Statutory Financial Accounting in the UK Public Sector: Relevance and Cost?

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Synopsis
Corporate organisations in both the public and private sectors are required by statute to produce annual financial accounts. Public sector organisations (PSO) must prepare such accounts and it seems likely that the costs of producing financial accounts in the required format could be substantial. At the same time it is not clear who reads such accounts, of what relevance they are and whether they provide any useful information. Furthermore, it appears that the framework of statutory financial accounting has become increasingly complex and time consuming over the last twenty years or so and has added substantially to the cost of production. A recent example concerns the implementation of IFRS which has been a particular burden to public sector finance staff with no obvious increase in relevance to users. Moreover it is not obvious the current format of statutory reports is any more relevant than the earlier and simpler formats.

We have concerns that statutory financial accounting in the public sector has become much more complex over the years for two main reasons:—

• Firstly, accounting practices in the public sector have blindly followed practices in the private sector without any consideration of the differences between the two types of organisation and the relevance of the information provided
• Secondly, it may be in the interests of the accounting profession and large accounting firms (who audit a large proportion of public sector accounts) to have more complex arrangements.

Finally, at a time when the long-term debt of the public sector is a critical issue, and questions are being raised about the intergenerational equity of public finance decisions, brief consideration is given to the merits of having a radical restructuring of public sector statutory financial accounts which meet the real information needs of users.

Introduction
The UK public sector is an important part of the UK economy. In 2008/09 public expenditure amounted to £618bn and constituted 48% of GDP. It employs some 6 million employees and is responsible for the delivery of a wide range of public services including: pensions and benefits (28% of total), health (18% of total) and education (13% of total). In the UK, public expenditure is largely (90%) financed by some form of (national or local) taxation and with the remainder being funded by charges, earned income etc. This seems likely to be the position for the foreseeable future.

It is well know that the current state of UK public finances means that Government is being forced to borrow huge sums of money each year (£155bn in 2009/10 alone) and this is adding to national debt. Furthermore, interest on this debt now constitutes some 5% of total public spending and is increasing rapidly. The Coalition Government adopted a policy of attempting to eliminate the budget deficit and associated borrowing over a four year period (but this policy has recently had to be amended). The policy involves some increases in taxation (e.g. VAT) but the main thrust of deficit reduction requires large scale reductions in public spending with Government departments facing an average of 25% reductions over a four year period.

This paper concerns the annual financial accounts of public sector organisations as required by statute. Clearly no organisation can decide for itself how to structure its annual accounts and what information to disclose and this applies to public sector organisations. This paper is concerned with the validity of current statutory financial accounting in UK public sector organisations and suggests how research in this area might be developed. In saying this we recognise that as a consequence of devolution there are differences of detail between public sector accounting practices in England and the rest of the UK but we do not believe these differences would change the analysis and conclusions of this paper.

The framework of the research is essentially utilitarian in nature. There are clearly substantial, albeit unquantified, costs associated with the production, audit and dissemination of statutory financial accounts and these costs need to be balanced by a consideration of how such accounts are used and the utility and added value
generated. We must emphasise, however, that the focus of the paper is the statutory financial accounting arrangements for the public sector and not any additional voluntary disclosure which may be undertaken.

The paper considers the following:

- UK public sector financial accounting frameworks
- A summary of statutory financial accounting practices in the UK public sector
- The purposes of statutory financial accounting – what does theory say?
- The value of UK public sector statutory financial accounts
- Statutory financial accounting in the public sector: Utilitarian considerations
- Conclusions and further research

UK Public Sector Financial Accounting Frameworks

Financial accounting exists within a regulatory framework and the three main determinants of the structure and content of financial accounts are identified below.

Statute

In all countries, including the UK, the structure of financial accounting will initially be driven by relevant legislation. Examples of relevant UK statutes are as follows:

- Public Limited Companies: Various Companies Acts.
- Colleges and Universities: Further and Higher Education Act 1992

The Accounting Profession

Accounting practices in both public and private sectors are also regulated by a large amount of guidance issued by the accounting profession. Traditionally this guidance had a domestic source only but today it is necessary to consider both international and domestic guidance.

