

**Agenda Item No:** 11 **Report No:** 130/115  
**Report Title:** Statement of Accounts 2014/2015  
**Report To:** Audit and Standards Committee **Date:** 28 September 2015  
**Ward(s) Affected:** All  
**Report By:** Alan Osborne, Director of Corporate Services  
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**Purpose of Report:**

**To present the Statement of Accounts 2014/2015 for approval following audit.**

**Officers Recommendation:**

1. To approve the Statement of Accounts 2014/2015, with the Chair signing on the Committee's behalf.
  2. To agree delegated authority to the Director of Corporate Services Finance Officer to make minor amendments to the Statement of Accounts 2014/2015 ahead of signature by the Chair of the Audit and Standards Committee.
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**Reasons for Recommendations**

- 1 The Accounts and Audit Regulations 2011 require the Director of Corporate Services and councillors to certify and approve an audited set of accounts for publication by no later than 30 September.

**Information**

**2 Approval of the Accounts**

- 2.1 The Audit and Standards Committee is required to approve the Council's statutory annual Accounts, which include statements of its income and expenditure for the year and its balance sheet at the year end. The requirement stems from the Council's Constitution, the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting published each year by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 2.2** The Accounts for 2014/2015 continue to be produced in accordance with International Financial Reporting Standards (IFRS). There have been no significant changes to the accounting requirements for Lewes District Council in 2014/2015.
- 2.3** The 'Statement of Accounts 2014/2015 document' includes both the formal accounts which are subject to audit, as well as supplementary information (eg a narrative to explain, in simple terms, the year's key financial information).
- 2.4** A report to the meeting of the Audit and Standards Committee on 22 June 2015 explained that the Director of Corporate Services would approve a draft Statement of Accounts on 29 June 2015 (30 June is the latest date permitted by the Accounts and Audit Regulations), and present it to the Council's external auditors (BDO) for audit. This took place and BDO started their audit at the beginning of July.
- 2.5** BDO's work had been substantially completed at the time of writing this report. At an 'audit closure' meeting BDO indicated that they anticipate, subject to satisfactory completion of outstanding work, issuing an unqualified true and fair opinion on the financial statements for the year. BDO's report which appears elsewhere on this Agenda is expected to confirm this position. This means that the Council's independent Auditor considers that the Council's financial statements give a true and fair view, in accordance with appropriate legislation and relevant accounting guidance, of the financial position of the Council at 31 March 2015 and its income and expenditure for the year.
- 2.6** BDO's report sets out in detail the results of their accounts audit work. In some cases BDO considered that the information provided within the draft accounting statements and accompanying notes departed from the expected accounting practice and presentation. These departures had no impact on the Council's overall financial performance during the year or its useable reserves and balances. Following discussion, officers have been content to make amendments and these are incorporated in the final Statement of Accounts 2014/2015 which is attached at Appendix 2.
- 2.7** The implementation of an asset accounting system was completed in the year. With this system now fully operational, it has been necessary to review some of the entries made within the 2013/2014 accounts which had been prepared using information from a combination of both the new system and its predecessor. As a result of this review, an increase of £92,000 in the value of Net Assets at 31 March 2014 has been identified, matched by an equivalent increase in unusable reserves at that date. The 2013/2014 accounts have been restated where necessary. All amounts held in useable balances and reserves remain unchanged from the position recorded in the 2013/2014 audited accounts.
- 2.8** An overview of the Statement of Accounts 2014/2015 is given in Appendix 1. It is recommended that the Audit and Standards Committee should approve the Statement of Accounts, with the Chair signing on its behalf. In the event that BDO's audit work is not complete at the time of this meeting, it is recommended

that delegated authority should be given to the Director of Corporate Services to make minor amendments, prior to signature by the Chair.

