

CHAPTER 1

Local government

1.0.1 This chapter provides an overview of the functions, structure and financial context of local government in England. It is divided into the following sections:

- **What is local government?** **section 1.1**
- **What local government does** **section 1.2**
- **How local government is structured** **section 1.3**
- **How big is local government?** **section 1.4**
- **Local government in the national context** **section 1.5**
- **How local government works financially** **section 1.6**
- **Local government accounting practice** **section 1.7**

1.1 What is local government?

1.1.1 Local government is one way in which the country's governance and administration is carried out, and its public services delivered. Two features distinguish local government from other local service providers – most local authorities are elected and most have the ability to raise taxes locally.

1.1.2 Local councils, their members and the administrative units supporting them have a number of objectives, amongst which are:

- delivering national objectives locally;
- using national and local resources to meet the diverse requirements of different neighbourhoods and communities.

1.1.3 The style and constitutional arrangements under which local government operates has changed and is still changing. Traditionally local government was about the delivery of a range of services. Over time, more and more of these services have been delivered by outside agencies and the role of local government has changed as a result.

- 1.1.4 There has been good progress on implementing the Local Government white paper: *Strong and Prosperous Communities* (October 2006), which set a new and dynamic agenda for local government with a commitment to secure better services and create better places through improved, devolved relationships, empowered communities and effective and efficient governance. Local authorities will be placed at the heart of partnerships with local service providers, whilst promoting community empowerment and cohesion.

A key achievement for implementation of many of these policies was the enactment in October of the Local Government & Public Involvement in Health Act 2007. Two implementation plans have set out progress to date, the most recent of which was published in November 2007 called *The Local Government White Paper Implementation Plan: One Year On*.

1.2 What local government does

- 1.2.1 Local government delivers a wide range of services either directly through its employees, indirectly by employing others or by facilitating delivery by other bodies.

Table 1.2a: Services delivered by local government	
Major service	Examples of what is delivered
Education	Schools – nursery, primary, secondary and special Pre-school education Youth, adult, family and community education Student support
Highways, Roads and Transport	Highways – construction and maintenance of non-trunk roads and bridges Street lighting Traffic management and road safety; new line parking services Public transport – concessionary fares, support to operators, co-ordination Airports, harbours and toll facilities
Social care for Children and Adults	Children's and families' services – support; welfare; fostering; adoption Youth justice – secure accommodation; youth offender teams Services for older people – nursing, home, residential and day care; meals Services for people with a physical disability, sensory impairment, learning disabilities or mental health needs Asylum seekers Supported employment
Housing	Council housing (Housing Revenue Account) Housing strategy and advice; housing renewal Housing benefits; welfare services Homelessness
Cultural services	Culture and heritage – archives, museums and galleries; public entertainment Recreation and sport – sports development; indoor and outdoor sports and recreation facilities Open spaces – national and community parks; countryside; allotments Tourism – marketing and development; visitor information Libraries and information services
Environmental services	Cemetery, cremation and mortuary services Community safety, consumer protection, coast protection, trading standards Environmental health – food safety; pollution & pest control; housing standards; public conveniences; licensing Agricultural and fisheries services Waste collection and disposal; street cleansing
Planning and development	Building and development control Planning policy – including conservation and listed buildings Environmental initiatives Economic and community development
Protective services	Police services Fire and rescue services Court services – coroners etc
Central and other services	Local tax collection Registration of births, deaths and marriages Elections – including registration of electors Emergency planning Local land charges Democratic representation Corporate management

1.3 How local government is structured

- 1.3.1 The structure of local government varies across the country and is mapped in **Annex A1**. **Map A1a** shows the shire counties, metropolitan districts, unitary authorities and boundaries of Government Office regions. The shire counties (upper tier authorities) are broken down into shire districts (lower tier authorities) shown on **Maps A1b to A1e**.
- 1.3.2 In London (**Map A1f**), most functions are delivered by the London boroughs and the City of London which are all lower tier authorities. The upper tier consists of the **Greater London Authority (GLA)** and its four functional bodies. The GLA itself comprises a directly elected Mayor, a separately elected Assembly and about 700 support staff. The four functional bodies are:
- Metropolitan Police Authority (MPA);
 - London Fire and Emergency Planning Authority (LFEPA);
 - Transport for London (TfL);
 - London Development Agency (LDA)
- 1.3.3 In the six metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire), most services are run by metropolitan districts. However, fire and rescue, police, passenger transport and, in some cases waste disposal, are the responsibility of single purpose authorities as shown in **Maps A1g to A1i**.
- 1.3.4 In most of the rest of England, called the shire areas, there are two main tiers of local authorities: shire counties and shire districts. These have different responsibilities. However, in some parts of the country, shire county and shire district responsibilities are carried out by a single unitary authority. There were 46 of these authorities created between 1 April 1995 and 1 April 1998: in most of these instances a shire district became a unitary authority by taking over most of the county authority's responsibilities. Most unitary authorities did not take over responsibility for the fire and rescue service, so shire counties that were affected by the creation of unitary authorities also have a combined fire authority to administer these services in the old county area – see **Map A1g**. There is also a police authority for each constabulary which cover each metropolitan area and shire county (sometimes combinations of these) – see **Map A1h**.
- 1.3.5 Most information in this publication is supplied by the principal authorities mentioned above, plus the park authorities and waste authorities shown in **Map A1i**.
- 1.3.6 Information is not collected from the third tier of local government, the 8,900 parish councils (of which over 500 are quality parishes and town councils) or 1,500 parish meetings where there is no parish council. Further details on parish and town councils are given in **Annex A3**.