At the domestic level the key requirements are described in Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS). Statutory financial accounts are now prepared in accordance with the requirements of SSAPs and FRSs and these standards apply to all companies (and other kinds of entities that prepare accounts) with the intention that they show what is termed a “true and fair view” of the financial affairs of the organisation. Thus they apply, in principle, to public sector organisations (PSO) and PSO-owned companies, although the nature of certain standards (e.g. FRS 14 on Earnings per share) means that, although applicable, they are not relevant to PSOs.

Also to be considered are Statements of Recommended Practice (SORPS). SORPs are recommendations on accounting practices for specialised industries or sectors such as the public sector. They supplement accounting standards and other legal and regulatory requirements in the light of the special factors prevailing or transactions undertaken in a particular industry or sector. There are four public benefit entity SORPS covering: Charities, Housing Associations, Local Authorities and Further/Higher Education.

At the international level it has long been recognised in the corporate sector that there is demand for a single international set of accounting standards. Thus at the international level, International Accounting Standards were originally prepared and issued by the International Accounting Standards Committee (IASC). One of the roles of the IASC (later IASB) was to promote the convergence of domestic accounting standards around the world to achieve greater harmonisation of global accounting practices particularly in relation to multi-national companies. Thirty-two IASs are still in force but the IASB now issues International Financial Reporting Standards (IFRS). Public sector bodies are now required to adopt IFRSs and this has been a challenging exercise for many
public sector organisations since the implications are complex and wide ranging. IFRS is not only a technical accounting issue for the finance team but the impact of the changes will expand to encompass many areas of the organisation such as the setting and measurement of performance targets, budgeting and forecasting as well as financial reporting. Process and systems changes are inevitable. The financial impact will vary widely from one body to another but in all cases the broader implications are wide reaching.

Another international initiative which is being pursued by the International Public Sector Accounting Standards Board (IPSASB) is the development of International Public Sector Accounting Standards (IPSASs). While IPSASs are not used in the United Kingdom, they are increasingly being adopted internationally, and also represent a very useful benchmark for the interpretation of IFRSs in a public sector context. IPSASs are now formally second in the hierarchy for the development of all financial accounting guidance for the UK public sector, encompassing government departments and their arm’s length bodies, NHS Trusts and Foundation Trusts, and local government.

**Government Departments**

In the UK public sector (but not the private sector), accounting practices are also determined by guidance issued by the relevant supervisory Government department or agency. Some examples of this are as follows:-

- NHS: Manual for Accounts issued by Department of Health;
- Higher Education Institutions: Manual of Accounts issued by HEFCE;

The overall picture, therefore, is that public sector statutory accounts are defined by a large number of complex and time consuming requirements from various sources. As we will argue later, the outcomes are a complex and elaborate system of financial accounting the usefulness of which is debateable.

**A Summary of Statutory Financial Accounting Practices in the UK Public Sector**

Although the organisations which comprise the public sector vary substantially both in terms of size and functions, for accounting purposes they can be considered twofold as illustrated in figure 1 below.

<table>
<thead>
<tr>
<th>Type A: Supply funded organisations (e.g. Government Department such as Department of Work and Pensions)</th>
<th>Type B: Trading organisations (e.g. Intellectual Property Office)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Receive funds from Exchequer</td>
<td>• Earn income from various sources</td>
</tr>
<tr>
<td>• Disseminate funds to Type B organisations and others</td>
<td>• Maintain financial viability</td>
</tr>
<tr>
<td>• Stay within resource limit</td>
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</table>

**Figure 1**

It is not our purpose here to provide a detailed analysis of financial accounting practices across the UK public sector since there will be many variations of detail between different sectors. What we have done is a high level analysis of financial accounting practices and the findings in relation to the main accounting statements are summarised in figure 2below. Also shown, for comparison are the main financial statements for a public limited company.
Figure 2

A few points need to be emphasised:–

• All public sector organisations produce an income and expenditure statement (trading organisations) or an operating cost statement (supply funded). A public limited company produces an income and expenditure statement (profit and loss account).
• All public and private sector organisations have some form of arrangement for capitalising expenditure on fixed assets but the details vary between sectors.
• All public and private sector organisations produce a balance sheet and a cash flow statement.
• There are strong similarities in practice between private and public sectors.


It is important to outline what accounting theory says about the purpose of statutory financial accounts in general and, in particular in the Public or Government sector.

In relation to the public sector, two main themes seem dominant:
• Accountability and stewardship focus; and
• User decision needs focus.

