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Review of Public Benefit SORPs

Report to the Committee on Accounting for Public-Benefit Entities of the Accounting Standards Board

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Contents

Executive summary

This report presents the results of a review of the four public benefit SORPs which the Committee on Accounting for Public-benefit Entities of the ASB has responsibility for.

The review looked at the SORPs in place for the further and higher education, housing, local authorities and charities sectors. It compares the accounting treatments and disclosure requirements of each of the SORPs across 58 predefined areas, as well as considering whether any of the SORPs is in conflict with UK GAAP.

The review found that there is considerable variety across the four SORPs. The four public benefit SORPs vary in terms of content, structure and format, and each has adopted a different approach to reflect the nature of transactions in their relevant sector. The nature of transactions, and the structural and legislative backgrounds, dictate the content and tone of each of the four SORPs.

The key conclusions of this review are that:

- there are no departures from UK GAAP in any of the four SORPs;
- for the majority of areas reviewed, the accounting and disclosure requirements were broadly similar for each SORP. This was the case for 37 (out of 58) areas;
- of the 58 areas reviewed, 21 showed some differences in accounting practice and disclosure requirements across the SORPs;
- the most significant accounting differences reflect the nature of each sector and the types of transaction typical to each sector. For example, the differences around capital grants, donations receivable and overheads reflect the way organisations operate in these different sectors and the type of transactions which they need to deal with;
- other differences identified reflect legal requirements for each sector. For example, a number of adjustments are made to local authority accounts to reflect statutory adjustments, and Charity law impacts heavily on the Charities SORP - for example through areas such as special trusts, restricted funds and endowments;
- there were 26 (out of 58) areas where each SORP provided accounting and disclosure guidance, but the interpretation provided did not go significantly beyond UK GAAP, suggesting that the contents of the SORPs could be reduced in these areas by simply referring users back to UK GAAP (although this can be counter-balanced by a view that some SORPs should be a ‘one-stop shop’ for accounting guidance).

This report provides detailed commentary on those areas of difference (section 04), as well as illustrating this in a summary table (section 03). Section 05 identifies those areas where the SORPs provide guidance which do not go significantly beyond UK GAAP.

01 About this review

The Committee on Accounting for Public-benefit Entities ('CAPE') has responsibility for four SORPs. CAPE has asked for an independent review that compares and contrasts the accounting requirements set out in the four SORPs and which highlights any inconsistencies between them.

This report provides the results of that independent review and is intended for discussion at the meeting of CAPE on 31 October 2007.

Which SORPs are reviewed

This review has considered the four SORPs which CAPE has responsibility for:

1. Accounting for further and higher education (2007)

2. Accounting and reporting by charities (revised 2005)

3. CIPFA SORP - Code of practice on local authority accounting in the United Kingdom (2007 update)

4. Accounting by Registered Social Landlords (updated 2005).

Scope of the review

The scope and timing of this review were agreed with the Accounting Standards Board in May 2007. The review considered the following objectives:

- How the accounting requirements as set out in each of the four SORPs compare across a range of predefined areas

- Consideration of whether differing accounting treatments are in conflict with each other

- Identification of areas where greater harmonisation might be achieved

- Consideration of any conflicts with UK GAAP.

The review focuses on the main areas where the SORPs set out the accounting requirements, especially where there are differences. Overtly detailed analysis has been avoided unless doing so emphasises a difference between the SORPs and/or an inconsistency with UK GAAP.

The accounting and disclosure requirements of 58 predefined areas were reviewed, grouped together into 12 sections.

At the time of agreeing the scope the ASB was in the process of finalising the Interpretation of the Statement of principles for financial reporting - Interpretation for public benefit entities. This review has not compared the SORPs with that Interpretation at this stage, although this might form the topic of a future supplementary review.

The 2007 update to the SORP Accounting by Registered Social Landlords was not considered in detail as this was still at Exposure Draft stage at the time of drafting this review. The Appendix to this report does however reflect the accounting treatment for shared ownership sales, which is the major change introduced by the 2007 update which was approved by the ASB on 23 November 2007.

Structure of this report

This report uses the following structure

Section 01	About this review (this section)
Section 02	Background to the SORPs
Section 03	Key differences
Section 04	Comment on key differences
Section 05	Areas of specific guidance
Appendix	Summary of accounting treatments used by each SORP

Who undertook the work

The fieldwork and drafting of the report were undertaken by Matthew Hodge. Matthew is a senior manager in PricewaterhouseCoopers' Government and Public Sector Technical Team.

02 Background to the SORPs

There is considerable variety in accounting treatment and presentational requirements across each of the four public benefit SORPs.

Each SORP has adopted a different approach to reflect the nature of transactions in their relevant sector:

- the SORP Accounting and Reporting by Charities has a particular emphasis on fund accounting, to reflect the restrictions on charitable funds managed by charities;
- the SORP Accounting by Registered Social Landlords focuses on accounting for the housing stock managed by the registered social landlord, with an emphasis on fixed asset accounting and accounting for the Social Housing Grant;
- the SORP on Local Authority Accounting reflects the requirements to account for different services separately, with ring-fencing around the accounting for some services (such as the Housing Revenue Account); and
- the SORP - Accounting for Further and Higher Education reflects this sectors mixed-economy mission, with private sector characteristics sitting within a funding regime which includes private, public and charitable sources of funding. The trend towards private sector funding has been increasing, with an emphasis on enterprise and commercialisation activities and joint employer funding of teaching provision, as well as increasing exposure to competitive markets for overseas teaching.

Many readers use the SORPs as a ‘one-stop shop’ for accounting guidance, and this influences the content of some of the SORPs, which often incorporate material directly from the accounting standards.

Legislative requirements

Legislation and statute are also key considerations. Each SORP relates to a distinct type of entity which is governed by its own legislation. Sometimes this can have a significant bearing on the contents of the SORP, such as those for Local Authorities where statutory requirements mean that certain accounting entries have to be reversed for statutory accounting purposes.

The SORP Accounting and Reporting by Charities applies to charities across the UK unless a more specific SORP applies. The Charities SORP applies to charities however constituted including charities incorporated under the Companies Act, and in these cases will also have to comply with both the Companies Acts and Charity legislation.

Further and higher education institutions are exempt charities and are governed by their own legislation. These institutions can also be registered companies and/or registered charities. In these situations compliance with the Companies Acts is required, but not with the SORP Accounting and Reporting by Charities.

In the housing association sector, the precise format of the financial statements is dependent upon Determination or Order applicable (these are different for each part of the United Kingdom). Registered Social Landlords are also subject to other legal considerations as a result of their legal constitutions. These other legal considerations include the Companies Acts, the Charity Act and the legislation for Industrial and Provident Societies. Registered Social Landlords are expected to apply their SORP while taking consideration of these legal requirements. They are urged to take all available steps to minimise or avoid any potential conflict between the requirements of the SORP and legal considerations.

In general, the four SORPs focus on the types of activity undertaken by each entity, rather than its legal status, although these two factors will often overlap.

Sponsoring bodies for each SORP

The type of sponsoring body for each SORP varies across the four sectors, but in each case has to take account of the ASB Policy and Code of Practice for SORP making bodies. This requires that the SORP making process should involve sector representatives, independent observers, users and other relevant groups, and that the ASB should approve proposed working arrangements.

The Statement of Recommended Practice: Accounting and Reporting by Charities is produced by the Charity Commission and the Office of the Scottish Charities Regulator (OSCR). The Commission and OSCR, as the joint SORP-making body, are responsible for drafting and publishing SORP, with the Charities SORP Committee being responsible for the development of recommended practice.

The SORP on Local Authority Accounting is produced by the CIPFA/LASAAC Local Authority SORP Board, a standing committee of CIPFA and LASAAC (the Local Authority (Scotland) Accounts Advisory Committee).

The SORP on Accounting by Registered Social Landlords is produced by the National Housing Federation (NHF), Community Housing Cymru (CHC) and the Scottish Federation of Housing Associations (SFHA). These organisations, as the joint SORP making body for the sector, are responsible for publishing the SORP, with the RSL SORP Working Party responsible for developing recommended practice.

The SORP on Accounting for Further and Higher Education is produced by Universities UK which is responsible for publishing the SORP, with the HEFE SORP Board responsible for developing recommended practice. The Accounting Standards Group of the British Universities Finance Directors' Group provides technical support to the HEFE SORP Board.

The RSL and HEFE SORPs are supplemented by further disclosure requirements of the sector regulators. These are issued through the Accounting Determination (for housing) and Accounts Directions (for higher and further education).

03 Key differences

This section uses a tabular format to illustrate in summary how the four SORPs compare to each other and to UK GAAP.

Commentary on the areas of difference is provided in Section 04 of this report.

A traffic light approach is used. Those areas where the SORPs are broadly similar in their guidance and are UK GAAP compliant are shown as green. Areas where they are different are shown as orange.

A blank cell indicates that no guidance is provided on that topic by the particular SORP.