1.3.7 **Table 1.3a** shows the responsibilities for major services in the local authorities and **Annex A4** gives details of the main changes to local authority structure in recent years.

Table 1.3a: Local authority responsibility for major services in England										
	Metropolitan areas		Shire areas				London area			
	District councils	Single purpose authorities	Unitaries	County councils	District councils	Single purpose authorities	City of London	London boroughs	GLA	Single purpose authorities
Number of authorities	36	20	47	34	238	55	1	32	1	4
Education	✓		✓	✓			✓	✓		
Highways ^(a)	✓		✓	✓			✓	✓	✓	
Transport planning	✓		✓	✓			✓	✓	✓	
Passenger transport		✓	✓	✓					✓	
Social care	✓		✓	✓			✓	✓		
Housing	✓		✓		✓		✓	✓		
Libraries	✓		✓	✓			✓	✓		
Leisure and recreation	✓		✓		✓		✓	✓		
Environmental health	✓		✓		✓		✓	✓		
Waste collection	✓		✓		✓		✓	✓		
Waste disposal ^(b)	✓	✓	✓	✓			✓	✓		✓
Planning applications	✓		✓		✓		✓	✓		
Strategic planning	✓		✓	✓			✓	✓	✓	
Police		✓				✓	✓		✓	
Fire and rescue ^(c)		✓		✓		✓			✓	
Local taxation	✓		✓		✓		✓	✓		

(a) Transport for London (TfL) is the highways authority for about 5% of London roads.

(b) Waste disposal for some areas of London is carried out by separate waste disposal authorities. The GLA has strategic, but not operational, responsibility for municipal waste.

(c) Combined fire authorities are responsible for fire and rescue services in the shire areas affected by reorganisation from April 1996. Isle of Wight is the only Unitary Authority with responsibility for fire and rescue services.

The table excludes 10 park authorities in England – for the 8 National Parks, The Broads and the Lee Valley Regional Park. These authorities have various powers and aims that straddle some of the normal functions of local government. In particular, park authorities have responsibility for planning and leisure functions.

1.4 How big is local government?

1.4.1 Local authorities in England spend around £127.0bn (revenue expenditure) a year and employ about 1.7m full time equivalent (FTE) staff.

1.4.2 Of all local authority employees nearly 0.5m FTEs work in education as teachers, 0.25m FTEs are employed on protection, law and order (police, fire, traffic wardens and police civilians) and almost 1.0m FTEs work in administration and other support services.

1.4.3 There are some 20,000 elected councillors serving on 389 local authorities. A further 89 single purpose authorities do not have directly elected councillors.

Table 1.4a: Size of local government at 1 April 2007

	Land area in hectares		Population mid-2006		Number of elected authorities	Number of councillors mid-2006		Number of single purpose authorities	All authorities	
	million	%	million	%		number	%		number	%
	Shire areas	12.2	93	32.2		63	319		15,260	78
Metropolitan areas	0.7	5	11.1	22	36	2,445	12	20	56	12
London	0.2	2	7.5	15	34	1,984	10	5	39	8
England	13.1	100	50.8	100	389	19,689	100	89	478	100

Source: ONS Regional Trends publication, ONS mid-year population estimates, Municipal Year Book 2006

1.4.4 In addition there are over 10,000 parish councils, town councils or parish meetings in England, which are there to handle very local issues. This publication is not directly concerned with this tier of local government, but some further details are provided in Annex A3.