Accountability and Stewardship Focus

The literature concerning accountability does not offer a standard view as to the nature of accountability and definitions abound. For example, Sinclair (1995) refers to accountability as the “chameleon”, which she refers to
as being cherished but elusive. Other commentatorsoffer different views but there are certain basic elements that they all agree upon as identified by Pollitt (2003).

“...most of them (definitions) include, as a central notion, the idea that accountability is a relationship in which one party, the ‘accountor’, recognizes an obligation to explain and justify their conduct to another, the ‘accountee’.”

We can therefore identify that there are in many circumstances a dyadic of accountability: the person who is accountable and the person who that individual or group is to be accountable. The individual who is accountable can be said to be held to account for his/her actions. Behn (2001, p59) offers a typology of accountability, which identifies four types of accountability: political accountability; legal accountability; bureaucratic accountability and professional accountability. These are issues for consideration when examining the annual reports of organisations, particularly in the public sector. Bird (1973) suggests accountability involves potentially two fundamental features:

- the need for the agent to `render an `account’ of his dealings with the stewardship resources, and
- to submit to an examination (usually known as an `audit’) of that account by or on behalf of the person or body to whom he is accountable. It is, therefore, the duty of the public body to provide relevant financial information to satisfy the needs and interest of their potential users.

One source (GASB 1987) has suggested that accountability is the cornerstone of all financial accounting in the public sector. Such accountability is based on the belief that the citizenry has a right to know, a right to receive openly declared facts that may lead to public debate by citizens and their elected representatives. Thus financial accounting plays a major role in fulfilling Government’s duty to be publicly accountable in a democratic society.

Two academic commentators have also made even stronger claims for the importance of accountability in public sector financial accounting:-

- Ijiri (1983) suggests that in the public sector there is a superiority of an accountability framework over a decision usefulness one; and
- Johnson and van Tunzelman (1982) state that the absence of a profit motive or market discipline in the public sector means that accountability may assume an even greater role.

The concept of stewardship in the public service is closely related to the concept of accountability. Financial information is one of the key ways in which accountability is communicated, and that, therefore, public service organisations have an opportunity to use published financial statements as the main vehicle for demonstrating their accountability (CIPFA 1995).

**User Decision Needs Focus**

This approach (Tweedie and Whittington 1990) starts from the basis that the purpose of financial accounts is to serve the users of those accounts in making decisions by providing them with information that will assist with those decisions. In the private sector the key users would probably be equity holders and lenders concerned with economic decision making and this would be assisted by information contained in the fundamental financial statements of I&E account, balance sheet and flow of funds (or cash flow) statement.

Applying a similar focus in the public sector leads us to consider two questions:-

- Who are the users of public sector accounts?
- What are their information needs for decision making purposes?

With regard to the users of accounts, there have been several suggestions made and some examples of these are set-out in figure 3.
An examination of the above might suggest that, apart from equity holders, the list is similar to a list of users which might be prepared for public limited companies. However, when we turn to the needs of the users of financial accounts we will see a different picture.

When considering the needs of users of accounting statements the IASB (2010) states:

“*The primary users of general purpose financial reporting are present and potential investors, lenders and other creditors, who use that information to make decisions about buying, selling or holding equity or debt instruments and providing or settling loans or other forms of credit.*”

A fairly cursory consideration suggests the information needs of users of public sector accounts are very different needs from those of the users of financial accounts of companies. Hence, it seems strange, at first glance, to see that the public sector should be producing statutory financial accounts which are broadly similar in format and content to those of companies.

There have been several suggestions made concerning the information needs of users of public sector financial accounts and some examples are shown in figure 4.

Figure 3

<table>
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<tr>
<td>Professor R.N. Anthony suggested the following major user groups</td>
<td>The Federal Accounting Standards Advisory Board (FASAB) in the USA identified four major user groups:</td>
<td>The ASB in its document Statement of Principles for Public Benefit Entities</td>
</tr>
<tr>
<td>• governing bodies</td>
<td>• citizens - including news media, pressure groups, analysts, state and local legislatures and executives</td>
<td>• Present and potential investors</td>
</tr>
<tr>
<td>• investors and creditors</td>
<td>• the legislative branch - including their staff</td>
<td>• Present and potential funders and financial supporters</td>
</tr>
<tr>
<td>• resource providers, including fee-paying service recipients</td>
<td>• senior members of the executive branch</td>
<td>• Lenders</td>
</tr>
<tr>
<td>• oversight bodies</td>
<td>• the executive branch programme managers</td>
<td>• Beneficiaries and customers</td>
</tr>
<tr>
<td>• constituents, including taxpayers, voters and employees</td>
<td></td>
<td>• Government and their agencies including regulators</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The public</td>
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An analysis and synthesis of the information needs of users of public sector financial accounts as shown in figure 4 suggests the following four main needs are for information concerning:-
1. The legality with which public funds have been used.
2. The on-going financial and operational viability of the PSO.
3. That public funds have been used according to plan.
4. That public funds have been used effectively and efficiently.