Key

1	Different to other public benefit entity SORPs
2	Compliant with UK GAAP and similar guidance to other public benefit entity SORPs

	Further and Higher Education	Charities	Local Authorities	Registered Social Landlords
Presentation of financial statements				
Primary statements	2	1	1	2
Operating results and measurement of performance	2	1	1	2
Exceptional items	2	2	1	2
Accounting policies and estimation techniques	2	2	2	2
Events after the balance sheet date	2	2	2	2
Property, plant and equipment				
Carrying value of tangible fixed assets	2	2	2	2
Basis of valuation	2	2	2	2
Classes of fixed assets	2	2	1	2
Depreciation	2	2	1	2
Impairment and revaluation losses	2	2	2	2
Capitalisation of expenditure	2	2	2	1

	Further and Higher Education	Charities	Local Authorities	Registered Social Landlords
Donated tangible fixed assets	1	1	2	1
Shared ownership properties				1
Assets held for resale	2		2	2
Heritage assets	2	2		
Capital grants and financing	1	1	1	1
Intangible assets				
Recognition and carrying value of intangible assets	2	2	2	2
Goodwill	2			2
Research and development	2			
Assets and liabilities				
Inventory and stock	2		2	
Debtors, and provisions for bad and doubtful debts		2	1	
Financial instruments	2	1	1	
Borrowing costs		2	2	2
Investments	1	1	2	2
Provisions and accruals	2	2	2	2
Investment property	2	2	2	2
Leases	2	2	2	2
Contingent liabilities and commitments	2	2	2	
Contingent assets	2	2	2	
Retirement benefits				
Defined benefit schemes	2	2	1	2
Defined contribution schemes	2	2	2	2
Revenue				
Turnover	1	1	1	1
Government grants	2	2	2	2
Donations receivable	1	1		
Gifts in kind (donated goods and services)	2	2		
Long term contracts	2	2	2	
Agency arrangements	2	2	2	2
Income from investments	1	1	2	
Expenditure				
Grants payable	2	2	2	

	Further and Higher Education	Charities	Local Authorities	Registered Social Landlords
Staff costs and emoluments		2	2	
Overheads		1	1	
Reserves				
Revaluation reserve	2	2	1	2
Designated reserve	1	2	2	2
Restricted reserve	2	2	2	2
Consolidation				
Subsidiaries and group accounts	2	2	2	2
Quasi-subsidiaries and special purpose entities	2	2	1	2
Associates	2	2	2	
Joint Venture Entities	2	2	2	
Charitable trusts	2	2	2	
Taxes				
Deferred tax	2	2	2	2
Current tax	2	2	2	
Other areas				
Segmental reporting	2	1	1	2
Related party transactions	2	2	2	2
Combinations (acquisitions and mergers)	2	1	1	2
Foreign currency translation	2	2	2	
Related reports				
Annual report/OFR	1	1	1	1
Summary financial information	2	2		
Other statements	2	2	2	2

04 Comment on key differences

This section provides commentary on those areas highlighted in Section 03 as showing differences between the SORPs.

Approximately 65% of the 58 different areas reviewed showed consistency across the four SORPs in terms of accounting and disclosure guidance. The remaining areas, where there were differences, are discussed below.

Capital grants and financing

Guidance on accounting for capital grants is provided in each of the four SORPs.

Both the SORP on Local Authority Accounting and SORP Accounting for Further and Higher Educations require capital grants to be deferred over the life of the related asset.

The SORP Accounting for Further and Higher Education requires that capital grants be credited to 'deferred capital grants' in the balance sheet and an annual transfer made to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded. Such grants are considered to effectively subsidise future activities and just as the revenue (if any) from those activities is recognised in the accounting periods over which the services are provided, so the grant is released to income over the estimated useful life of the assets whose acquisition has been subsidised by the grant. Furthermore, the condition that normally has to be satisfied for the recipient to comply with the terms of the grant is that the capital item should be used for the purposes for which the grant was given rather than merely being acquired for future use to support that purpose: the SORP Accounting for Further and Higher Educations consider that the best measurement of usage is by apportioning the benefit of the grant over the estimated useful life of the asset and releasing it to income over that period. This is achieved by crediting the grant to 'deferred capital grants', disclosed on the funds side of the balance sheet separately from endowments and reserves, and released to income over the estimated useful life of the related asset.

Local authorities follow a similar approach with the distinction that the balance of the unreleased portion of the capital grant is shown as part of long term creditors rather than being part of the funds side of the balance sheet.

The SORP Accounting and Reporting by Charities requires capital grants for fixed assets to be recognised as an incoming resource in the SOFA.

The SORP Accounting by Registered Social Landlords treats capital grants as a deduction from the cost of housing properties on the face of the balance sheet (note that Social Housing Grants should be shown separately from other grants on the face of the balance sheet because of continued conditions on recovery on disposal of the property).

Donated tangible fixed assets

All of the SORPs require donated assets to be shown on the balance sheet at current or fair value. There is however inconsistency across the SORPs about whether the credit should be posted to the income statement or to the balance sheet:

- The SORP Accounting for Further and Higher Education requires that the credit be posted to deferred capital grants in the balance sheet;

- the SORP Accounting and Reporting by Charities shows the credit is treated as an incoming resource in the SOFA;
- the SORP Accounting by Registered Social Landlords shows the credit as a government grant in the balance sheet, unless it is donated from the private sector in which case it will be shown as a credit in the Income and Expenditure Account; and
- for the SORP on Local Authority Accounting does not state where the credit should be posted.

Capitalisation of expenditure

The SORP Accounting by Registered Social Landlords allows capitalisation of expenditure where it results in a net increase in the rental income. This may arise through an increase in rental income, a reduction in future maintenance costs or a significant extension to the life of the property.

The requirements in relation to capitalisation of expenditure for the other three SORPs are summarised below:

Further and higher education	Charities	Local authorities
Tangible fixed assets should be initially measured at cost, including irrecoverable VAT. Costs incurred in relation to a tangible fixed asset after its initial purchase or production should be capitalised to the extent that they increase the expected future benefits to the institution from the existing tangible fixed asset beyond its previously assessed standard of performance. Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance should be recognised in the income and expenditure account in the period it is incurred.	Tangible fixed assets should initially be included on the balance sheet showing the cost of acquisition and any directly attributable costs. Subsequent expenditure which enhances (rather than maintains) the performance of tangible fixed assets should be capitalised.	Expenditure which adds to and does not merely maintains the value of an existing asset should be capitalised. Improvement works and structural repairs should be capitalised, whereas expenditure which maintains a previously assessed standard of performance should be expensed.

Financial instruments

The SORP on Local Authority Accounting provides extensive additional guidance on accounting for financial instruments which is far in excess of any of the guidance provided by the other SORPs. The guidance forms an additional chapter to the SORP on Local Authority Accounting.

The volume of guidance provided in the SORP on Local Authority Accounting is a result of this SORP adopting in full the provisions set out in FRS 25, FRS 26 and FRS 29. The other three SORPs have not adopted all three of these standards in full, instead indicating that organisations may need to apply them in certain situations (for example, if they have listed debt). With the exception of the SORP on Local Authority Accounting, the requirement across the remaining three SORPs is for the presentational requirements of FRS 25 to be applied.

The SORP Accounting and Reporting by Charities also asks for certain disclosures to be made in respect of financial instruments, but this guidance is less extensive and more focused on the requirements of the sector.

Some guidance is provided on financial instruments in the SORP Accounting for Further and Higher Education, but this does not go any further than a brief summary of the FRS 25 presentational requirements. The SORP Accounting by Registered Social Landlords notes that FRS 25 and FRS 26 will be relevant in certain circumstances, but no detailed guidance is provided.

Debtors and provisions for bad and doubtful debts

The SORP on Local Authority Accounting provides guidance on the calculation of bad debt provisions based on the requirements of FRS 25 and FRS 26. This guidance is much more advanced than that provided by the SORP Accounting and Reporting by Charities (the only other SORP which gives guidance on this area), although does not go beyond the guidance provided by UK GAAP.

Investments

Both the SORP Accounting and Reporting by Charities and the SORP Accounting for Further and Higher Education deal with 'total return' accounting for investment income (new for education bodies in 2007).

Total return is an investment approach which allows trustees to manage investments without the need to take account of whether the return is in the nature of income or capital gain. Where charities holding endowments have the necessary powers then trustees can allocate the investment return between income and capital and so balance the needs of current beneficiaries by spending the return as income with the needs of future beneficiaries by retaining the return as capital or endowment.

The SORP Accounting and Reporting by Charities does not specifically permit 'total return' accounting but does provide accounting recommendations where such an approach is adopted.

Investments are classified as 'available for sale financial assets' in the SORP on Local Authority Accounting: Gains or losses on available for sale financial assets are recognised through the STRGL and taken to the Available for Sale Reserve. Impairment losses are charged to the Income and Expenditure Account.

Turnover

The recording of turnover and income is an area of some difference across all four SORPs.

For the SORP Accounting for Further and Higher Education a distinction is drawn between income which can be applied at the discretion of the entity and that which is for specific purposes.

The SORP Accounting and Reporting by Charities also has a focus on the intended purpose of any incoming funds, accounting separately for those funds where the donor has restricted their intended application. Fund accounting reflects the position of restricted gifts in trust law.

Local authority income is required by statute to be split between general fund operations and the Housing Revenue Account. Income and expenditure analysed by each service is shown on the face of the Income and Expenditure Account for local authorities.

For The SORP Accounting by Registered Social Landlords the disclosure of turnover and its components will vary with the size of social landlord and level of activities and is set out in the appropriate Determination or Order (see legal requirements in Section 02).

Donations receivable

This is an area which only the SORP Accounting for Further and Higher Education and SORP Accounting and Reporting by Charities deal with (although the SORP Accounting by Registered Social Landlords does deal with donated tangible fixed assets, as discussed above).

The SORP Accounting for Further and Higher Education looks at any terms and conditions associated with donations, and whether they should be accounted for as endowments (where the capital needs to be preserved, or where there are specific donor-imposed conditions) or as donations through the income statement.

The SORP Accounting and Reporting by Charities also examines the conditions linked to donations but the accounting requirements are different. Donations with donor-imposed conditions should be accounted for as deferred income until they can be applied for their intended purpose (the SORP Accounting for Further and Higher Education would treat this as an expendable endowment).

Overheads

The SORP Accounting and Reporting by Charities and SORP on Local Authority Accounting both provide guidance on accounting for overheads. This is because both of these SORPs measure expenditure by activity rather than by type of expenditure. Overheads, therefore, need to be apportioned across the classes of activity.

