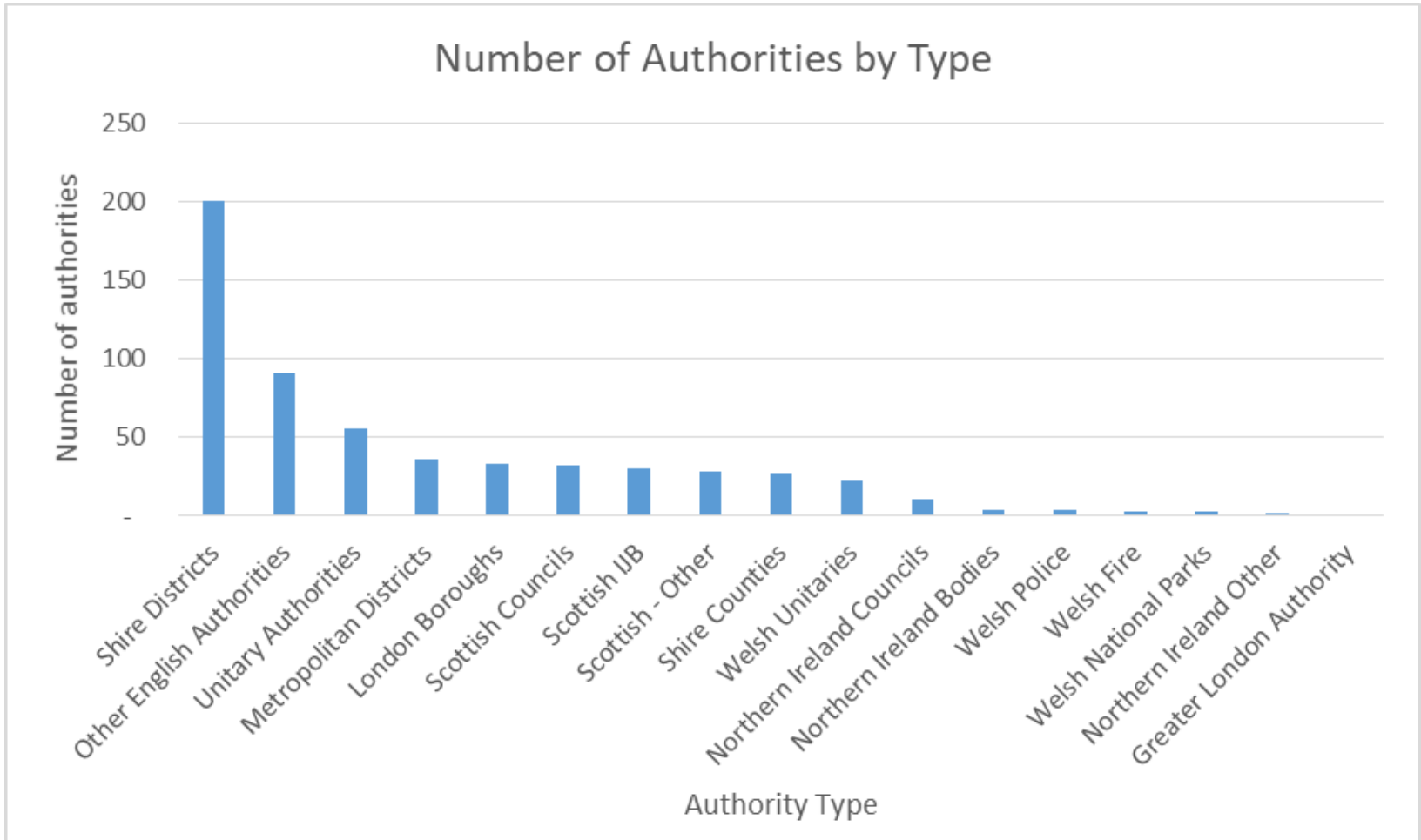


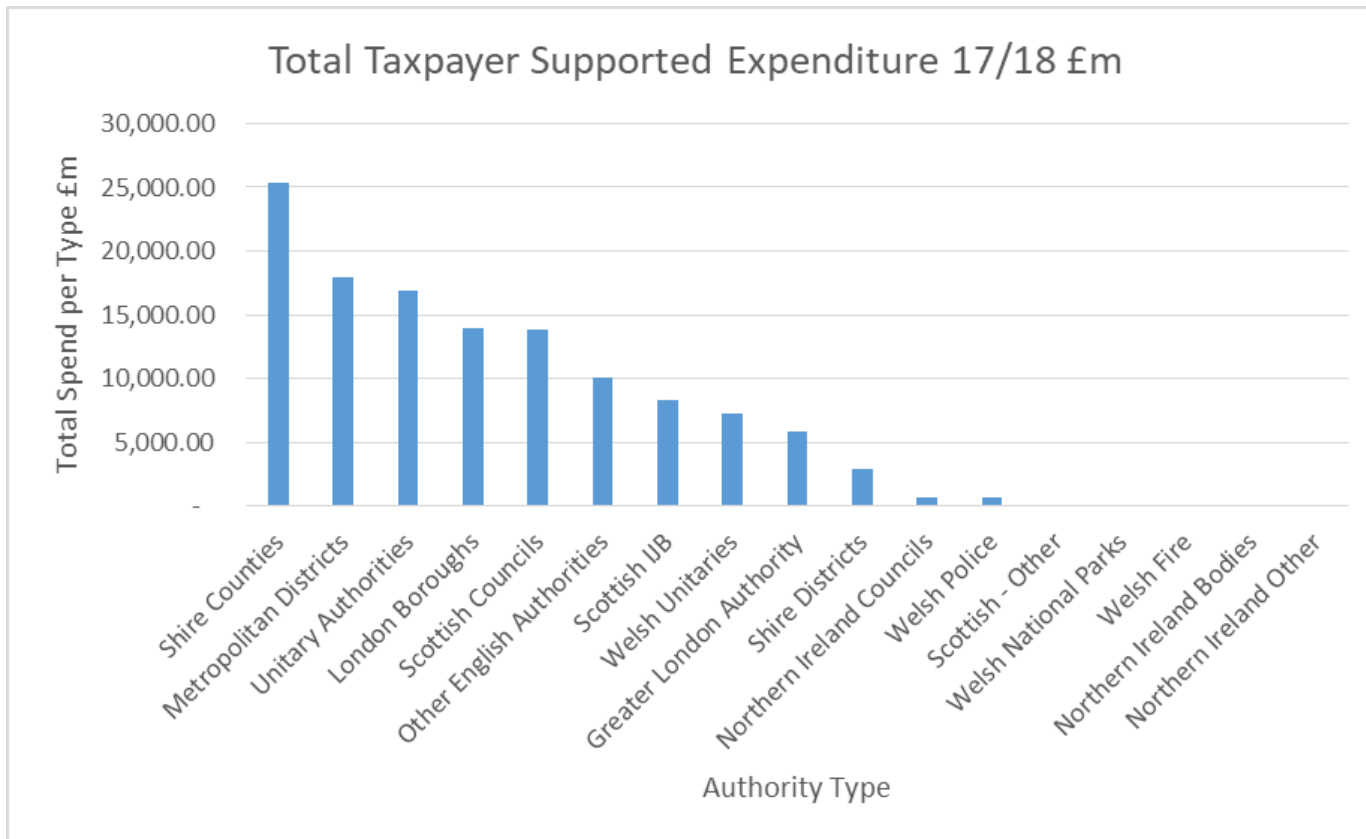
# Local Government Financial Reporting Context: Basis for Discussion

# Local Government Bodies applying the Code



Over 580 bodies in total (17/18). Excludes Town & Parish Councils etc. Sources mixed see [Differential Reporting Discussion Paper](#) for details.

# Taxpayer Supported Expenditure- Total by Type



Overall total approx. £124bn (17/18). Large range in size per body.

Overall average per entity approx. £212m.

Sources mixed -see [Differential Reporting Discussion Paper](#) for details.

# Local Government Context

## Users

- Elected members; Government; Audit Bodies; Public / Public Interest Groups; Academics; Unions; Suppliers; Lenders
- Divergent users, balance of needs

## Nature of Local Government Bodies

- Separate legal entities - autonomy within legal framework, no direct 'common control'
- Tax raising powers
- Role of elected members – direct & local public accountability
- Funding: fees & charges / govt grants / local taxation
- Local media focus
- Often a wide range of local public services in a single body
- Wide variety of different transactions and group arrangements

## Statutory Framework

- Differs between administrations – financial impact / adjustments not all the same
- General Fund is a usable reserve
- Budget setting is high profile democratic process, informed by level of usable reserves
- No 'budget cover' arrangement for local government
- Balanced budget legislation

# Comparison: Financial Frameworks

ITEM	LOCAL GOVT (can differ per govt)	CENTRAL GOVT
Provisions	No mitigation – charge to budget (limited exceptions re voluntary severance & equal pay)	AME item when created – only charge to RDEL budget when liability crystallises