It might also be thought, that taken together, these four needs also constitute the requirements for accountability and stewardship.

The Value of UK Public Sector Statutory Financial Accounts
Having discussed the theoretical aspects of public sector financial accounts we now turn to the key issue of what value such accounts actually deliver. The following questions arise:-
• To what extent do users actually make use of public sector financial accounts and for what purposes?
• To what extent are current statutory financial accounts of public sectorable to meet these needs?
• What form of statutory financial accounts might meet their needs?
We suggest that answers to these questions can be provided by two main considerations:-

- Inductive considerations
- Evidential considerations

**Inductive Considerations**

An inductive analysis of the current configuration of public sector statutory financial accounts suggests to us the following:

- Legality with which public funds have been used – It does not seem likely that statutory financial accounts on their own can meet this need but the existence of an audit certificate confirming legality would enable this to be achieved.
- On-going financial and operational viability of the PSO – In line with the accounts of commercial organisations, it does seem possible that this need can be met through the published financial accounts particularly the balance sheet and cash flow statement.
- Public funds have been used according to plan – Given that statutory financial accounts only show actuals and not planned, it does not seem that they can meet this need.
- That public funds have been used effectively and efficiently – It is difficult to see how this need can be met from existing statutory accounts. Even if accounts were compared with other similar organisations the lack of detail contained in statutory accounts would provide little useful information about effectiveness and efficiency.
- Accountability and stewardship – If accountability and stewardship is seen as an amalgamation of the above then it does not seem that statutory financial accounts meet this information need to any large degree.

**Evidential Considerations**

In this case we are looking for empirical evidence as to the extent to which users look at public sector statutory financial accounts and what value they gain from them. There appears a general dearth of empirical evidence in this area and especially in the UK. There seem to be few if any studies about who actually looks at statutory financial accounts of public bodies and the placing of such accounts on the web, as part of a larger annual report, means that no record can be derived from that source.

If we consider the usefulness of public sector accounts then there also seems to be limited numbers of studies and very limited evidence about usefulness.

Butterworth, Gray and Haslam, (1989) attempted to obtain information about the users of local government public sector financial reports in the U.K by leaving a questionnaire in the copies of a local government’s annual report in public libraries. This study was inconclusive with regard to identifying users as there were no responses received.

In the UK, a study (Collins et al 1991) examined the usage, understanding and the nature of information provided in UK local authority annual financial accounts. The main conclusions were:-

- There was little evidence of substantial use of LA annual financial accounts by the external parties with direct access, except the Audit Commission.
- The evidence on which the general public might make use of LA annual financial accounts was indirect, but consistently negative; pressure groups were more concerned about national rather than local perspectives; and
- There was evidence of the use of LA financial accounts by both councillors (lay, elected members of authorities) and officers (full-time officials).

Examining the situation in the USA Maschmeyer and Daniker(1979) carried out a user survey in the USA on all 50 states looking at LA and State financial accounting. Their main findings were as follows.

- Respondent groups were generally less satisfied with local accounting practices than with state accounting practices.
• In terms of the usefulness of financial statements, they found that the statement of income and expenditure was the most important fundamental financial statement at both the state and LA levels.
• The statement of changes in fund balances and financial position were viewed as being generally useful but the balance sheet was perceived as the least useful tool for decision making.

Tayib et al (1999) studied financial accounting in Malaysian local authorities. The findings clearly showed a “big expectation gap” between the needs of the users of LA financial accounts and the statutory requirements for financial accounting in Malaysian LAs.