Designated reserves

All of the SORPs allow the creation of designated reserves with the exception of the SORP Accounting for Further and Higher Education which does not permit the practice:

- The SORP Accounting by Registered Social Landlords requires the disclosure of designated reserves on the face of the balance sheet;

- the SORP on Local Authority Accounting does not appear to have this requirement (i.e. there is no explicit requirement for designated reserves to be disclosed on the face of the balance sheet); and

- the SORP Accounting and Reporting by Charities requires that designated funds form part of the unrestricted funds balance.

Revaluation reserve

All four SORPs allow for a revaluation reserve.

A revaluation reserve will be required under the SORP on Local Authority Accounting from 1 April 2007. However, due to limitations around the robustness of available information, the revaluation reserve is not applicable retrospectively. Opening balance sheet information is not required.

Consolidation

The SORP on Local Authority Accounting does not consider it appropriate to account for some entities as a subsidiary of the local authority where there are certain relationships between the entity and central government. This is consistent with the Government's Financial Reporting Manual ('the FReM') which classifies government department boundaries as coinciding with 'in-year budgetary control', rather than with strategic control (as FRS 2 does).

The other three SORPs have consolidation requirements which match FRS 2 definitions.

Segmental reporting

Both the SORP Accounting and Reporting by Charities and the SORP on Local Authority Accounting have incorporated the requirements of SSAP 25 into their structure through reporting income and expenditure by type of activity, in effect reporting by 'class of business' as defined in SSAP 25. These SORPs do not, however, require disclosure of net assets by each reportable class of business as required by SSAP 25 (para 34).

The other two SORPs (education and housing) require compliance with SSAP 25 through additional disclosures where the reporting entity considers it to be relevant.

Combinations (acquisitions and mergers)

The SORP on Local Authority Accounting states that 'FRS 6 does not apply to the single entity financial statements of an authority'. However, this SORP does require FRS 6 to be followed in respect of the group financial statements of an authority. [In practical terms, this would imply that FRS 6 should always be followed in any business combination situation].

Similarly, the SORP Accounting and Reporting by Charities requires a charity to apply acquisition accounting when it combines with a non-charitable company. The principles of merger accounting are applied only where two or more charities are combined.

Primary statements

A key presentational difference under the SORP Accounting and Reporting by Charities is the use of a Statement of Financial Activities ('SOFA'). This combines an income statement with the features of a Statement of Total Recognised Gains and Losses and movement in funds. FRS 3 'Reporting Financial Performance' requires two primary statements of financial performance, the profit and loss account and the statement of total recognised gains and losses. FRS 3 requires statements of performance that, taken together, depict the major elements of an entity's performance, including all gains and losses of the period whether accounted for in the profit and loss account or in reserves. The aim of this approach is to give users sufficient information to enable them to make judgements about an entity's past performance and to assist them in forming a basis for predicting future trends in performance. The SORP Accounting and Reporting by Charities complies with the spirit of this accounting standard, although the presentation is an approach which is not anticipated in FRS 3. The charity approach contrasts with the other three SORPs which all use some form of Income and Expenditure Account and a separate Statement of Total Recognised Gains and Losses.

Operating results and measurement of performance

The SORP Accounting and Reporting by Charities also has an emphasis on fund accounting, where the SOFA reflects the movements between the opening and closing balances on all the funds of the charity.

Expenditure is measured by activity under the SORP Accounting and Reporting by Charities, just as it is under the SORP on Local Authority Accounting. This contrasts with the SORPs for housing and education, where expenditure is measured by type.

Accounting for statutory requirements in local authorities

To reflect local authority statutory requirements certain items are reversed out of the surplus/deficit for the year and are shown in a Statement of Movement on the General Fund. These reversals of GAAP accounting transactions impact on items such as depreciation and FRS 17 costs. Other non-GAAP items are then transferred in, such as capital expenditure charged on the general fund balance.

This is an area which has, in previous versions of this SORP, been fundamentally non-compliant with UK GAAP. The 2007 version of the SORP addressed this through presenting a UK GAAP compliant Income and Expenditure Account.

Extraordinary items in local authorities

The local authority single entity and group Income and Expenditure Account formats both include a line for Extraordinary Items, implying that these occur in local authority accounting. While FRS 3 still allows extraordinary items, it is considered that these have been virtually eliminated from UK financial reporting.

Classes of tangible fixed asset

Unlike the other three SORPs, the SORP on Local Authority Accounting requires that classes of tangible fixed assets be disclosed on the face of the balance sheet. The other three SORPs define classes of fixed asset to be disclosed in the notes to the accounts.

Classes of tangible fixed asset required to be disclosed by each SORP:

Further and Higher Education	Charities	Local authorities	Housing
Land and buildings Plant and machinery Fixtures, fittings, tools and equipment Payments on account and assets in the course of construction	Freehold interest in land and buildings Leasehold and other interests in land and buildings Plant and machinery including motor vehicles Fixtures, fittings and equipment Payments on account and assets in the course of construction	Council dwellings Other land and buildings Vehicles, plant, furniture and equipment Infrastructure assets Community assets	Housing properties held for letting Shared ownership properties Other properties

The same difference applies to intangible assets, where the SORP on Local Authority Accounting requires different classes to be disclosed on the face of the balance sheet, but the other SORPs only show this information in the notes to the accounts.

Annual report/OFR

All four SORPs have different guidance on the content of the annual report (or equivalent):

- the SORP Accounting for Further and Higher Education and SORP Accounting by Registered Social Landlords broadly require that an OFR be produced;
- the SORP Accounting and Reporting by Charities includes significant guidance on the type of information to be disclosed in the Trustees' Annual Report; and
- the SORP on Local Authority Accounting requires finance-focused information only in the Explanatory Foreword, with wider policy matters specifically excluded.

05 Areas of specific guidance

This section uses a tabular format to illustrate the guidance provided on topics by the four SORPs. Where the SORP provides accounting and/or disclosure guidance which is specifically interpreted for the sector, then this is shown as green. Where the SORP provides guidance on a particular topic, but this goes little further than repeating the requirements of UK GAAP, then this is demarked as red in the table.

A blank cell indicates that no guidance is provided on that topic by the particular SORP.

Areas where SORP guidance does not add to UK GAAP

Of the areas reviewed where each SORP provided accounting and disclosure guidance, in approximately 45% of the total the interpretation provided did not go significantly beyond UK GAAP.

These areas could be removed from their respective SORPs. This would allow each SORP to focus on those areas where sector-specific guidance is required, rather than on general accounting guidance.

Key

1	Guidance provided in SORP but does not add interpretation significantly beyond that provided in UK GAAP
2	Additional interpretation provided in SORP as required for the sector

	Further and Higher Education	Charities	Local Authorities	Registered Social Landlords
Presentation of financial statements				
Primary statements	2	2	2	2
Operating results and measurement of performance	2	2	2	2
Exceptional items	1	2	2	1
Accounting policies and estimation techniques	1	2	2	2
Events after the balance sheet date	2	2	1	2
Property, plant and equipment				
Carrying value of tangible fixed assets	2	2	2	2

	Further and Higher Education	Charities	Local Authorities	Registered Social Landlords
Basis of valuation	2	2	2	2
Classes of fixed assets	2	2	2	2
Depreciation	1	1	2	1
Impairment and revaluation losses	1	2	1	1
Capitalisation of expenditure	1	1	1	2
Donated tangible fixed assets	2	2	2	2
Shared ownership properties				2
Assets held for resale	2		2	2
Heritage assets	2	2		
Capital grants and financing	2	2	2	2
Intangible assets				
Recognition and carrying value of intangible assets	1	1	1	1
Goodwill	1			2
Research and development	2			
Assets and liabilities				
Inventory and stock	1		1	
Debtors, and provisions for bad and doubtful debts		1	1	
Financial instruments	1	1	2	
Borrowing costs		1	2	2
Investments	2	2	2	2
Provisions and accruals	1	2	1	2
Investment property	2	1	1	2
Leases	1	1	1	1
Contingent liabilities and commitments	1	1	1	
Contingent assets	1	1	1	
Retirement benefits				
Defined benefit schemes	2	2	2	2
Defined contribution schemes	1	1	1	1
Revenue				
Turnover	2	2	2	2
Government grants	2	2	2	2
Donations receivable	2	2		
Gifts in kind (donated goods and services)	2	2		

	Further and Higher Education	Charities	Local Authorities	Registered Social Landlords
Long term contracts	2	1	1	
Agency arrangements	2	1	2	2
Income from investments	2	2	2	1
Expenditure				
Grants payable	2	2	2	
Staff costs and emoluments		2	2	
Overheads		2	2	
Reserves				
Revaluation reserve	2	2	2	2
Designated reserve	2	2	2	2
Restricted reserve	2	2	2	2
Consolidation				
Subsidiaries and group accounts	2	2	2	2
Quasi-subsidiaries and special purpose entities	2	2	2	2
Associates	1	1	2	
Joint Venture Entities	2	2	2	
Charitable trusts	2	2	2	
Taxes				
Deferred tax	2	2	2	2
Current tax	1	1	1	
Other areas				
Segmental reporting	2	2	2	2
Related party transactions	2	2	2	2
Combinations (acquisitions and mergers)	1	2	2	2
Foreign currency translation	1	1	1	
Related reports				
Annual report/OFR	2	2	2	2
Summary financial information	2	2		
Other statements	2	2	2	2

Appendix - Summary of accounting treatments

Further and Higher Education	Charities	Local authorities	Registered Social Landlords
1a) Presentation of financial statements: **Primary statements**			
Requirement for: • Income and expenditure account • Balance sheet • STRGL • Statement of historical cost surpluses and deficits • Cash flow statement • Explanatory notes (including accounting policies). Appendices provide predefined formats.	Requirement for: • a Statement of Financial Activities (SOFA) presented in columnar format for each class of funds • a balance sheet • a cash flow statement • an income and expenditure requirement if the charity is also a company • Notes to the accounts. The format and line by line disclosure is set out in the text of the SORP. The STRGL is incorporated as part of the SOFA.	An authority's accounting statements comprise: • the core financial statements grouped together • the supplementary single entity financial statements that are relevant to its function • the group accounts. Core single entity financial statements are applicable to all local authorities: • Income and Expenditure Account • Statement of Movement on the General Fund Balance (an additional statement required for statutory, but not UK GAAP, purposes) • Statement of Total Recognised Gains and Losses • Balance Sheet • Cash Flow Statement. The information to be included in each	Requirement for: • Income and expenditure account • Balance sheet • STRGL • Note of historical cost surpluses and deficits • Cash flow statement (unless exempted) • notes to the accounts. Example layouts are provided in the appendices.

