

Responses to Comments & Issues raised by Local Authorities

Most comments and concerns came within several standard topics. These are discussed in turn.

1. *Will information analysed over the 10 standard subjective groupings only be required?*

This was a common concern expressed by many respondents. Generally, the information required will be as per the 10 standard subjective groupings at the group rather than the sub group level. However, in a small number of circumstances, we require further detailed information of a particular group. E.g.

2. *When will detailed guidance be available?*

We are endeavouring to provide this at the earliest opportunity. The Pack and guidance will be submitted to WGLFS by the end of January 2005. Any alterations or comments to the forms and documentation will be incorporated after consideration by WGLFS. Allowing for this, we anticipate that the Excel L Pack will be forwarded along with the relevant guidance by the end of February 2005.

3. *What is the timetable for 2004/05 data submission?*

Timetable: The timetable for submission of the Excel L Pack 2004/05 data to ODPM will be 31 October 2005. Submission deadlines have not as yet been set for 2005/06.

4. *Is the work involved in completing the 'L Pack' too onerous or excessive?*

The 'L Pack' was trialled with a number of Local Authorities. The feedback received from these bodies was that the time taken to complete the trial pack compared favourably with that taken to complete existing forms. The majority of data required can be taken straight from the Local Authority published accounts. The WGA team will take this data and 'convert' it to a GAAP format.

5. *What are the information requirements regarding agreeing and reporting counter party data?*

Details of transaction streams and balances with other public sector bodies will need to be supplied via the Excel L Pack. A complete list of public sector bodies to be considered will be made available on the WGA and ODPM websites in the near future. Town councils, magistrates and probation services will not be included. As this is the first year that data is being collected for Whole of Government Accounts purposes, a staged approach has been adopted whereby agreement of transaction streams and balances will not be required for 2004/05 but will be required for 2005/06. Additionally,

thresholds have been set at a level which will avoid having to undertake this process for a large quantity of small value transaction streams and balances. For the 2004/05 and 2005/06 years, the thresholds are:

	2004/05	2005/06
Agreement	Not required	> £5m
Reporting	> £1m	> £1m

Transaction streams and balances greater than £1 million will be required to be reported via the Excel L Pack and will be identified with each individual public sector body who will be assigned a unique identification code to be attached to the data. For example, if an authority has funds invested in another public sector body, then the amount of the investment and the identification code of the other public sector body will need to be supplied. As banks and building societies are not public sector bodies, these will not need to be separately identified. A separate sheet in the Excel workbook will be provided for this along with detailed guidance.

WGA and ODPM are continuing to investigate ways in which the agreement process can be simplified and expanded on what currently exists. For example, some local authorities already agree balances above a given threshold with other local authorities and grants between central government and local authorities are frequently agreed.

6. *Is it sufficient to report the counter party totals with public body groups (e.g. central government) rather than listing the counter party for each body individually?*

Unfortunately not. The risk in adopting this option is that material mismatch differences could not be identified at the consolidated level, therefore making it impossible to investigate or resolve these differences. This would potentially result in consolidated statements being materially incorrect.

Example:

Local Authority A report debtors with Central Government departments in total
£50m

Central Government departments report creditors with L.A.'s in total
£150m

The mismatch difference of £100m is not identifiable and consequently cannot be investigated or resolved. If transaction streams/balances are reported with individual bodies, any material mismatches can be investigated with the two relevant parties.

7. *Net Cost of Services*

GAAP requires certain disclosures (e.g. of staff costs) that state the 'true' total of an item to be shown not including recharges, i.e. disclosure of staff costs

including finance staff as a staff cost not as a recharge. WGA also aims to produce useful data for policy and National Accounts purposes which require data in this format.

For all of these reasons it is necessary that internal recharges are disregarded in preparing WGA, with all income and expenditure being accounted for according to its nature (i.e. a “subjective classification”). Materiality and cost-benefit considerations under FRS 18 apply.

8. *The value of a WGA cash flow statement appears to be limited. Why is information required for this?*

Whole of Government Accounts will be produced on a GAAP basis which requires a consolidated cash flow to be reported as part of the statements. The cash flow statement gives assurance that there is proper accountability for cash used in public services. To make this as accurate as possible, a small amount of additional information has been requested so that these non cash amounts, which may be potentially material, can be excluded from the cash flow. Materiality and cost-benefit considerations under FRS 18 apply.