
Report To: Audit Committee

Date: 2 March 2010

Report By: Chief Financial Officer

Report No: FIN/13/09/JB/GJ

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Subject: Changes in the 2009-2010 Annual Accounts

1.0 PURPOSE

- 1.1 The purpose of the report is to give advance notice to Members of the main accounting changes that will feature in the Council's 2009-2010 Annual Accounts.

2.0 SUMMARY

- 2.1 Changes have been introduced by the "rules and regulations" that set out the main requirements for local authority annual accounts and are contained in the Code of Practice on Local Authority Accounting in Great Britain – A Statement of Recommended Practice. You may see this referred to either as the "ACOP" (Accounting Code of Practice) or the "SORP" (Statement of Recommended Practice).
- 2.2 The changes that are new this year are presentational only and are part of the drive to harmonise local authority accounts more closely with what is happening in international accounting circles. These changes have no effect upon the taxpayer, Scottish Government regulations take precedence over the SORP and "over-ride" what may be charged to the Council's general fund balance.
- 2.3 The most significant change is in respect of PPP properties which are now required to be included on local authorities' Balance Sheets along with a liability for the financing provided by the operator.
- 2.4 There are also amendments to the accounting for national non-domestic rates. The income in the Council's Income and Expenditure Account no longer includes the non-domestic rates it collects from taxpayers and is confined to the amount re-distributed from the National Pool by the Scottish Government.
- 2.5 Details of the changes are shown in the Sections 4 and 5.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee:
- a) Note the content of this report

Alan Puckrin
Chief Financial Officer

4.0 THE CHANGES: PPP SCHEMES

- 4.1 Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PPP operator.
- 4.2 As the Council is deemed to control the services that are being provided under its schools PPP scheme and as ownership of the schools will pass to the Council at the end of the contract at no additional charge, the new accounting regulations require that the Council recognises the schools as fixed assets on its Balance Sheet. In addition, the schools PPP assets are re-valued and depreciated in the same way as all other property, plant and equipment owned by the Council.
- 4.3 The schools PPP assets are balanced by the recognition of a liability for amounts due to the PPP operator to pay for the assets.
- 4.4 The amounts paid to the PPP operator each year are analysed in the Accounts into:
 - o The service charge element,
 - o The repayment of the liability, and
 - o The interest element.

5.0 THE CHANGES: NATIONAL NON-DOMESTIC RATES

- 5.1 The 2009 SORP confirms that the collection of non-domestic rates by Scottish Local Authorities is carried out as an agent (or on the behalf) of the Scottish Government and is to be accounted for accordingly. Non-domestic rates income is not the income of a Local Authority and shall not be included in its Income and Expenditure Account. Similarly overpayments and underpayments of non domestic rates will no longer be recognised in Local Authorities Balance Sheets as an asset or liability.
- 5.2 Local Authorities shall treat amounts collectable from ratepayers as being payable to central government. The amounts that the Council receives from the redistribution of rates collected nationally are not related to the activity of collecting amounts from ratepayers and need to be accounted for separately.
- 5.3 The accounting is therefore:
 - o No non-domestic rates income is included in the Council's Income and Expenditure Account, and
 - o The Balance Sheet does not include arrears of non-domestic rates, these amounts being consolidated into a debtor or creditor for amounts due to or by Central Government.

6.0 IMPLICATIONS

6.1 Financial

None. Regulations brought forward by the Scottish Government will ensure that there is no impact on taxpayers or Local Authorities' budgets.

6.2 Legal

None

6.3 Equalities

None

6.4 Personnel

None