Further and Higher Education	Charities	Local authorities	Registered Social Landlords
		statement is defined in the SORP.	
1b) Presentation of financial statements: **Operating results and measurement of performance**			
Operating result for the year is struck after accounting for all income and expenditure, with the exception of the super-exceptional items defined under FRS 3.	This SORP has an emphasis on fund accounting. The accounts differentiate between different classes of funds, in particular restricted and unrestricted funds. The net unspent funds are disclosed in the SOFA and these are reconciled to the fund balance brought forward from the pervious period. Expenditure is measured by activity, rather than by class of expenditure.	The surplus or deficit for the year is shown after accounting for gross expenditure and gross income. To reflect statutory requirements certain items (such as depreciation and FRS 17 costs) are then reversed out, and other items are added in (e.g. capital expenditure charged to the general fund balance). These adjustments are shown in Statement of Movement on the General Fund Balance before arriving at a General Fund balance to be carried forward.	The format of the income and expenditure account is close to that used for a Profit and Loss Account under the Companies Act. The operating result is shown after taking operating costs from turnover.
1c) Presentation of financial statements: **Exceptional items**			
Follow the requirements of FRS 3.	Exceptional items should be shown as a separate row within the activity to which they relate. Material past service costs and curtailments they should be disclosed as exceptional items. 'Exceptional costs' which arise in the context of generating voluntary income should not be shown as a separate category in the SOFA.	Exceptional items should be shown in gross expenditure in the Income and Expenditure Account, ie they should be included in the costs of the service to which they relate. Any material exceptional items (eg fundamental reorganisations) should be shown on the face of the Income and Expenditure Account. The Income and Expenditure Account also includes a line for Extraordinary Items.	Requirement to follow the provisions of FRS 3.
1d) Presentation of financial statements: **Accounting policies and estimation techniques**			
Follow the requirements of FRS 18. Must follow UK GAAP and specifically not IFRS. Estimation techniques must comply with UK GAAP, the SORP and provide a true	Requirement to follow FRS 18, supplemented with specific requirements: • policy for each material incoming resource	Requirement to follow FRS 18. A list of example accounting policies is provided. Requirement also to disclose:	Accounting policies should be consistent with accounting standards, UITF abstracts etc. A list of example accounting policy areas is provided in the SORP

Further and Higher Education	Charities	Local authorities	Registered Social Landlords
and fair view.	• policy for capitalising fixed assets • policy for inclusion of investments in the accounts. There is also a requirement to describe the different types of fund held by the charity, and what the policy is for designated funds. Guidance is given on resources expended policy notes which includes: • recognition of liabilities and constructive obligations • how expenditure is categorised in the SOFA, and how costs are apportioned between funds.	• departures from the SORP • accounting convention adopted • material accounting policies • significant estimation techniques • changes in accounting policies • material changes in estimation techniques.	Guidance is given for examples of where a measurement basis for particular assets and liabilities will translate into an accounting policy.
1e) Presentation of financial statements: **Events after the balance sheet date**			
Requirement to follow FRS 21 with distinction between adjusting and non-adjusting events. Gift aid payments (analogous to dividends) from subsidiary entities can be accrued if a constructive obligation can be demonstrated.	Requirement to follow FRS 21. Where a liability for gift aid payment exists the liability should be adjusted where post year-end calculations provide greater accuracy. The same principle applies to designations made by a charity before the year-end, where more accurate information after the balance sheet date allows the charity to adjust.	Requirement to follow FRS 21 with some general guidance provided on adjusting and non-adjusting events and the date at which the Statement of Accounts is authorised for issue.	Requirement to follow FRS 21. Gift aid payments are referred to as adjusting events if there was a present legal or constructive obligation at the balance sheet date.
2a) Property, plant and equipment: **Carrying value of tangible fixed assets**			
Tangible fixed assets should be initially measured at cost, including irrecoverable VAT. Thereafter they may be included on the balance sheet at cost or valuation. The FRS 15 transitional option to hold fixed assets at frozen book value (historical cost) are referred to in the	Tangible fixed assets should held at the cost of acquisition including directly attributable costs for bringing the assets into working condition for their intended use. This includes the cost of interest on loans to finance the cost of the fixed asset. There is the option to hold fixed assets at	All expenditure on the acquisition, creation or enhancement of tangible fixed assets should be capitalised on an accruals basis. Fixed assets should initially be measured at cost.	Housing properties should be included in the balance sheet at either: • historical cost less social housing grant and depreciation; or • valuation (current value). Directly attributable development costs

Further and Higher Education	Charities	Local authorities	Registered Social Landlords
SORP.	valuation or cost.		should be capitalised.
2b) Property, plant and equipment: **Basis of valuation**			
Revalued fixed assets should be held at current value: • Non-specialised properties should use Existing Use Value • Specialised properties should use Depreciated Replacement Cost • Surplus properties should use Market Value • Other fixed assets (non-properties) should use Market Value.	The Trustees may use any reasonable approach to valuation at least every five years. Independent formal valuations are not necessary, and may be undertaken by any suitably qualified person who may be trustee or employee. For assets other than properties, if there is an active second hand market then this can be used as the basis for valuation (but asset values must be updated annually).	Infrastructure and community assets should be included in the balance sheet at historical cost. Operational land and properties should be included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.	Where housing stock is included at valuation, this is taken to be the lower of: • replacement cost (the cost of an identical property today); or • recoverable amount (the higher of net realisable value (OMV) and value in use).
2c) Property, plant and equipment: **Classes of fixed assets**			
Follows the four classes in the Companies Act: • land and buildings • plant and machinery • fixtures, fittings tools and equipment • payments on account and assets in the course of construction. Plus the option for a fifth class: Heritage Assets. There is the option to further sub-divide these classes to reflect operations.	Five classes of asset are determined: • freehold interest in land and buildings • leasehold and other interests in land and buildings • plant and machinery including motor vehicles • fixtures, fittings and equipment • payments on account and assets in the course of construction. These headings may further be split to provide narrower definitions (within reason).	Tangible fixed assets should be disclosed on the face of the balance sheet as follows: Operational assets • council dwellings • other land and buildings • vehicles, plant, furniture and equipment • infrastructure assets • community assets Non-operational assets • investment properties • assets under construction • surplus assets held for disposal.	Housing properties should be analysed by class of property in the notes to the accounts: • properties held for letting • shared ownership properties • other properties. Completed schemes and properties under construction should if material be separately disclosed for the categories above. Shared ownership properties, including those under construction, should be proportionally split between fixed assets and current assets.

Further and Higher Education	Charities	Local authorities	Registered Social Landlords
2d) Property, plant and equipment: **Depreciation**			
Depreciation should be charged on all fixed assets with the exception of land (or if the charge or accumulated depreciation is not material, but then regular impairment reviews are required). If material, a depreciable asset's anticipated useful economic life must be reviewed annually. There is an option for component accounting where relevant.	There should be an annual depreciation charge in the SOFA and shown in the balance sheet as accumulated depreciation. Useful economic lives and residual values of fixed assets should be reviewed annually. Where components have substantially different useful lives then each component should be depreciated over its individual useful life. There are exceptions to charging depreciation for land, where the depreciation charge is not material, and for heritage assets.	Depreciation should be charged on all fixed assets with a finite useful life. The only grounds for not charging depreciation are that it is not material. Freehold land should not normally be depreciated unless it is subject to depletions (e.g. through the extraction of minerals). Renewals accounting may be used as a way of estimating depreciation for infrastructure assets in certain circumstances. Depreciation is charged as part of gross expenditure in the Income and Expenditure Account.	Depreciation on housing properties should be charged to the Income and Expenditure Account. Freehold land should not be depreciated. The only grounds for not charging depreciation are that it is not material (on an aggregate basis). In such cases an annual impairment review should be carried out. The useful economic lives of properties should be reviewed at the end of each reporting period. Historic cost depreciation adjustments should be made to the Income and Expenditure Account on properties held at valuation.
2e) Property, plant and equipment: **Impairment and revaluation losses**			
Fixed assets are tested for impairment when: • there is a policy of revaluation (optional under this SORP) • assets are surplus to requirements • no depreciation is charged on an asset. Revaluation losses caused by a clear consumption of economic benefits should be recognised in the income and expenditure account. Other decreases in valuation should first be set against any previous revaluation surplus for that asset. Thereafter, they should be reported in the income and expenditure account unless it can be demonstrated that the recoverable amount of the asset	Impaired assets must be written down to their recoverable amount. Value in use for charities is determined through service potential/delivery or the replacement cost of the asset. Impairment reviews should be carried out where there is an indication that the recoverable amount of a functional fixed asset is below its net book value. This review should be on an asset by asset basis. Impairment losses should be treated as additional depreciation and charged to the SOFA (the section under charitable companies allows the charge to be taken to the revaluation reserve in certain circumstances).	Examples are provided of situations where impairment reviews are required. Where an impairment results from clear consumption of economic benefit it should be accounted for through the Income and Expenditure Account. Other impairments should be recognised through the STRGL.	Detailed impairment reviews only need to be carried out where there is an indication that impairment has occurred (examples are provided of these indications, such as voids). Service potential, as well as expected future cash flows (from rents), are referred to as factors to consider in relation to impairments. Impairments that are a result of a major reduction in service potential should be recognised in the income and expenditure account. Impairments which are a result of changes in price should be recognised in the STRGL.

