



# REPORT

Committee	PRUDENTIAL CODE STEERING GROUP		
Venue	Thistle Hotel, Charing Cross	Date	11 July 2002
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Subject	Depreciation		

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## PURPOSE

**To receive an update on the work that CIPFA is undertaking on the potential role that depreciation could play in the new system.**

## REPORT

- 1 CIPFA's discussion paper on the role that depreciation could play in local government finance has now been published. Copies have been sent to all members of the PCSG. As previously agreed, a separate meeting of the PCSG reference group on depreciation is being arranged to consider this paper. The results of their discussion will be brought back to the PCSG.
- 2 The discussion paper is also being:
  - input into CIPFA's review of local authority capital accounting
  - submitted to the national and devolved working groups on local government capital finance
  - submitted to the HM Treasury whole of government accounts programme
  - submitted to the Audit Commission and Audit Scotland
  - made publicly available to stakeholders and others.
- 3 The discussion paper argues that investment in fixed assets is a long term consideration. Decisions made in the present will affect the quality of public services, not just for today's citizens, but for future generations. It is generally accepted that, throughout Great Britain, the state of many public service assets has deteriorated to a significant extent. It is vital that practices are put into place that both ensure the long term sustainability of long life public assets in use, and encourage the consideration of future developments on their outcomes rather than their means of

financing. It is the thrust of the discussion paper that depreciation accounting can play a significant role in achieving this within the local government sector.

**RECOMMENDATION**

**The PCSG is asked to receive this update report on the work that CIPFA is undertaking on the potential role that depreciation could play in the new system.**