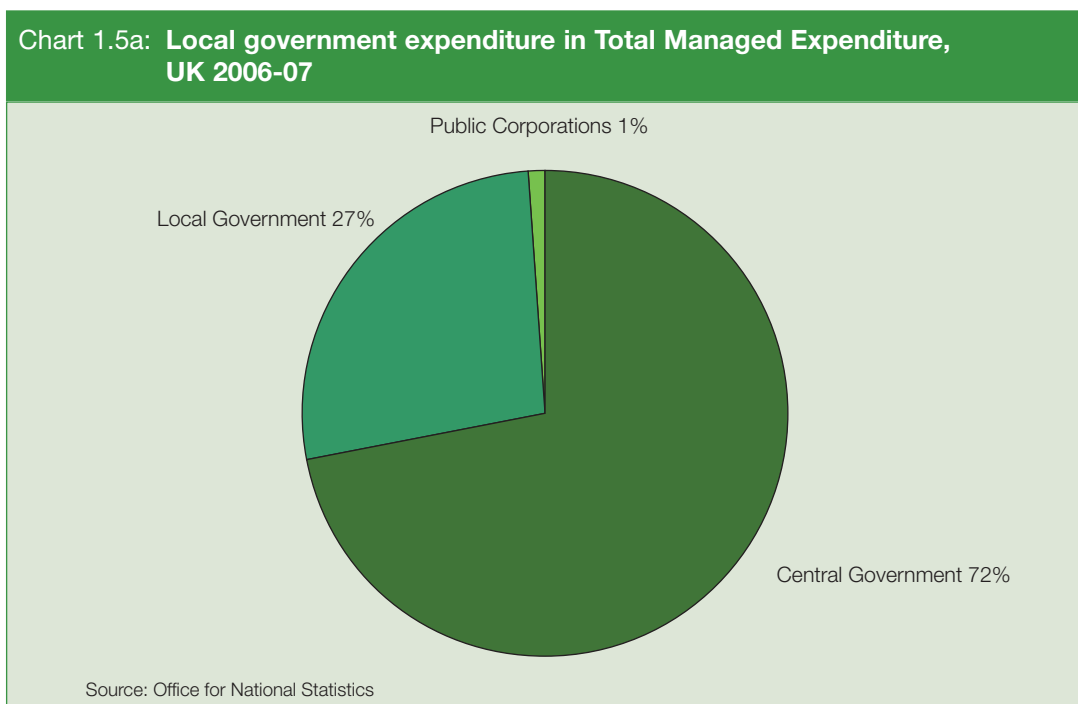
1.5 Local government in the national context

1.5.0 This section sets out local government's expenditure and income in the context of the public sector as a whole, local government's part in meeting HM Treasury's fiscal policy rules, and the size of the local government sector in the UK economy as a whole.

LOCAL GOVERNMENT IN THE PUBLIC SECTOR

1.5.1 Local government is a part of the public sector, and local authorities' expenditure is part of public expenditure that pays for the delivery of public services. The main services funded by central government are the National Health Service, social benefits and pensions, defence, and higher and further education. The main services delivered by local government are primary and secondary education and social services

- HM Treasury measures public expenditure using the aggregate *Total Managed Expenditure*. In the United Kingdom, local government expenditure is about a quarter of Total Managed Expenditure, and this proportion has changed little for many years.