- 2.9** Following approval, the Director of Corporate Services will certify the Statement of Accounts and BDO will release their formal audit certificate. The accounts will then be published by the statutory deadline of 30 September. In order to minimise costs, a very limited number of paper copies of the Statement of Accounts will be produced. However, it will be made available for download from the Council's website and a paper copy will be sent to any interested person requesting it.

### **Financial Implications**

- 3** There are no additional financial implications arising from this report.

### **Risk Management Implications**

- 4** I have completed the Risk Management Questionnaire. The issues covered by the recommendations are not significant in terms of risk.

### **Equality Screening**

- 5** This is a routine report for which detailed Equality Analysis is not required to be undertaken.

### **Background Papers**

- 6** Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and Guidance Notes for Practitioners.

### **Appendices**

Appendix 1 – Overview of Statement of Accounts 2014/2015

Appendix 2 – Audited Statement of Accounts 2014/2015

### Overview of Statement of Accounts 2014/2015

The Statement of Accounts incorporates the formal accounting statements which have been produced in accordance with International Financial Reports Standards (IFRS). It consists of the key elements described below. **NB page references relate to the Statement of Accounts document, not the Agenda page numbers.**

#### 1. Explanatory Foreword (pages 3 to 7)

This Foreword does not form part of the formal Statement of Accounts and is not subject to audit. Because of the complexity of the formal financial statements, it is helpful to provide a brief explanation of the Council's financial activities for 2014/2015 in 'plain English', although the use of some technical terms is unavoidable.

This section explains:

- a reduction of £0.075m in net spending on General Fund services compared with the budget
- an increase of £0.372m in net HRA spending compared with the in-year projection, incorporating additional spend of £0.638m on repairs and maintenance and a £0.547m reduction in management costs
- that the total value of capital expenditure was £9.901m and identifies the most significant projects
- the total value of the Council's assets increased by £7.368m in the year

#### 2. Movement in Reserves Statement (pages 8 to 9)

This Statement shows:

- the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those the Council can apply to fund expenditure or reduce local taxation) and other reserves. The surplus on the provision of services (£2.693m in 2014/2015) shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement.
- that reversing adjustments (£2.855m in 2014/2015) are made through the accounts to ensure that technical accounting entries have no impact on the basis under which the General Fund and Housing Revenue Account are funded (Council Tax, rents, grants, etc).
- the balances held by the General Fund (£1.552m), Housing Revenue Account (£2.638m) and in earmarked reserves (£10.343m) at 31 March 2015.

#### 3. Comprehensive Income and Expenditure Statement (page 10)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount

to be funded from taxation in accordance with regulations. There are three sections:

- the first section provides information on the cost of operating all of the Council's services, including housing, net of specific grants and income from fees and charges. The service categories used are those which accounting guidance requires rather than the Council's own 'Councillor portfolios'. The net cost of services in 2014/2015 was £6.942m.
- the second section comprises items of income and expenditure relating to the Council as a whole and not to any individual service. This includes income from the Council Tax. After taking these items into account the overall 'surplus' on the provision of services in 2014/2015 is £2.693m.
- the third section introduces other items that have contributed to the movement in the net worth of the Council (ie the total value of its assets less its liabilities). The total of this 'other income and expenditure' in 2014/2015 was net income of £4.675m, comprising a surplus on the revaluation of property assets (£10.649m) partially offset by actuarial losses in respect of the Pension Fund (£5.974m).

The combination of all three sections in the Statement shows that the total value of comprehensive income in the year, on an accounting rather than funding basis, exceeded expenditure by £7.368m.

#### **4. Balance Sheet (pages 11 to 12)**

This provides a snapshot of the Council's financial position as at 31 March 2015 and includes the General Fund and Housing Revenue Account balances. It sets out what the Council owns, owes and is owed at that point in time, along with details of its balances and reserves.