In New Zealand Coy et al., (1997) sought to identify the views of users on the qualities and disclosures in the annual reports of New Zealand tertiary education institutions. They placed cards requesting recipients to participate in the research in all copies of the annual reports. Those recipients who returned the cards were then surveyed which is in itself a process of self selection. The study revealed that of the recipients, 60% had a role in the management, operation or governance of the institutions, 10% were involved in other educational institutions’ management, 25% were managers of businesses or employee organisations and the remainder were journalists, librarians, MPs and members of the general public. The findings of this study that internal users were more predominant than external users are inconsistent with most of the theoretical studies that emphasise external users.

A study by Clarke (2002) confirms the findings of the Coy et al., (1997) study that internal management and ‘other like entities’ were significant user categories. The study also indicated that nearly one third of all respondents found annual reports useful for reasons other than those anticipated. Clarke concludes that the application of the ‘decision-useful’ framework to both the private and public sectors may have failed to adequately capture the purposes for which users find the annual reports of government departments useful.

In conclusion, it appears to us that, internationally, there is little evidence about the utility of statutory financial accounts in the public sector. Most studies seem to be incomplete, inconsistent or lacking in robust evidence. The situation in the UK is even sparser. Anecdotally one of the authors has, on many many occasions, asked individual or groups of qualified accountants if they have ever looked and/or analysed the accounts of their own local authority or NHS Trust etc on a personal basis as a citizen or taxpayer (as opposed to a professional basis). He has never found anyone who has done this. What then is the non-accountant who has no accountancy training, supposed to do?

Statutory Financial Accounting in the Public Sector: Utilitarian Considerations

It is common practice in the public sector to evaluate the merits of expenditure proposals by some form of utilitarian analysis termed cost-benefit analysis. In our view, there is no reason why the same approach should not be applied to public sector financial accounting practices since there are costs associated with producing these accounts and potential benefits to be derived from their production and availability. At this point we must re-emphasise that we are talking here, solely, about the costs and benefits of meeting statutory financial accounting requirements not the voluntary additional disclosure of financial information (and many do so) but this voluntary disclosure is outside the scope of this paper.

Benefits Issues

Let us first consider benefits. The term benefits in this case are taken to mean the value derived from public sector financial accounts in meeting the information needs of users for decision making and/or accountability purposes. In the previous section we have argued that there does not seem any case for believing that the current form of statutory financial accounts in the UK public sector goes anywhere near meeting the likely information needs of users. Also, we have seen there is very limited empirical evidence of existing statutory financial accounts being used let alone meeting the information needs of users and thus generating benefits. Thus any benefits must be insubstantial.
Cost Issues
If we turn to the costs, there seems almost a complete lack of information about the costs of producing statutory financial accounts. However, if we start from the basis that public sector organisations will need to maintain accounting systems and produce financial information for a variety of purposes (e.g. management accounts production) then we see the costs of financial accounting as being those costs associated with accounts production over and above the costs of setting up and maintaining accounting systems. Thus it might include costs associated with the following:-
• Planning for accounts closure
• Preparatory work on closure
• Closure of accounts
• Preparation of financial accounts (multiple drafts)
• Obtaining approval of financial accounts (various stages)
• Production of final version of accounts
• Audit costs
The authors have been unable to find any valid data on the total costs of producing financial accounts in PSOs. However, it does seem likely to be a substantial figure, considering the resources devoted to the activity by public service organisations. For purely illustrative purposes, the authors have identified some available data from a few public sector organisations over a period of years as shown in figure 5:-

<table>
<thead>
<tr>
<th>PSO</th>
<th>Size of annual accounts and notes</th>
<th>Fees paid to auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leeds NHS Teaching Hospitals Trust 2007/08</td>
<td>31 pages</td>
<td>£251,000</td>
</tr>
<tr>
<td>St Helens and Knowsley NHS Trust 2007/08</td>
<td>33 pages</td>
<td>£101,000</td>
</tr>
<tr>
<td>West Sussex County Council 2003/04</td>
<td>39 pages</td>
<td>£217,000</td>
</tr>
<tr>
<td>East Midlands Development Agency 2007/08</td>
<td>41 pages</td>
<td>?</td>
</tr>
<tr>
<td>University of Warwick</td>
<td>35 pages</td>
<td>£61,000</td>
</tr>
</tbody>
</table>

Figure 5
The size of the annual accounts and associated notes plus the size of the audit fees suggests the overall costs are likely to be significant