Further and Higher Education	Charities	Local authorities	Registered Social Landlords
is greater than its revalued amount, in which case the loss should be recognised in the statement of total recognised gains and losses to the extent that the recoverable amount of the asset is greater than its revalued amount. Assets held at cost are also subject to impairment reviews.			
2f) Property, plant and equipment: **Capitalisation of expenditure**			
Tangible fixed assets should be initially measured at cost, including irrecoverable VAT. Costs incurred in relation to a tangible fixed asset after its initial purchase or production should be capitalised to the extent that they increase the expected future benefits to the institution from the existing tangible fixed asset beyond its previously assessed standard of performance. Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance should be recognised in the income and expenditure account in the period it is incurred.	Tangible fixed assets should initially be included on the balance sheet showing the cost of acquisition and any directly attributable costs. SORP paragraph 253 (c) addresses subsequent capitalisation of expenditure.	Expenditure which adds to and does not merely maintains the value of an existing asset should be capitalised. Improvement works and structural repairs should be capitalised, whereas expenditure which maintains a previously assessed standard of performance should be expensed.	Directly attributable development costs should be capitalised up to the point where the property is substantially complete and ready for use. Interest on capital borrowed to finance a development may be capitalised (guidance is provided) but should be disclosed. Works which enhance the economic benefits of an asset in excess of the standard of performance anticipated when the asset was acquired should be capitalised as improvements. This includes expenditure where it results in a net increase in the rental income. This may arise through an increase in rental income, a reduction in future maintenance costs or a significant extension to the life of the property.
2g) Property, plant and equipment: **Donated tangible fixed assets**			
Tangible fixed assets, with the exception of land, donated for use by the institution should be valued, and the value credited to deferred capital grants and the debit taken to the relevant fixed asset category when receivable. Land donated for use by the institution should also be valued, but the associated credit should be taken	Donated tangible fixed assets should be included in the balance sheet at their current value and also included in the SOFA as an incoming resource.	Fixed assets acquired for other than cash consideration should be shown in the balance sheet at fair value.	Donated (or sub market priced) land should be shown in the balance sheet at current value. Where the land has been donated by either central government or local government, the difference between current value and transfer price should

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to the income and expenditure account as a donation. Where an institution enjoys the use of an asset which it does not own and for which no annual or nominal rental is paid the financial statements must disclose this and, if practicable, a value should be attributed to this benefit and be capitalised, with a corresponding credit to the revaluation reserve deferred capital grants.			be shown as a government grant.
2h) Property, plant and equipment: **Shared ownership properties**			
No guidance is provided.	No guidance is provided.	No guidance is provided.	Shared ownership properties, including those under construction, should be proportionally split between fixed assets and current assets. This split should be determined by the percentage of the property to be sold under a first tranche sale, which should be shown on initial recognition as a current asset, with the remainder classified as a fixed asset. Ordinarily the costs and therefore the value at initial recognition of the current and fixed assets should be apportioned to the first tranche sales (current assets) and subsequent tranches (fixed assets) in proportion to the share of equity sold. The exception to this treatment would be in cases where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus.
2i) Property, plant and equipment: **Assets held for resale**			
Where an institution is committed to the disposal of a tangible fixed asset, such assets should be carried at cost or valuation, or written down to their net	Not mentioned as an issue for this sector.	Surplus assets should be separately disclosed on the face of the balance sheet.	Properties developed for outright sale or on behalf of third parties should be treated as current assets. They should be held at the lower of cost or net

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realisable value, whichever is lower. Where all the following criteria are met, such assets should be transferred from fixed assets to current assets: • the asset is not being replaced; • there is a commitment to sell the asset (e.g. being advertised for sale); • the asset is no longer in use.		Disposal gains/losses must be reversed out of the General Fund to comply with statutory requirements. Assets surplus to requirements should be included in the balance sheet at the lower of net current replacement cost (historic cost) or net realisable value.	realisable value. The disposal proceeds of housing properties held as current assets should be included in turnover. Proceeds from the disposals of fixed assets should not be included in turnover.
2j) Property, plant and equipment: **Heritage assets**			
Newly purchased heritage assets should be initially measured and recognised at their cost. Heritage assets acquired in past accounting periods which have not been capitalised may only be excluded from the balance sheet if: reliable cost information is not available and conventional valuation approaches lack sufficient reliability; or significant costs are involved in the reconstruction or analysis of past accounting records or in valuations which are onerous compared to the additional benefit derived by users of the accounts. Information on heritage assets (whether or not they have been capitalised) should be given in the notes to the accounts. Historic assets used by the institution itself and corporate art are not heritage assets.	Newly purchased heritage assets should be initially measured and recognised at their cost. Heritage assets acquired in past accounting periods which have not been capitalised may only be excluded from the balance sheet if: reliable cost information is not available and conventional valuation approaches lack sufficient reliability; or significant costs are involved in the reconstruction or analysis of past accounting records or in valuations which are onerous compared to the additional benefit derived by users of the accounts. Information on heritage assets (whether or not they have been capitalised) should be given in the notes to the accounts. Heritage assets should be included in a separate row in the balance sheet and should be further analysed into appropriate classes in the notes to the accounts. Similar types of assets which are not held for preservation or conservation purposes should not be treated as	Not referred to in the SORP. However, the class of "community assets", identified elsewhere at 2c) encompasses heritage assets.	Not referred to in the SORP.

Further and Higher Education	Charities	Local authorities	Registered Social Landlords
	heritage assets. Inalienable assets should be capitalised, unless covered by the heritage asset exemptions. Information on heritage assets (whether or not they have been capitalised) should be given in the notes to the accounts.		
2k) Property, plant and equipment: **Capital grants and financing**			
Where an institution receives a grant to finance, or partly finance, the purchase, construction or development of an asset, and the asset is capitalised, the grant should be credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded. Deferred capital grants are shown with reserves as funds in the balance sheet.	Capital grants should not be netted off fixed assets. Grants for fixed assets should be recognised in the SOFA as incoming resources. This will normally be when they are receivable. If there are conditions attached to the grant then it must be deferred until the conditions have been met.	Where the acquisition of a fixed asset is funded by a government grant, the grant should be credited to a Government Grants Deferred Account and then written off to match the life of the asset to which it relates. Government Grants Deferred are shown in the top half of the balance sheet.	Social housing grants intended for capital should be shown on the balance sheet as a deduction from the cost of housing properties. Where social housing grants are to be recycled they should be credited to a Recycled Capital Grant Fund under creditors. Housing loans should be disclosed in the notes to the accounts over the period in which they are repayable. Instruments should be shown in the balance sheet at the amount of the net proceeds. Details of all discounted bonds should be disclosed. Homebuy schemes should be shown as fixed asset investments deducted from the housing properties which they relate to.
3a) Intangible assets: **Recognition and carrying value of intangible assets**			
An intangible asset purchased separately from a business should be capitalised at its cost. An intangible asset acquired as part of the acquisition of an institution or other entity should be capitalised separately from goodwill if its value can be	Intangible fixed assets should be included in the balance sheet in accordance with FRS 10.	Purchased intangible assets should be capitalised at cost. Internally developed intangible assets can only be capitalised where there is a readily ascertainable market value. Guidance is also provided on amortisation and accounting for disposals	See 3b) below.

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measured reliably on initial recognition. It should initially be recorded at its fair value. An internally developed intangible asset may be capitalised only if it has a readily ascertainable market value.		of tangible fixed assets.	
3b) Intangible assets: **Goodwill**			
Positive purchased goodwill should be capitalised and classified as an asset on the balance sheet. FRS 10 should be followed.	No comment other than 3a) above.	Goodwill is not considered to be relevant to local authorities.	Positive acquired goodwill should be shown on the balance sheet as an asset. Negative goodwill should be shown in the Capital and Reserves section of the balance sheet.
3c) Intangible assets: **Research and development**			
Requirement to follow SSAP 13 for commercial research and development. Pure and applied research cannot be capitalised.	No comment other than 3a) above.	Research and development is not considered to be relevant to local authorities.	No comment.
4a) Assets and liabilities: **Inventory and stock**			
Stocks should be recognised in the balance sheet at cost or net realisable value whichever is lower.	No specific requirements.	Stocks should be included in the Balance Sheet at the lower of cost and net realisable value.	No specific requirements.
4b) Assets and liabilities: **Debtors, and provisions for bad and doubtful debts**			
No specific requirements.	Debtors should be analysed in the notes to the accounts between short term and long term split between: • trade debtors • amounts due from subsidiaries/ associates • other debtors	Extensive general guidance is provided on receivables in the context of the financial instrument standards (FRS 25, 26, 29). Guidance is also given on providing ('impairing') these financial assets. Objective evidence is required of a past event before these assets can be impaired. Expected losses as a result of	No specific requirements.