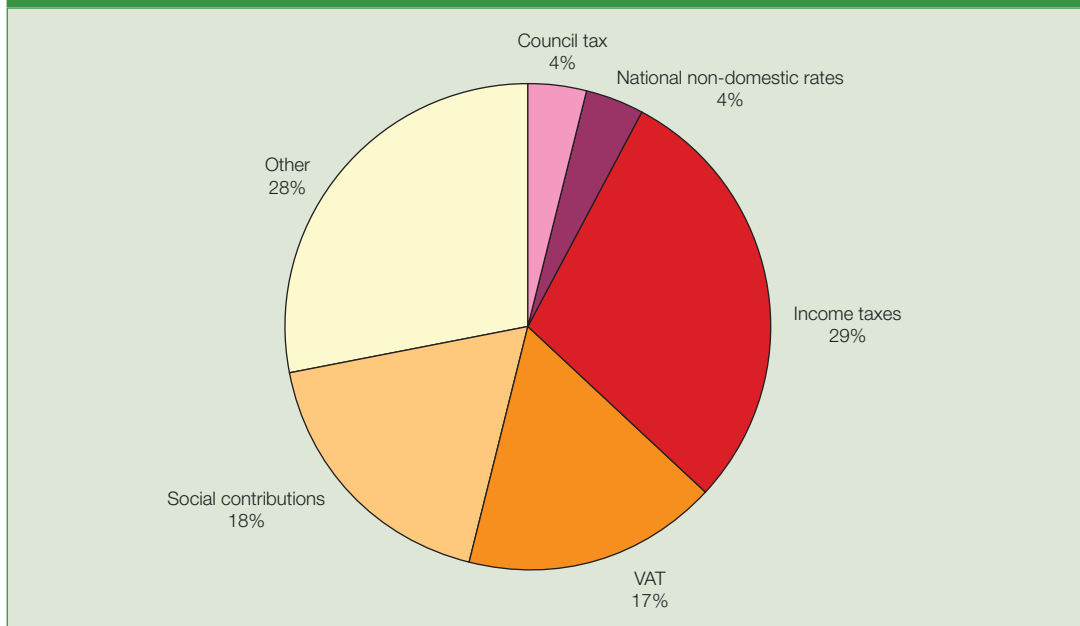


Total managed expenditure is the HM Treasury measure of public expenditure

- 1.5.2 The data underlying **Chart 1.5a** can be found on the electronic version of this publication on the Department's website.
- 1.5.3 Government needs to raise revenue to pay for its expenditure. Some of the main sources of UK government income are:
- income taxes, including income tax, corporation tax and capital gains tax;
 - Value Added Tax (VAT);
 - social contributions (mainly National Insurance).

- Council tax is about 4% of UK government revenue, though this figure excludes contributions paid by the Department of Work and Pensions (DWP) on behalf of Council Tax Benefit claimants.
- National non-domestic rates are about 4% of UK government revenue. In consequence, local government also needs funds from taxes raised centrally, provided in the form of grants, to pay for all of its expenditure.

Chart 1.5b: Council tax and national non-domestic rates in government receipts, UK 2006-07



1.5.4 The data underlying **Chart 1.5b** can be found on the electronic version of this publication on the Department’s website.

LOCAL GOVERNMENT IN THE FISCAL POLICY FRAMEWORK

1.5.5 The objectives for fiscal policy, and how they are to be implemented, were introduced in 1997, and are set out by HM Treasury in Budget Reports.

1.5.6 The fiscal policy objectives are:

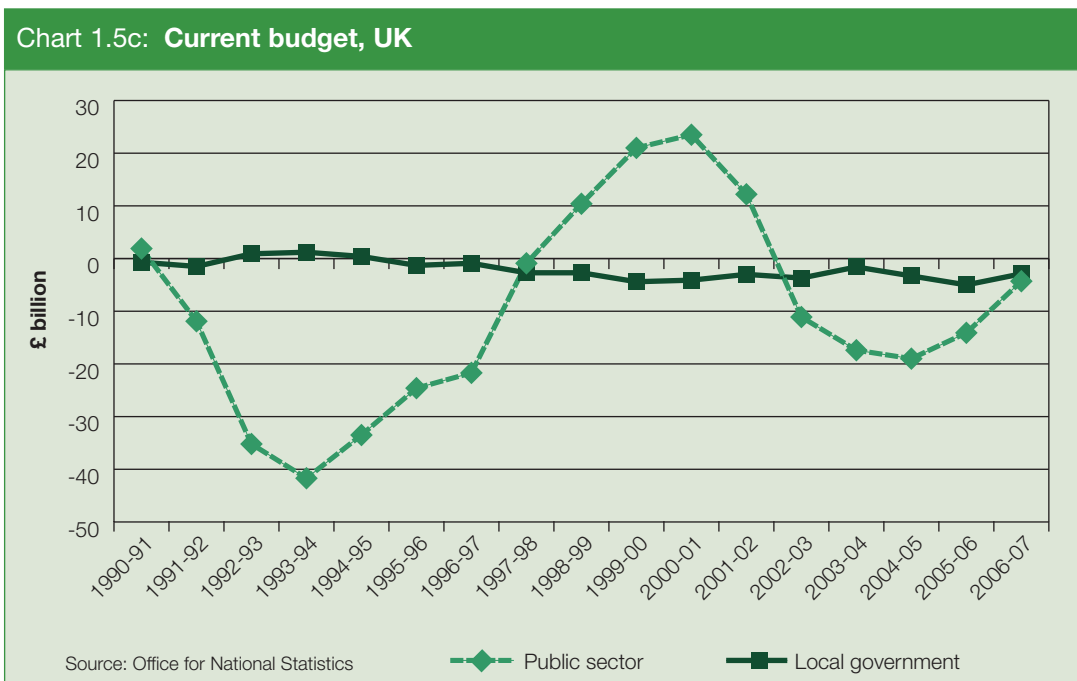
- over the medium term, to ensure sound public finances and that spending and taxation impact fairly both within and between generations; and
- over the short term, to support monetary policy and, in particular, to allow the automatic stabilisers to help smooth the path of the economy.

These objectives are implemented through the **golden rule** and the **sustainable investment** rule:

- The *golden rule* states that over the economic cycle, the Government should borrow only to invest and not to fund current expenditure.
- The sustainable investment rule states that **Public sector net debt**, as a proportion of **Gross Domestic Product (GDP)**, will be held over the economic cycle at a stable and prudent level.

1.5.7 Performance against the golden rule is measured by the *Public Sector Current Budget*, expressed as a percentage of GDP, averaged over the economic cycle.