Conclusions
The authors believe a number of important conclusions can be drawn:-
• Firstly, it seems likely that there are substantial costs associated with the preparation and audit of public sector financial accounts and there is hardly any evidence that current financial accounts meet user needs or are relevant to users. Given the large levels of costs likely to be associated with the preparation, production and distribution of statutory financial accounts for hundreds of public sector organisations in the UK, then on the basis that you can’t prove a negative, we do not believe it is incumbent on us to prove that such accounts are of little value. Instead it is incumbent on those who support this time consuming, expensive and ultimately useless exercise to identify the value derived and that that value justifies the costs involved.
• Secondly, while some form of financial accounting is clearly necessary for stewardship and accountability, the current accounting arrangements seem over-elaborate (and have become even more elaborate over time). For example, 20 years ago, NHS organisations produced much simpler sets of accounts comprising an income and expenditure statement and a statement of balances covering just current assets and liabilities. The implementation of the “Working for Patients” Reforms in 1991 required significant changes to accounting formats to reflect the need for NHS Trusts to be treated as a form of trading organisation (Prowle, Jones and Shaw 1991). However, this change and subsequent changes such as Payment by Results does not
justify the degree of complexity that NHS accounts show today. If there is no real evidence that the current complex sets of accounts are meeting users’ needs there seems a strong case for having statutory financial accounts which are either more relevant to user needs and/or simpler, easier and cheaper to produce.

- Thirdly, as already mentioned, the current financial accounting approaches in the public sector seem over-elaborate given the lack of evidence about meeting user’s needs. Thus it is a very interesting question to ask why we have got to this situation and what the causal factors were. It is difficult to be definitive about this but based on wide ranging discussion, we suggest the over-elaboration has come about as a consequence of two main factors:-
  - Blindly copying accounting practices from the private sector - Given the difference in user needs for information there seems no logic that private and public sector accounts should have the large degree of similarity that they do have. It seems to us that statutory accounting frameworks in the public sector have developed by blindly copying private sector practices with limited thought about the relevance of what was being done. As one example, consider the implementation of IFRS in the public sector. In what way does this help meet user information needs or improve accountability for public resources while the costs of implementation were substantial?
  - Professional self-aggrandisement – It almost seems to us that there is a view that the importance of the accounting profession is being enhanced by having more and more complex sets of accounts (which only trained accountants can understand) irrespective of the relevance to users. Examination of the membership of the UK Accounting Standards Board shows that it is dominated by the accounting profession with little or no involvement of users of accounts. Furthermore, more complex sets of accounts probably mean a larger audit burden and larger audit fees for professional firms of auditors.

- Fourthly, however pessimistic we might be about the current state of UK public sector financial accounting, we recognise that there is potentially considerable public benefit from having some relevant form of accounts. All organisations have two critical financial statements: the budget which sets out what the organisation plans to do, and the statutory financial accounts which sets out what it has done. Within the private sector the statutory financial accounts are important because ultimately they show the sustainability of the enterprise. As private sector organisations can easily go out of business if they fail to act in a sustainable way, the statutory financial accounts are always the most critical document. Because PSOs hardly ever go out of business, it is the budget with its taxation implications which is the critical document. However, if the concept of sustainability of a public sector organisation was developed more thoroughly and was incorporated in a completely revised set of financial accounts then it would give the public important information about the long-term consequences of organisational, managerial, and political decisions being taken on their behalf. At a time when the long-term debt of the public sector is a critical issue, and questions are being raised about the intergenerational equity of public finance decisions, a set of financial accounts produced on a sustainability basis would be invaluable. Such statutory financial accounts would have to address the question of the realistic impact of long-term liabilities, the use of capital, and the replacement of assets within its format, and indicate the cost in terms of future taxation of current policies as well as all long-term liabilities and the use and replacement of capital. This would be a considerable undertaking, but well worth doing in our view, and would render a set of accounts which are currently “the great unread” into a useful document. We recognise that this would be politically very sensitive, and practically difficult, but it would be worth doing.

- Fifthly, and finally there seems to us to be an urgent need to undertake research concerning:
  - The magnitude of the costs of preparing and publishing the current form of statutory financial accounts in UK public sector organisations
  - The extent to which information contained in UK public sector statutory accounts is read and used by various individuals and groups and the benefits derived from this.
  - What alternative approaches to statutory accounting in the UK public sector might be of more relevance. We reject the obsession with international approaches to this. The key is to have arrangements which are relevant to the UK.
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