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	• prepayments and accrued income. Material long term debtors must be separately disclosed on the balance sheet. Recognition of grants (non reciprocal transfers) : Non-contractual receipts and recognition points are a particular issue in the voluntary sector as is the differentiation of contracts, performance related grants and grants as voluntary payments.	future events, no matter how likely, should not be recognised.	
4c) Assets and liabilities: **Financial instruments**			
Requirement to follow FRS 25, FRS 26 and FRS 29 (where appropriate). No specific requirements are defined in the SORP but the presentational requirements of FRS 25 are set out in summary.	Requirement to follow FRS 25 and FRS 26 (where appropriate). The annual report should include an explanation of any financial derivatives. The notes to the accounts should indicate what derivative products are used, and what the risk is. They should also disclose what the charity's position would be with and without the derivatives, and what the costs and benefits are.	The 2007 SORP requirements are based on FRS 25, 26 and 29. The SORP includes an extensive new chapter providing guidance on accounting for financial instruments in the context of local government accounts. There is a requirement to disclose further information about financial instruments in the notes to the accounts, both in relation to the balance sheet and the income and expenditure account, and for accounting policies. Statutory adjustments to the General Fund are reflected in a Financial Instruments Adjustments Account shown in the bottom half of the balance sheet.	FRS 25 and FRS 26 will be relevant to RSLs in certain circumstances. No detailed guidance is provided.
4d) Assets and liabilities: **Borrowing costs**			
No specific requirements.	Loans and overdrafts should be disclosed in the creditors note to the	Guidance is provided on accounting for loans in the context of FRS 26.	Housing loans should be disclosed in the notes to the accounts over the period in

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	accounts.		which they are repayable. Instruments should be shown in the balance sheet at the amount of the net proceeds. Details of all discounted bonds should be disclosed. Homebuy schemes should be shown as fixed asset investments deducted from the housing properties which they relate to.
4e) Assets and liabilities: **Investments**			
• Listed investments held as fixed assets or endowment assets should be shown at market value. • Investments in subsidiary undertakings should be shown at cost, subject to a review for impairment. • Investments in associates should be shown in the consolidated balance sheet at attributable share of net assets. • Current asset investments, including listed investments, should be shown at the lower of cost and net realisable value. **Changes in value** Increases in value arising on the revaluation of fixed asset investments should be carried as a credit to the revaluation reserve via the statement of total recognised gains and losses; a diminution in value should be charged to the income and expenditure account as a debit to the extent that it is not covered by a previous revaluation surplus. Increases/decreases in value arising on	Investment assets are defined as investments, investment properties and cash held for investment purposes. These should be shown as a separate fixed assets category. If the intention is realise the asset without reinvesting the sale proceeds then this should be a current asset investment. **Carrying value** Investment assets should be shown at market value. Changes in value should be reported through the SOFA. Shares in unlisted companies may be valued by reference to net assets, earnings or dividend record. Investment assets should not be depreciated. Other investments (besides shares and securities) must be valued every 5 years. **Disclosure** Separate disclosure is required for: • investments held for a return • programme related investments held	Available for sale financial assets should be measured at fair value. They should be regularly re-measured at fair value using a quoted market price or valuation techniques, without deduction for transaction costs that would be incurred on sale or other disposal. Gains or losses on available for sale financial assets should be recognised through the STRGL and taken to the Available for Sale Reserve. Impairment losses should be charged to the Income and Expenditure Account.	Investments should be shown as current assets if the intention is to realise the investments in the short term without reinvesting the proceeds. Non-property Investments should be shown on the balance sheet at market value. Upward revaluations of investments should be taken through the STRGL. Diminutions in value should go through the STRGL as long as there is a related balance in the revaluation reserve. Historic cost of investment assets should be disclosed in the notes to the accounts. The investment revaluation reserve should be included within the Revaluation Reserve on the face of the Balance Sheet.

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the revaluation or disposal of endowment assets should be added to or subtracted from the funds concerned and be accounted for through the balance sheet through by debiting or crediting the endowment asset and crediting or debiting the endowment fund and should also be reported in the statement of total recognised gains and losses. **Total return** There is an option to account for investments linked to permanent endowment funds on a total return basis. This allows for any increases in value to be applied against the endowment's purpose.	as part of the charitable objectives. Disclosure should also be given of: • how the valuation has been arrived at • impact on the market (where the sale of the securities would materially affect the value) • reconciliation of opening and closing book values • total value of investment assets by category of investment • analysis of non-UK and UK investment assets **Total return** The option to apply a total return approach on investments for permanent endowments is permitted, subject to Charity Commission approval.		
4f) Assets and liabilities: **Provisions and accruals**			
Applies the FRS 12 definition of provisions. Provisions for restructuring should only be recognised when the institution is demonstrably committed to that restructuring and when as a result of this commitment there is valid expectation that there will be a transfer of economic benefits. There are no grounds for recognising a provision for future repairs and maintenance in respect of freehold buildings.	Liabilities should be shown at their settlement value, and reviewed at each balance sheet date. For grants where an exchange for consideration does not arise, there may still be a liability, particularly for multi-year grants. Provisions may be discounted to recognise the timing of future payments. The notes to the accounts should analyse creditors across the following headings: • Loans and overdrafts	General guidance is given on accounting for and recognising provisions, with specific guidance on: • the costs of internal and external restructuring • future operating losses (not allowed). The expense relating to a provision may be presented net of any reimbursement from a third party.	Provisions are specifically not allowed for cyclical maintenance or major works to existing stock. Receipts in advance of agreements to carry out improvement works on behalf of third parties should normally be shown in creditors. Recycled capital grant should be shown in creditors.

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Disclosures should be made of the purpose of each class of provision unless this prejudices the position of the entity. Early retirement costs should be accounted for in line with FRS 12, not FRS 17.	• trade creditors • amounts due to subsides/ associates • other creditors • accruals and deferred income. There should be separate disclosure for provisions of less than and more than one year. Particulars of all material provisions should be disclosed, as should details of all material charitable commitments where they have not been accrued (intentions to spend). Earmarked funds should not be accrued for.		
4g) Assets and liabilities: **Investment property**			
Investment properties should be held at market value with charging depreciation. The following are not considered to be investment properties: • property which is owned and occupied by an institution for its own purposes • property let to and occupied by another group entity.	Other investments (besides shares and securities) must be valued every 5 years, i.e. investment property. If there is a material movement in the intervening period then the asset must be revalued.	Investment properties (other than those held by pension funds) should be included in the balance sheet at the lower of net current replacement cost or net realisable value (usually market value).	Where the primary purpose remains the provision of social housing then they should not be classified as investment properties.
4h) Assets and liabilities: **Leases**			
SSAP 21 is to be followed. Material finance leases should be capitalised. Reference should also be made to FRS 5, Application Note F.	Requirement to follow SSAP 21.	Requirement to show the accounting policies for operating and finance leases. Rentals payable and receivable under operating leases should be accounted for on a straight line basis over the term of the lease, even if the payments/receipts are not on this basis.	Requirement to follow SSAP 21 with reference made to the need to properly allocate rental income to the correct accounting periods.

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4i) Assets and liabilities: **Contingent liabilities and commitments**			
Contingent liabilities are defined by reference to the possibility criteria. No specific references to commitments.	Contingent liabilities should not be recognised in the SOFA. Material contingent liabilities should be disclosed in the notes to the accounts, including details of its nature and any uncertainty. Details of all material commitments should be disclosed in the notes to the accounts, although this terminology would appear to relate to provisions rather than commitments (para 327-328).	Contingent liabilities should not be included in the balance sheet. Guidance is provided on the type of information to disclose with contingent liabilities in the notes to the accounts.	No specific requirements.
4j) Assets and liabilities: **Contingent assets**			
Contingent assets are defined by reference to the possibility criteria.	Contingent assets should not be recognised in the SOFA. Material contingent assets should be disclosed in the notes to the accounts, including details of its nature and any uncertainty.	Contingent assets should not be recognised in the financial statements, but should be disclosed in the notes to the accounts.	No specific requirements.
5a) Retirement benefits: **Defined benefit schemes**			
FRS 17 requirements are applied in full. Net pension assets/liabilities are disclosed on the balance sheet, as is the relevant part of the Income and Expenditure Reserve. Amounts charged to the Income and Expenditure Account should be separately disclosed in the notes to the accounts. Multi-employer defined benefit schemes are specifically identified with guidance	The net pension scheme assets/liabilities should be disclosed on the face of the balance sheet. Multi-employer defined benefit schemes are specifically identified with guidance provided on whether it is expected that they can be accounted for as defined benefit schemes. Defined benefit schemes should be valued every three years by an independent qualified actuary.	Where there is participation in more than one scheme those schemes with net pension assets should be shown separately on the balance sheet from those with net liabilities. Scheme assets should be measured at fair value. The current service cost should be included within the net cost of services. The net of interest cost and expected return on scheme assets should be	FRS 17 requirements are applied in full, and it is considered that generally there are no special circumstances facing social landlords in implementing the standard. Current service costs, past service costs and surpluses and deficits on settlements and curtailments should be recognised in operating costs. Interest costs and expected return on assets should be recognised in financing

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provided on whether it is expected that they can be accounted for as defined benefit schemes. The element of the general reserve relating to pensions is disclosed separately on the balance sheet.	The net pension scheme assets/liabilities should normally be recognised in the unrestricted funds, although guidance is given for the rare situations when it is possible to recognise these in restricted funds. Pension costs should be allocated across the relevant resources expended categories in the SOFA, following a consistent methodology. Material past service costs, gains/losses on settlements or curtailments should be disclosed as exceptional in line with FRS 3. Actuarial gains and losses should be recognised in the gains and losses section of the SOFA.	included in Net Operating Expenditure. Adjustments are required to the General Fund for pension costs to bring it line with statutory requirements. Examples are provided of schemes which local authorities participate in. Detailed guidance on accounting for Defined Benefit Pension Schemes is provided in an appendix to the SORP.	costs/income. Where multi-employer defined benefit schemes cannot show the entity's share of the underlying assets and liabilities then they should be accounted for on a defined contribution basis. This may be an issue where staff have been transferred under TUPE.
5b) Retirement benefits: **Defined contribution schemes**			
The cost of defined contribution schemes should be recognised within staff costs in the income and expenditure account, and appropriate disclosures made.	Defined contribution scheme costs should be allocated across the relevant resources expended categories in the SOFA.	Pension costs for defined contribution schemes should be recognised in the Net Cost of Services.	Defined contribution scheme costs should be recognised within operating surplus in the Income and Expenditure Account. Disclosure is required of: • the nature of the scheme • cost for the period • any outstanding or prepaid contributions at the balance sheet date.
6a) Revenue: **Turnover**			
A distinction is drawn between income which can be applied at the discretion of the entity and income which is for specific purposes designated by the grant-making body or donor.	All incoming resources should be recognised in the SOFA if it increases the charity's assets. Income should be reported gross with the	Customer and client receipts in the form of sales, fees, charges and rents should be accrued and accounted for in the period to which they relate. Income is required to be shown split	Disclosure of turnover and its components vary with the size of social landlord and level of activities. Turnover should be shown net of rent and service charge losses from voids.