- The public sector had large deficits on current budget from 1991-92 to 1996-97, followed by large surpluses in 1998-99 to 2001-02 and a return to deficit from 2002-03. Since 2004-05, this has moved back towards zero.
- Throughout that period the *Local Government Current Budget* stayed close to balance. This is a consequence of the local government revenue finance system, which requires revenue expenditure and movements in reserves to be financed from council tax, redistributed national non-domestic rates, and government grants.



1.5.8 The data underlying Chart 1.5c can be found on the electronic version of this publication on the Department’s website.

1.5.9 **Public sector net borrowing** is also used to show the overall financial position of the public sector. This measure includes revenue expenditure and capital expenditure.

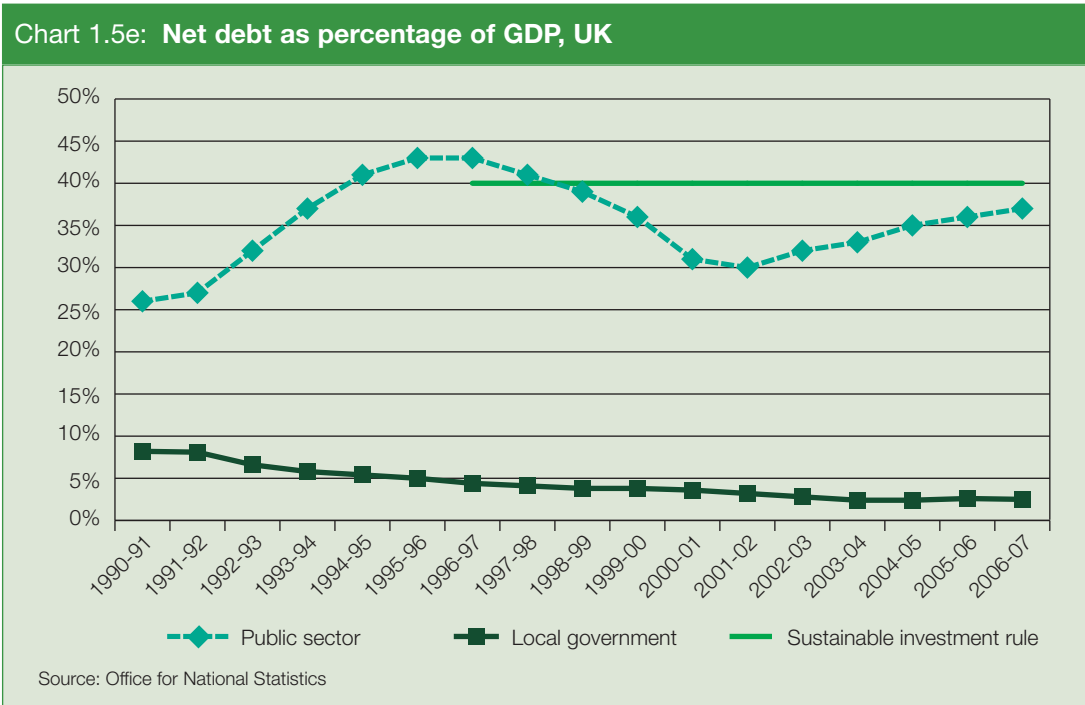
- When the public sector has large deficits on current budget, it also has substantial net borrowing. Also, when the public sector has large surpluses on current budget, net borrowing is generally negative, and the public sector is able to repay debt.
- As with *Current Budget*, *Local Government Net Borrowing* has been close to balance in most years. Up to 31 March 2004, this was a consequence of the local government capital finance system, which controlled the sources of finance for capital expenditure. Since 1 April 2004 it has regulated the way decisions about financing are taken.
- In 2004-05 *Local Government Net Borrowing* was £3.8bn, which partially reflected the introduction of the new prudential system and the freedom for local authorities to finance capital spending by self-financed borrowing. In 2002-03 and 2003-04 local government net borrowing was significantly lower, because of special factors including payments associated with Large Scale Voluntary Transfers in 2002-03 and high receipts and transactions associated with the transfer of London Underground to Transport for London in 2003-04.
- In 2005-06 *Local Government Net Borrowing* was £5.5bn, which partly reflected a further increase in the amount of self-financed borrowing carried out by local authorities and a significant fall in the level of capital receipts during the year.
- In 2006-07 *Local Government Net Borrowing* was £2.3bn, again reflecting self-financed borrowing.

Chart 1.5d: Net borrowing, UK



- 1.5.10 The data underlying **Chart 1.5d** can be found on the electronic version of this publication on the Department’s website.
- 1.5.11 The *sustainable investment rule* is achieved if, other things being equal, public sector net debt is maintained below 40 percent of GDP over the economic cycle.