Significant items are:

- Property, Plant and Equipment – valued at £224.182m. The Council commissions a complete independent valuation of its property assets every five years (different cycles apply to General Fund and HRA property), with the valuer also carrying out a 'desk-top' review annually to ensure that the impact of significant changes in the property market are reflected fairly in the Balance Sheet. The values of Council-owned homes are discounted against their open-market value by a standard factor which reflects their designated use as social housing.
- Heritage Assets – the value of these assets, which the Council holds principally for their contribution to knowledge and culture, was £2.574m. The Council sold one of these assets, Southover Grange, during 2014/2015.
- Investment Property - £3.143m, with the highest value sites being School Hill House (£0.775m) and The Maltings (£0.400m) in Lewes.
- Investments - £3.756m.
- Short Term Debtors - £3.663m. This includes amounts owed by Government departments (grant payments, monthly VAT

reimbursement, etc), as well as individuals (sundry debtors, council taxpayers, housing tenants)

- Cash and Cash Equivalents - £13.349m, held in Money Market Funds, on deposit, in the form of Treasury Bills or placed with another local authority and shortly to be returned
- Short Term Creditors - £6.617m. This includes amounts owed to Government departments and other local authorities as well as suppliers and contractors
- Long Term Borrowing - £56.673m. The amount of long-term borrowing remained unchanged through the year. The debt portfolio had been established at the end of 2011/2012 as a consequence of a national reform of housing finance, and there has been no reason to move away from that position
- Defined Pension Liability - £31.033m. This is the future liability to pay pensions to employees netted down by the value of assets held in the pension fund. The liability has increased by £7.211m in 2014/2015 primarily as a result of falling bond yields, partially offset by strong asset returns
- Total Usable Reserves - £20.561m. Over the course of the year, £0.162m was drawn from reserves in net terms.

## **5. Cash Flow Statement (page 13)**

This summarises the total receipts and payments of cash arising from the Council's activities in the year ie it excludes amounts which the Council owes but has not yet paid and is owed but has not yet received.

## **6. Notes to the Financial Statements (pages 14 to 95)**

These explain the significant items within each of the core elements along with an explanation of the accounting policies that were followed when compiling and presenting the Accounts. The restatement of some items within the audited 2013/2014 accounts has been necessary, with details given in Note 1.

## **7. Housing Revenue Account and supporting notes (pages 96 to 102)**

This statutory 'ring-fenced' account reports for the year on the management of the Council's housing stock. It shows the major elements of housing running costs: maintenance (£4.513m in 2014/2015), management (£2.782m), interest paid on borrowing (£1.878m) and how these are met by rents (£15.345m), service charges (£1.118m) and other income (£0.195m). After allowing for capital expenditure funded from the HRA in the year (£0.230m) and setting aside funds for the future repayment of borrowing (£1.698m), the 'true' position on the HRA was a deficit of £0.090m in the year, funded from the HRA Balance.

## **8. Collection Fund Statement and supporting notes (pages 103 to 105)**

This shows the Council's transactions in relation to the collection of non-domestic rates (£24.339m) and council tax (£58.897m). The Council paid shares of the

council tax it collected to the 'precepting authorities' of East Sussex County Council (£40.942m), Sussex Police and Crime Commissioner (£4.893m), and East Sussex Fire Authority (£2.893m) and retained (£9.379m) as funding for its own services.

#### **9. Statement of Responsibilities for the Statement of Accounts (page 106)**

This explains the responsibilities of the Council and the Director of Corporate Services in respect of the management and reporting of financial affairs.

#### **10. Independent Auditor's Report (pages 107 to 110)**

At the date of preparing this report for the Audit and Standards Committee, BDO were yet to complete the audit of the accounts and submit the auditor's formal certificate for inclusion within the Statement of Accounts.

#### **11. Annual Governance Statement (AGS) (pages 111 to 119)**

A separate report to this meeting presents the AGS to the Audit and Standards Committee for approval. The Accounts and Audit Regulations require the AGS to 'accompany' the formal Statement of Accounts, and the draft document has been incorporated at this stage. It should be noted that the AGS is not covered by the Independent Auditor's Report.