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Income can only be recognised when a right to consideration exists, i.e. the terms and condition of funding have to be met before it can be recognised. Tuition fee rebates should be shown as discounts.	exception of funds raised by third parties. Contractual income should be shown in the SOFA. Attention is drawn to issues around entitlement, particularly with performance related grants.	between General Fund Operations and Housing Revenue Account.	Service charges receivable should be shown in turnover.
6b) Revenue: **Government grants**			
Grants or other contributions from government and other bodies should be accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.	No distinction is made between grants and donations. See accounting requirements in 6c) below.	Revenue grants should be matched with the expenditure to which they relate. Grants made to finance the general activities of a local authority or to compensate for a loss of income should be credited to the revenue account of the period in which they are payable.	Revenue grants should be matched with expenditure and disclosed separately within the turnover note. The related expenditure should be recognised under operating costs. Revenue grants should be recognised in the same period as the related expenditure provided that conditions for receipt have been satisfied and there is reasonable assurance that the grant will be received.
6c) Revenue: **Donations receivable**			
Unrestricted expendable charitable donations with no conditions attached are recognised as donations in the Income and Expenditure Account. Donations with specific terms which apply to the general purposes of the institution are accounted for in this way (i.e. as unrestricted). Donations which create permanent endowments are subdivided into two categories: those where there are no restrictions on the income earned on the endowment (unrestricted); and those where there are restrictions on the income earned on the endowment. Donations which are restricted to a specific purposes are accounted for as	Grants and donations should not be recognised as incoming resources until any associated conditions (as opposed to administrative requirements such as accounts submission) have been fulfilled. Donations with donor-imposed conditions should be accounted for as deferred income until they can be applied to their intended purpose. Any deferred incoming resources should be disclosed in the notes to the accounts. Where the existence of a condition prevents the recognition of an incoming resource, a contingent asset should be disclosed where it is probable that the condition will be met in the future. [See also 8c below for restricted and	No specific guidance is provided.	No specific requirements.

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expendable endowments until they can be applied for that purpose. Donations for fixed assets are shown as deferred capital grants.	endowment funds]. Legacies should only be recognised when there is sufficient certainty that they will be received. Donations for fixed assets should be accounted for as restricted funds.		
6d) Revenue: **Gifts in kind (donated goods and services)**			
Gifts in kind (other than tangible fixed assets donated for use by the institution) should be credited to donations in Other income in the income and expenditure account.	Gifts in kind should be recognised in the SOFA at a reasonable estimate of their gross value to the charity (or the amount actually realised if the goods are for resale) Gifts must be recognised on the same basis as a donation. The SORP also deals with the recognition of volunteers, a particular issue affecting charities.	No specific guidance.	No specific guidance.
6e) Revenue: **Long term contracts**			
Requirement to apply SSAP 9 and FRS Application Note G. Institutions should recognise income and gains in the income and expenditure account while contracts are in progress.	Reference is made to guidance in SSAP 9 and FRS Application Note G.	Requirement to follow SSAP 9 and Application Note G of FRS 5.	No specific guidance.
6f) Revenue: **Agency arrangements**			
Where the institution disburses funds it has received as paying agent on behalf of a funding body or other body, and has no beneficial interest or risks related to the receipt and subsequent disbursement of the funds, these funds should be excluded from the income and expenditure of the institution. Institutions should provide a memorandum disclosure note, if required by the funder, on agency funds in the	Where the funder retains the legal responsibility for ensuring the charitable application of the funds, then the funds should not be recognised in the SOFA or balance sheet. Assets and liabilities relating to agency arrangements should be disclosed in the notes to the accounts, but not included in the balance sheet. Notes to the accounts should describe the nature of the transactions and the	Examples are provided of situations where local authorise should consider whether an agency arrangement may exist. These include: • Business Improvement District Schemes • Local Area Agreement Grant.	Guidance is provided in the context of supported housing and other managing agents, where there is a requirement to consider the extent of the risks and benefits of the scheme. Four scenarios and their associated accounting treatments are identified in the context of FRS 5.

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notes to the accounts.	relationship with the funder and recipient.		
6g) Revenue: **Income from investments**			
Income from fixed asset investments, endowment assets and current asset investments should be brought into the income and expenditure account in full as a credit. If the income relates to a restricted endowment fund investment then it is transferred back to the fund after the operating result. The total return option only recognises income to the extent that it has been applied.	All receipts from subsidiary companies (except for the payment of goods and services) should be shown as investment income. Gift aid payments should be separately disclosed under investment income in the SOFA. Gift aid payments are only classified as investment income when received from subsidiaries. A total return option is allowed.	Interest on available for sale financial assets should be credited to the Income and Expenditure Account.	No specific guidance, although there is a category for Interest Receivable and Other Income in the model Income and Expenditure Account in the Appendix.
7a) Expenditure: **Grants payable**			
Bursaries and scholarships should be shown as expenditure, not netted off tuition fee income.	Grants payable should be recognised once a constructive or legal obligation is created – usually a specific communication to a third party, i.e. more than a funding decision by the charity's trustees, or a general statement in the annual report. The costs disclosed for grants payable should normally include any associated support costs. Disclosure should be provided of: • how the grants relate to the charity's purpose • grants to individuals and grants to institutions (with material disclosures being separately identified) • grants paid analysed by the nature and type of activity.	Specific guidance is provided where the local authority acts as the principal agent for: • Business Improvement District Schemes • Local Area Agreement Grants.	No specific guidance.

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7b) Expenditure: **Staff costs and emoluments**			
No specific reference is made.	Staff costs will be apportioned across resources expended in the SOFA. The notes to the accounts should include the total costs of employing staff who work for the charity (whether or not they are employees). Disclosure should be provided of: • gross wages • 'er's NI and pension costs • average number of staff split between full time and part time • bandings from £60k upwards • contributions to defined contribution schemes. Disclosure should be made of trustee expenses.	The full cost of employees should be charged to the accounts of the period within which the employees worked. Accruals should be made for wages earned but unpaid at the year-end.	No specific guidance is provided.
7c) Expenditure: **Overheads**			
No specific reference is made.	Support costs should be allocated / apportioned across the Resources Expended categories in the SOFA. The method of apportion/allocation should be consistent and reliable. Support costs enable output-creating activities to be undertaken – they are not an activity in themselves. Disclosure should be provided in the notes to the accounts of material items in support costs.	Support service costs should be apportioned to relevant activities or services. Corporate and democratic core overheads should be allocated to a separate objective expenditure head. Where overheads are not charged or apportioned the reasons for not doing so should be disclosed in the notes to the accounts.	No specific guidance is provided.
8a) Reserves: **Revaluation reserve**			
Options to hold a revaluation reserve	Charitable companies must report the	A revaluation reserve has been	A revaluation reserve is required when

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where: • institutions adopt a policy of revaluing their fixed assets • to hold the credit for assets and liabilities inherited from local authorities • fixed asset investments are held, and the reserve is used to credit increases in value.	difference between historic cost and revalued amounts for fixed assets as a Revaluation Reserve (as part of the unrestricted funds).	introduced from 1 April 2007. However, due to limitations around available information, the revaluation reserve is not applicable retrospectively and opening balance information is not required. A Capital Adjustment Account is also required to show statutory adjustments to capital funding.	housing properties or investments are revalued. The notes to the accounts should show the revaluation split between housing properties and investments. Where the assets support restricted reserves then the revaluation reserve should be disclosed as part of that restricted reserve.
8b) Reserves: **Designated reserve**			
Designated reserves are not permitted under the SORP.	Trustees may earmark part of a charity's unrestricted funds to be used for particular purposes in the future – 'designated funds'. The trustees can re-designate such funds. Designations remain part of unrestricted funds and do not create separate funds.	Designated reserves may be created as a means of setting aside amounts for specific policy purposes or for general contingency purposes, as long as this is within a local authority's statutory powers. Expenditure should not be charged directly against any of these reserves. For each reserve established, the purpose, usage and basis of transactions should be clearly identified.	Designated reserves are allowed and are encouraged by the SORP as a means of presenting future commitments. Expenditure cannot be set directly against designated reserves. Total designated reserves should be shown on the face of the balance sheet. Designation should not normally be for items of future capital expenditure. Debit balances are not permitted on designated reserves.
8c) Reserves: **Restricted reserve**			
Restricted reserves are permitted to the extent that they will form part of endowment reserves. The restricted element is only disclosed in the notes to the accounts.	Restricted funds have to be separately accounted for. These are funds which can only be applied for particular purposes within a charity's objects. Restricted funds include endowments, which are held on trust to be retained for the benefit of the charity as a capital fund. A distinction is made between permanent and expendable endowments.	Where funds are restricted by statute then a restricted reserve must be established. These include: • Capital Receipts Reserve • Major Repairs Reserve.	Any reserves which are subject to external restrictions should be shown separately as restricted reserves on the face of the balance sheet. Expenditure cannot be directly set against restricted reserves. Restricted reserves should include a revaluation element where they are represented by assets which are revalued. The funds which constitute the restricted