- Public sector net debt stood at 43% of GDP at 31 March 1997, it then fell to 30% of GDP at 31 March 2002, before rising slightly in the subsequent years. It has risen to 37% at 31 March 2007.
- In contrast *Local Government Net Debt* has fallen from 8% of GDP at 31 March 1991 to 3% of GDP at 31 March 2007. This partly reflects increased financial investments of capital receipts by local authorities, which reduce net debt.



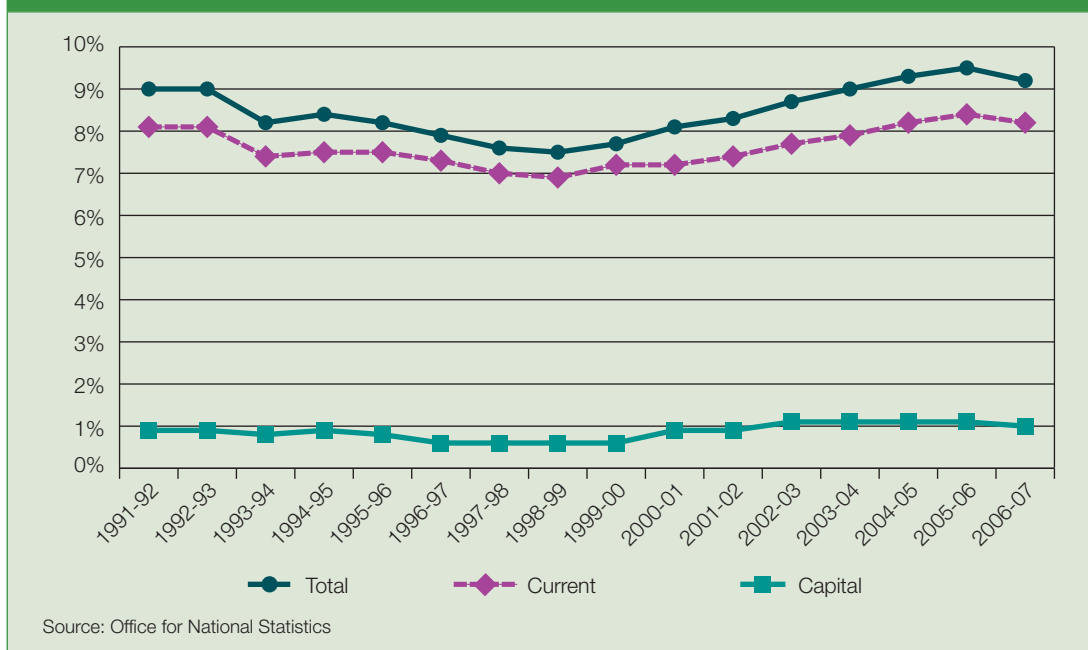
- 1.5.12 The data underlying **Chart 1.5e** can be found on the electronic version of this publication on the Department’s website.

LOCAL GOVERNMENT IN THE UK ECONOMY

1.5.13 Local government expenditure can also be compared to total domestic expenditure in the UK economy, as defined in the National Accounts. This also includes central government expenditure, final expenditure by households, and capital expenditure by all sectors of the economy.

- In 2006–07, local government’s share of all domestic expenditure was approximately 9%. This is a slight decrease compared to 2005–06.
- The share was at its lowest around 1998–99, at less than 8%.

Chart 1.5f: Local government expenditure as a percentage of domestic expenditure



1.5.14 The data underlying **Chart 1.5f** can be found on the electronic version of this publication on the Department’s website.

1.6 How local government works financially

1.6.1 Local authority spending can be divided into **revenue expenditure** and **capital expenditure**, and broadly speaking, each is financed in a different way. On the whole, revenue expenditure is financed through a balance of central government grant including **non-domestic rates** and locally raised **council tax** (see **Chapter 2**). Capital expenditure is principally financed through central government grant, borrowing and capital receipts (see **Chapter 4**).

1.6.2 Local authorities are required by law:

- to secure the necessary funds to finance their operations;
- to provide an accurate account of where the money goes;
- to provide accounts which balance.

1.6.3 Not all the local authorities counted in **Table 1.4a** are allowed to collect money directly through council tax. Those which can are called billing authorities. Others receive funds indirectly either by precepting on a **billing authority** or by other channels.

- Of the 478 local authorities in England, 354 are billing authorities, who raise money via council tax, and 102 are major precepting authorities. Altogether these 456 authorities are known collectively as ‘receiving authorities’ because they receive revenue support grant.

