP Format (no notes required)

13. Additional Information

- Disclosure of Contingent Liabilities (per Balance Sheet Note P but only figures disclosed required)
- Disclosure of Post Balance Sheet Events (per Balance Sheet Note Q but only figures disclosed required)

14. Data for Cash Flow Calculation

- Material capital creditors and debtors
 - This is required to allow the consolidated cash flow statement to be prepared.

Commentary**Item 2 – Net Cost of Services Subjective Analysis**

In order to produce an income and expenditure account in accordance with GAAP for the whole public sector, and for convergence with National Accounts, the subjective analysis is extremely important for WGA. The Local Government pilot exercise attempted to collect information on the same basis used in Central Government but this was found to not be feasible. Accordingly we propose to collect the subjective analysis using the categories in the BVACOP recommended subjective analysis.

In order to provide proper notes to WGA it is essential that expenses are shown under the subjective heading that correctly reflects the nature of the transaction. For example finance department salaries need to be recorded as staff costs rather than as recharges from the finance function to front-line services, as they would be under BVACOP.

What is required for WGA purposes is the total of each BVACOP subjective category for all cost centres across the authority, including support services. In the example of finance staff salaries these would appear as salaries with both recharge income and expenditure. We would then be able to off-set the recharges centrally leaving the correct amount to be shown in the accounts.

It should be possible for authorities to provide this information given time; though we recognise that there may be a need for authorities to create new reports to provide it. However we are very interested to hear a wider range of views.

Item 6 – Deferred Costs

This category includes two items often found in local authority accounts, deferred charges and deferred premiums and discounts. Deferred Charges are not recognised in GAAP; equivalent expenditure in central government is treated in accruals accounts as current expenditure. Thus to meet the legal requirement for WGA to be prepared in accordance with GAAP HM Treasury will need to adjust for deferred charges at the consolidated level. The SORP has changed for 2004/05 to largely remove deferred charges. However we recognise that it is possible that some authorities may still have outstanding balances in 2004/05.

The SORP allows premiums and discounts on rescheduled debt to be deferred in certain circumstances. However this is not compatible with the implementation of FRS 4 *Capital Instruments* in WGA.

In both cases we intend to collect WGA data in accordance with current local government accounting practice. However we will also require a small amount of additional data to allow the necessary adjustments to GAAP to be made centrally. In order to write off balances and amortisation, and to replace these with expenditure for the year we will require the opening balance, and movements during the year, of these items.

Contact

If you wish to discuss the issues in this commentary please contact Kieran Rix at HM Treasury (0207 270 5887, Kieran.Rix@HM-Treasury.x.gsi.gov.uk).