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			reserves should be disclosed in the notes to the accounts.
9a) Consolidation: **Subsidiaries and group accounts**			
There is a requirement to prepare group accounts to show separately the results for the institution and the group. Exclusion permitted where not material, restrictions over asset rights, or it was intended for resale.	A parent charity should prepare consolidated accounts including all its subsidiary undertakings with some exceptions based around materiality and control. If a subsidiary is an insolvent registered company which is being wound up then it can be excluded from consolidation. A subsidiary charity with narrower objects than its parents should be consolidated as a restricted fund.	Local authorities with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to their single entity financial statements. A local authority group is defined as the reporting authority and its subsidiary entities. Consolidation accounting should follow the requirements of FRS 2.	All parent social landlords are required to follow FRS 2. The small and medium sized company group exemptions under the Companies Act can be used. Guidance is provided on consolidation issues for different types of social landlord (depending upon legal status). Where group accounts are prepared the following disclosures should be made: • the status of all entities in the group • the legal and commercial relationships between all entities in the group • details of any material financial transactions between group entities.
9b) Consolidation: **Quasi-subsidiaries and special purpose entities**			
Where the objects of another entity are substantially or exclusively confined to the benefit of the institution, the issue of control requires particular consideration. In such cases formal powers of control may not exist but dominant influence may arise less formally. For example, the benefiting institution may set out in outline the nature or timing of the support it wants to achieve. Alternatively the benefiting institution may intervene on a critical matter. Where evidence exists of such dominant influence being exercised the criteria for consolidation should be regarded as being met.	Where a subsidiary charity's objects are substantially different from the parent charity (and there is no benefit to the parent) then no consolidation should take place. Often charities undertake joint arrangements where they carry out activities in partnership with other bodies but without establishing a separate legal entity. The notes to the accounts should provide appropriate details of the charity's commitment in the arrangement.	It is not appropriate to treat some statutory bodies as a subsidiary of a local authority due to the relationship between the statutory body and central government. Consideration should be given as to whether the body is an associate or an investment.	Reference to the Companies Act not exempting entities from consolidation of subsidiaries because of their different activities.

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9c) Consolidation: **Associates**			
Comments ate 9a) above apply. Income from associates should be recognised in line with FRS 9 para 27.	Where a charity trustee and grant funding is provided to another charity then this may create an associate relationship, depending on the nature and intended purpose of the trustee appointment. The SOFA should show the net interest in the results of the associate as a separate row.	Local authority group accounts should also include interests in associates. FRS 9 should be followed when accounting for associates.	FRS 9 is generally considered unlikely to apply to social landlords.
9d) Consolidation: **Joint venture entities**			
Use gross equity method in FRS 9, following requirements of paragraph 23. Columnar approach required.	Joint ventures should be accounted for on a gross equity method. Gross incoming resources from JVs can be shown on a line by line basis in the SOFA with a row then deducting the amount to distinguish it from group incoming resources. The share of gross assets and gross liabilities should be shown in fixed asset investments in the balance sheet.	Local authority group accounts should also include interests in joint venture entities. FRS 9 should be followed when accounting for joint ventures using separate lines in the primary statements.	FRS 9 is generally considered unlikely to apply to social landlords.
9e) Consolidation: **Charitable trusts**			
Covered by associates and joint ventures, although specific reference is made to them as a type of entity which might be either an associate or joint venture.	Covered by associates and joint ventures, although specific reference is made to them as a type of entity which might be either an associate or joint venture.	Charitable trusts such as the Common Good Fund and Trust Funds should be consolidated if they meet FRS criteria.	No specific requirements.
10a) Taxes: **Deferred tax**			
It is unlikely that deferred tax will have significant implications for institutions. However, subsidiary entities (where their activities are not charitable) must comply with FRS 19 and recognise deferred tax on any timing differences that have originated and not reversed by the balance sheet date. This deferred tax	Not generally applicable to charities, but FRS 19 will apply in consolidated accounts that include non charitable subsidiaries. Where a subsidiary makes a gift aid payments of all its taxable profits to its parent charity a provision for deferred tax	FRS 19 is applicable to group financial statements but not applicable to single entity financial statements.	FRS 19 is applicable and examples are provided of when it is likely to apply. Deferred tax will not normally be provided for on the revaluation of housing properties where they are carried at Existing Use Value for Social Housing as changes do not go through the Income

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will then need to be consolidated in the group financial statements.	is unlikely to be necessary.		and Expenditure Account. The exception is where there is a binding commitment to dispose of the revalued asset.
10b) Taxes: **Current tax**			
Irrecoverable VAT on inputs should be included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets should be included in their cost.	Irrecoverable VAT should be included in the relevant cost headings on the face of the SOFA. It is recommended that the accounting policy for irrecoverable VAT be disclosed. FRS 16 is generally not considered applicable to charities.	FRS 16 is not applicable to council tax, business rates or precepts/distributions from the NNDR Pool. FRS 16 applies to group financial statements and to single entity financial statements (with the exception of dividends payable).	FRS 16 is relevant for social landlords but no specific guidance is provided.
11a) Other areas: **Segmental reporting**			
In a minority of cases institutions may have material segments of other activities (such as a university press) or significant geographical operations (such as those in another territory) where SSAP 25 would apply.	Only considered to be applicable for the largest charities. Additional disclosures would be required for geographical region and segment net assets (the SORP already requires disclosure of activities by function). Segmental information may be required where consolidation obscures information about different undertakings and activities.	The general principles of SSAP 25 are built into the SORP in that the Income and Expenditure Account requires disclosure by service provided, with the option to provide further geographical disclosures if necessary.	SSAP 25 is considered unlikely to be applicable to social landlords except where they undertake non housing activities. All housing related activities are considered to be one segment.
11b) Other areas: **Related party transactions**			
Material related party transactions must be disclosed in line with FRS 8. The SORP also requires disclosure of funding body grants, albeit on the face of the primary statements. Examples are provided of those areas where related party transactions are expected to be found.	Extensive guidance is provided on the requirement for related party disclosures. Trustee remuneration or benefits should always be disclosed. Where related party transactions are unlikely to influence the separate independent interests of the charity these need not be disclosed. Examples are provide such as unconditional donations received from a related party, contracts of employment with employees etc.	Guidance on compliance with FRS 8 is provided, which requires disclosure in the notes to the single entity accounts of material related party transactions not disclosed elsewhere: • government grants and the awarding bodies • transactions with subsidiaries, associates and joint ventures • transactions with the pension fund.	All board members are defined as related parties and disclosure should also be provided if they are tenants of the social landlord. Guidance is provided on disclosing rents and year-end arrears for board members.

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11c) Other areas: **Combinations (acquisitions and mergers)**			
Requirement to consider the criteria in FRS 6 to determine whether merger or acquisition accounting should be followed.	Where funds are transferred from one charity to another, this may constitute a gift or an administrative transfer rather than a merger. Charities cannot merge with non charitable companies and so acquisition accounting should be used where such companies are acquired.	FRS 6 does not apply to the single entity financial statements. FRS 6 is applicable to group financial statements and guidance is provided on its application.	Significant guidance is provided on accounting for combinations under FRS 6 and FRS 7, but not a lot that is sector specific.
11d) Other areas: **Foreign currency translation**			
No specific requirements other than to follow SSAP 20.	Gains should be shown as other income in the SOFA, and losses as a support cost.	FRS 23 has been incorporated in to the 2007 SORP.	Unlikely to be applicable to social landlords.
12a) Related reports: **Annual report / OFR**			
Requirement for the contents of an OFR to be included. Guidance is provided on the type of content required for an OFR.	Charity accounts should be accompanied by a Trustees' Annual Report. Significant guidance is provided on the type of information required in the Trustees' Annual Report, using the following headings: • reference and administrative details of the charity, its trustees and advisors • structure, governance and management • objectives and activities • achievements and performance • financial review • plans for future periods • funds held as custodian trustee.	There is a requirement for an Explanatory Foreword to accompany the Statement of Accounts. This should be a concise statement, focused of specific finance matters. It is not intended to cover wider policy matters. Guidance is provided on the type of content which the Explanatory Foreword should cover.	Requirement for an OFR if the social landlord has more than 5,000 units. Guidance is provided on the type of content required for an OFR.

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12b) Related reports: **Summary financial information**			
Draws a distinction between two types: • Summarised financial statements should be based on the full financial statements • Summary financial information which presents information on a particular aspect of an institution's finances	Draws a distinction between two types: • Summarised financial statements should be based on the full financial statements • Summary financial information which presents information on a particular aspect of a charity's finances	No specific guidance is provided.	No specific guidance is provided.
12c) Related reports: **Other statements**			
Best practice to produce a statement of corporate governance and internal control with the financial statements.	The SORP notes that other information may be provided in the Trustees' Annual Report or to accompany the accounts.	There is a requirement for a statement of responsibilities for the statement of accounts to be included in the Statement of Accounts. Local authorities may voluntarily include a Statement on Internal Control and Statement on the System of Internal Financial Control. Guidance is provided on the content of these statements.	A statement of internal control is required for all social landlords with more than 250 homes. A board report on internal financial control is required for all social landlords with more than 50 homes.