Table 1.6a: Billing, major precepting and other authorities at 1 April 2007

	Billing authorities	Major precepting authorities ^(a)	Other authorities ^(b)	All authorities
Shire areas	285	89	9	383
Metropolitan areas	36	12	8	56
London	33	1	5	39
England	354	102	22	478

(a) The count of precepting authorities excludes parish councils.
 (b) Other authorities are parks, waste and passenger transport authorities

**Table 1.6b: Summary of expenditure and income (excluding double counting of flows)
2004-05 to 2006-07**

	£ million			
EXPENDITURE	2004-05	2005-06	2006-07	Table refs.
General fund revenue account				
Employees	52,940	55,515	59,944	3.5a
Running expenses	57,176	61,980	65,172	3.2c
less expenditure at (1) below	-4,730	-4,593	-4,683	
Pension FRS17 adjustment ^(a)	-546	202	-1,356	C2a
Housing revenue account				
Supervision, management, repairs and other expenditure	4,136	4,357	4,352	3.9a
External trading services revenue account				
Employees	167	167	175	C1g
Running expenses	531	567	624	C1g
External interest payments (all accounts)	2,476	2,595	2,754	C2a
Total all revenue account expenditure^(b)	112,150	120,790	126,983	
Capital account^(c)				
Total capital expenditure	14,276	16,641	16,307	4.1c
Capitalised revenue expenditure ^(d)	128	156	165	4.1a
Pooling of housing capital receipts ^(e)	1,637	1,045	817	4.4e
TOTAL EXPENDITURE	128,191	138,632	144,272	
Double accounting adjustments (as numbered above)				
EXPENDITURE				
(1)				
Net contribution to Housing Revenue Account (HRA)	1	20	14	C2a
Net contribution to Trading Services Revenue (TSR) accounts	-21	-2	-170	C2a
Recharges to other accounts	920	814	935	C1f
Rent rebates to HRA tenants	3,586	3,446	3,406	C2a
Payments to other local authorities ^(f)	244	314	498	C1h
(a) Defined as the difference between line 787 and line 817 on the Revenue Summary Outturn in tables C2a.				
(b) Excluding double counting of flows between revenue accounts and capital financing except external interest payments.				
(c) Payments of fixed assets, payments on grants and advances, acquisition of share or loan capital, credit cover required for leases and credit cover required for other credit arrangements.				
(d) Comprises capitalised revenue expenditure under section 16(2)(D) of the Local Government Act 2003 and LSVT (Large Scale Voluntary Transfer) levy.				
(e) Capital receipts applied to make payments to the Secretary of State under regulations 12 and 13 of the Local Authorities (Capital Financing and Accounting)(England) Regulation 2003.				
(f) Comprises income/expenditure in respect of students educated by another local education authority (inter-authority education recoupment).				

**Table 1.6b: Summary of expenditure and income (excluding double counting of flows)
2003-04 to 2006-07**

	£ million			
INCOME	2004-05	2005-06	2006-07	Table refs.
General fund revenue account				
Specific government grants outside AEF ^(g)	11,078	11,804	12,999	
Specific government grants inside AEF ^(h)	14,090	14,785	41,771	C2a
Revenue Support Grant to local authorities ^(h)	26,964	26,663	3,378	C2a
Redistributed NNDR	15,004	18,004	17,506	3.2a
Police grant	4,168	4,353	3,936	3.2a
General GLA grant	36	37	38	3.2a
Council tax ⁽ⁱ⁾	17,350	18,233	19,201	C2b
Council tax benefit grant	2,949	3,082	3,252	C2b
Sales, fees and charges	9,575	10,690	10,792	3.2c
Other income	8,399	9,590	10,676	3.2c
less income at (2) below	-1,164	-1,129	-1,433	
Housing revenue account				
Rents	6,173	6,208	6,160	3.9a
Government subsidies	89	217	150	3.9a
Other income	623	615	660	3.9a
External trading service revenue accounts				
Sales, fees and charges	723	730	752	C1g
Other income	260	308	341	C1g
External interest receipts (all accounts)	1,125	1,215	1,481	C2a
Total revenue income	117,441	125,406	131,660	
Capital account				
Government grants	3,196	3,909	4,083	4.3a
Grants used for debt redemption ^(j)	11	12	0	
Other grants and contributions	1,080	1,377	1,344	4.3a
Capital receipts ^(k)	4,661	3,777	3,671	4.4b
Total capital income	8,947	9,075	9,097	
TOTAL INCOME	126,388	134,481	140,758	
LESS TOTAL EXPENDITURE	-128,191	-138,632	-144,272	
AMOUNT TO BE MET FROM FINANCING MOVEMENTS	-1,803	-4,151	-3514	
Financing Movements				
Overhanging debt on housing sold, repaid by CLG	591	386	546	
Increase in borrowing	2,472	5,961	2,538	5.3a
less increase in investments ^(l)	-1,638	-2,362	-2,120	5.3a
Balancing item, including timing adjustments ^(m)	378	166	2,550	
Total Financing Movements	1,803	4,151	3,514	
Double accounting adjustments (as numbered above)				
INCOME				
(2)				
Recharges to other accounts	920	814	935	C1f
Receipts from other local authorities ^(f)	244	314	498	C1h
<p>(g) Excludes council tax benefit grant and rent rebates granted to HRA tenants.</p> <p>(h) The large increase in grants inside AEF in 2006-07 is due to the introduction of the Dedicated Schools Grant in 2006-07. This results in a corresponding decrease in Revenue Support Grant.</p> <p>(i) Council tax due to be paid into the collection fund net of council tax benefit.</p> <p>(j) Revenue grant to partially support expenditure for with-debt authorities in 2003-04, 2004-05 and 2005-06.</p> <p>(k) Capital receipts comprise disposal of tangible fixed assets, intangible assets, leasing disposals, repayments of grants, loans and advances, disposal of share and loan capital and disposal of other investments.</p> <p>(l) Defined as the difference between line 787 and line 817 on the Revenue Summary Outturn in table C2a.</p> <p>(m) The balancing item is the difference between the expenditure and income account and includes, amongst other items, unresolved inconsistencies between data sources, movements in cash balances and timing adjustments.</p>				