Depreciation	Mitigation – replace with statutory debt repayment	Ring-fenced (non-cash) RDEL – exceeding ring-fence may have RDEL cash implication
Impairment	Mitigation – replace with statutory debt repayment	If foreseeable (default assumption)– charge to non-cash RDEL; in some cases charge to AME allowed (may require HMT agreement)
Pensions	Mitigation – only charge payment due in year	AME – only charge payment due in year to RDEL
Annual Leave Accrual	Mitigation – do not charge accrual to GF / budget	Charge to RDEL (budget cover initially allowed by HMT)
Overspend / Use of Reserves	Unplanned use of reserves	Additional Budget Cover / Brokerage

# Local Government Context

## Regulatory Framework

- Government reliance on legislative compliance and audit framework
- Accounts form a basis for reconciliation of statistical returns / benchmarking
- Councils have borrowing powers to be used within prudential framework
- Statutory responsibility to deliver services
- Discretionary powers to advance wellbeing / general power of competence etc

## Audit Processes

- 4 audit bodies
- External audit firms
- FRC oversight
- Report to those charged with governance
- VFM/ Best Value regimes

## Accounts Challenges

- Perceived complexity & relevance of information for different user groups
- Member interest re governance eg pensions and assets
- Local focus on taxation and services
- Government focus on wider aspects (eg financial stability)
- Consistency of accounting treatments (whole process)
- Public inspection process / objections eg specific individuals; specific topics
- Resource scheduling eg accounts prep & audit process target dates

