

### Overview of the 2014/15 Statement of Accounts.

#### Introduction

1. The content and format of the accounts is as prescribed in the Accounting Code of Practice (the Code) issued by the Chartered Institute of Public Finance and Accountancy CIPFA, under the oversight of the Financial Reporting Advisory Board.
2. The code is based on approved accounting standards issued by the International Accounting Standards Board except where these are inconsistent with specific statutory requirements. The code constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.
3. This overview summarises the contents of the accounts and draws Members' attention to the reasons for any significant variances in the 2014/15 position when compared to 2013/14.

#### Explanatory Foreword and Key Points of Interest

4. The foreword provides a brief summary of the outturn on the revenue and capital budget and sets out the context in which the accounts are produced giving rise to the financial position shown as at 31 March 2015.
5. The total general fund underspend for the year was £15,000. This differed from the provisional outturn for the year reported to Cabinet on 1 June 2015 due to an adjustment for movements in bad debt provision, lower than expected government grants to support business rates reliefs and government support to compensate below inflation increases charged to business ratepayers.

#### Statement of Responsibilities

6. This sets out the respective responsibilities of the Authority and the Chief Finance Officer (Section 151 Officer) in relation to the production of the final accounts.

#### Auditors Report

7. The External Auditors will provide an independent opinion as to whether the statement of accounts presents fairly the financial position of the Council at 31 March 2015 and its income and expenditure for the year. Following approval of the accounts by Members in September, the External Auditor will issue his report for inclusion in the final published accounts.

## **Movement in Reserves Statement**

8. This statement shows the movement in the year of the different reserves held by the Council, including both usable and unusable reserves. (Unusable reserves are technical adjustment accounts to record notional assets and liabilities such as pensions, revaluations etc.)

## **Comprehensive Income and Expenditure Account**

9. The comprehensive income and expenditure account shows, in the format required by the Code, all day-to-day expenses and related income on an accruals basis incurred in providing all services for the year. The deficit/surplus is akin to that of a large unlisted UK company and does not reflect the balance on the General Fund, which is shown on the statement of movement on reserves.
10. In order to reflect the cost of utilising assets in the provision of services, as required by the Code, gross expenditure on operations includes charges such as depreciation and the write off of revenue expenditure financed from capital under statute (REFFCUS). (This is where expenditure is incurred that does not relate to an asset in the ownership of the Council, such as improvement grants). However, these adjustments are not intended to impact on the Council Taxpayer and their effect is therefore neutralised by entries reflected in the Movement in Reserves Statement. These ensure that the council tax is charged only with the interest costs of borrowing and the statutory provision for the repayment of debt.
11. Similarly the cost of retirement benefits is included in the net cost of services when they are earned by employees, rather than when the benefit is paid out as pension. The impact of the notional charge (which is a requirement of IAS19) is reversed out in the Movement in Reserves Statement and replaced by actual employer contributions to the pension fund.
12. After taking all these reconciliation items into account the transfer to the general fund balance was £207,000, which at 31 March 2015 stands at £4.899m

## **Balance Sheet**

13. The balance sheet sets out the financial position of the Council as at 31 March 2015. The statement shows the balances and reserves at the Council's disposal, its long term indebtedness, and the fixed and current assets employed. The key points of interest are shown in the table below together with an explanation of the major variances.

#### 14. Key points of Interest

### KEY POINTS OF INTEREST

Item	31.03.14 £'000	31.03.15 £'000	Change £'000
Creditors (money we owe)	(8,696)	(9,276)	580
Debtors (money owed to us)	10,385	10,472	87
Fixed Assets	233,719	245,013	11,294
Pensions Liabilities/Reserve	(36,349)	(39,582)	(3,233)
Long Term Investments	1,150	1,269	119
Cash and Investments	1,125	6,112	(4,987)
Borrowings	(41,494)	(48,332)	6,838
Collection Fund	1,230	655	575
Earmarked Reserves	(5,841)	(6,351)	510
General Fund Balance	(4,687)	(4,899)	212
Housing Revenue Account	(2,704)	(3,150)	446

15. The change to Creditors is due to a number of invoices received late in March not paid until April (£1,042k) and a decrease in the amount of year end accruals (£366k).
16. The value of fixed assets has increased due to capital expenditure during 2014/15 (£16.567m), routine financial adjustments for inflation based on reviewed valuations provided by our external advisor less the charge for depreciation (£6.9m) and the write off of disposals (£0.3m).
17. Pensions liabilities increase is due to changes in actuarial assumptions and reduction of discount rate.
18. Long term investment has increased due to capitalised interest charged to investment in WEL.
19. Cash has increased as funds are held in the Council's new Lloyds Bank account which attracts a higher rate of interest than other available call accounts and short term deposit accounts.
20. Borrowing increase represents a need to borrow to financing in year capital expenditure and lock into historically low interest rates.
21. The increase in Earmarked reserves is due to the planned transfers for the Capital Programme reserve (£0.5m) and the Housing Regeneration and Investment Reserve

(£0.5m) less revenue expenditure charged to reserves in line with the budget strategy (£0.6m).

22. The variances on the General Fund, Housing Revenue account and Collection Fund are explained elsewhere in this report.

### **Cash Flow Statement**

23. This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

### **Notes to the Core Financial Statements**

24. The notes to the core financial statements are intended to provide supporting information to the figures shown in both the income and expenditure account and the balance sheet. They have been prepared in accordance with the Code.

### **Housing Revenue Account**

25. The housing revenue account and accompanying notes represents the income, expenditure and government subsidy incurred in operating the Council's housing stock. The surplus for the year was £137,000 and the housing revenue account balance as at 31 March 2014 was £3.1m.

### **Collection Fund**

26. The collection fund and accompanying notes account independently for income relating to council tax and non-domestic rates on behalf of all precepting bodies (i.e. the authorities for which the income has been raised, including the Council's own general fund).

27. The overall deficit on the Collection Fund is £1.342m which is recoverable from central government and each precepting authority. This balance is separated on the Balance Sheet between the authorities to reflect this Council's own financial position rather than a group position of the Collection Fund authorities.

28. The council tax element surplus of £0.447m will be recovered in proportion to each bodies Band D Council Tax during 2015/16 and 2016/17. The surplus is a result of an a net increase in the overall income from council tax after allowing for reliefs and the council tax support scheme.

29. The business rate element of £1.790m will be recovered in the proportion of 50% from central government, 40% from this Council, 9% from East Sussex County Council and 1% from East Sussex Fire Authority during 2015/16 and 2016/17. Each authority has made a contribution towards the 13/14 balance totalling £2.065m during the year .

### **Group Accounts**

30. The Council is required to show the material interest that it has in any subsidiary and associated companies. The group accounts are structured in line with the authorities' core accounting statements and are accompanied by notes in the same way. It has been identified that the only requirement for consolidation is with Eastbourne Homes Ltd. The group accounts are not included at this time however they will be submitted to the auditors along with the main statement at the end of June.