- 1.6.4 **Table 1.6b** shows the revenue and capital accounts in order to calculate a figure for local government expenditure and income. Transfers between the accounts are eliminated to avoid any double counting of expenditure or income.
- 1.6.5 The revenue accounts included are:
- **General Fund Revenue Account (GFRA)**
 - **Housing Revenue Account (HRA)**
 - External **Trading Services Revenue Account (TSR)**
- 1.6.6 Pension funds in the Local Government Pension Scheme are excluded. The actuarial reserves of the pension funds are owned by the fund members and these are part of the financial corporations sector in the National Accounts, not part of the local government sector. This information is given separately in **Table 7.2a and Table 7.2d**. Companies owned by local authorities are also excluded.
- 1.6.7 Where possible, the tables in this chapter eliminate double counting of flows of money. There are three types of such flows:
- (i) *Between services within the same account.* The most significant flow or recharge of this kind is from general administration to other services and also recharges within general administration.
 - (ii) *Between accounts of the same authority.* For example, contributions by the General Fund Revenue Account to the Housing Revenue Account.
 - (iii) *Between authorities.* This occurs when an authority pays another authority for goods and services it provides (for example, payments to other local education authorities in respect of pupils educated outside their area of residence - education recoupment).

The most significant of these flows can be identified and eliminated but some cannot, such as recharges made by services other than general administration and some payments and receipts between authorities.

- 1.6.8 There are several different measures of expenditure. The measures used here exclude payments of rent rebates to tenants and payments of council tax benefit. These payments have been excluded because their purpose is to *finance* local authority expenditure rather than to increase it.

1.7 Local government accounting practice

1.7.1 The principal statements of the accounting practices applicable to local authority accounts are:

- ***The Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice – SORP***. This is a comprehensive statement of the structure of local authority statements of accounts, and the accounting concepts, accounting policies and estimation techniques to be applied in preparing them.
- ***The Best Value Accounting Code of Practice – BVACOP***. This sets out a mandatory service expenditure analysis for local authorities and a definition of Total Cost to be used in reporting service expenditure, together with a recommended standard subjective analysis.

1.7.2 Both documents are published by Chartered Institute of Public Finance Association **CIPFA** and are available for sale on the CIPFA website at www.cipfa.org.uk. New editions are issued regularly, usually annually.

1.7.3 Both Codes are given statutory backing as “proper practices” by regulations under section 21 of the Local Government Act 2003. Various other statutory provisions also affect the preparation of local authority accounts. The form and content of some important accounts, such as the **Housing Revenue Account** and the **Collection Fund**, are closely regulated by legislation. Section 21 of the 2003 Act provides that where there is any conflict between provisions in legislation and the requirements of the two Codes, then the legislation prevails. In practice conflict is avoided by drafting the Codes to conform to legislation.

1.7.4 The SORP derives its status as a statement of recommended practice from the UK Accounting Standards Board. To confer that status the Board must be satisfied that the Code does not appear to contain any fundamental points of principle that are unacceptable in the context of current accounting practice, or to conflict with an accounting standard issued by the Board or its plans for future standards. The Board is normally prepared to accept a deviation from a standard in the local government SORP if there is no alternative because of the requirements of legislation.

1.7.5 Standards issued by the Board are primarily applicable to general purpose company financial statements. Since 1990 they have taken the form of Financial Reporting Standards (“FRSs”); before that standards were issued as Statements of Standard Accounting Practice (“SSAPs”), a few of which remain extant. The SORP sets out how each of the current standards applies to local authority accounts, and is expected to incorporate relevant requirements of new standards as they are issued, unless legislation prevents this.

