

BODY: **AUDIT AND GOVERNANCE COMMITTEE**

DATE: **25 June 2014**

SUBJECT: **Annual Accounts 2013/14**

REPORT OF: **Financial Services Manager**

Ward(s): All

Purpose: To present the annual accounts for 2014/15

Contact: Pauline Adams, Financial Services Manager Tel: 01323 415979.

Recommendations: Members are asked to note the draft annual accounts for 2013/14.

1.0 Introduction

1.1 The Accounts and Audit Regulations 2011 require the Council to formally approve and publish the Statement of Accounts for the financial year ending 31 March 2014 by 30 September 2014.

1.2 It is the Chief Financial Officer's (CFO) responsibility to ensure the preparation of the Statement is in accordance with the CIPFA/LASAAC Code of Practice on local Authority Accounting in the United Kingdom (the Code). The CFO is also responsible for certifying that the accounts represent a true and fair view of the authority's financial position by 30 June.

1.3 The responsibility for the formal adoption of the accounts has been delegated to this Committee and the accounts together with any audit amendments will be presented back to this committee prior to the September deadline so that members can comply with this duty. This responsibility is intended to enhance the corporate accountability and ownership of the finances of the authority. It is also a requirement under the Accounts and Audit Regulations for the person presiding at the Committee at which approval is given to sign and date them.

1.4 The Statement of Accounts is to be considered by the Cabinet on 16 July 2014 and any comments from this Committee will be reported verbally.

2.0 Format of the Statement of Accounts

2.1 The format of the Statement of Accounts has been prepared in line with the requirements of the Code and related guidance notes.

2.2 The draft statement of accounts is circulated separately and an overview and key points of interest is attached at Appendix 1.

2.3 There have been no major changes to the Code this year.

However the following few minor changes have been included in the 13/14 final accounts preparation:

- Presentational change to Comprehensive income and Expenditure account (CI&E) for pension's net interest. The key change is that the interest cost and expected return on assets components of profits are now combined into a net figure. These pensions' entries have no effect on the bottom line surplus or deficit charge to Council taxpayers as they are all reversed out on the Statement of Movement in Reserves. The 2012/13 CI&E has been restated for comparison purposes.
- Termination benefits are now recognised when the organisation recognises related restructuring costs rather than when demonstrably committed. There were no implications for 13/14 accounts of this earlier timescale.
- As from 1 April 2013 the Local Government Finance Regime was revised with the introduction of the Retained Business Rates scheme. The scheme allows Eastbourne Council to retain a proportion of the total NNDR income received. The remainder of the NNDR income is shared with Central Government (50%), East Sussex County Council (9%) and East Sussex Fire Authority (1%)

Prior to 1 April Business Rates income was treated as an agency agreement and was only accounted for as a government creditor or debtor on the balance sheet. Business Rate income was redistributed from the national pool as part of the formula grant which was shown on the CI&E as government grant.

As well as now accounting for Business Rate income directly, the new arrangements introduced a baseline funding level for all Councils as part of the Local Government Finance settlement in January and any Business Rates income in excess or below this baseline is subject to either a tariff or top-up payment to/from Central Government. The net figure is shown on the CI&E as Retained Business Rate Income.

The accounting entries within the Collection Fund have also changed to reflect the new accounting requirements, and are now more in line with Council Tax accounting creating a surplus or deficit at year end which will be apportioned to the relevant precepting authorities in the next financial

year in their respective proportions.

- New requirement for a provision for the payment of backdated business rates appeals. Before the introduction of the retained business rate scheme, refunds resulting from successful appeals would have been picked up by central government, however under the new system 40% of this cost is the responsibility of Eastbourne Council. A new provision has therefore been established to offset the liabilities resulting from future appeal results.
- From 1st April 2013, Local Council Tax Support Schemes replaced Council Tax Benefit. Council Tax bills are now sent to residents based on the agreed Local Scheme. This change has reduced the Council Tax base number of Band D properties by more than 4,500 from that for 2012/13. The key change for the Council is that a grant is paid to the General Fund to replace the old Council Tax Benefit Subsidy paid into the Collection Fund.
- The measurement for the impairment of doubtful debts (provision for bad debts) has been strengthened and now has to be based on past experience of likely recovery of the type of debt rather than the traditional prudent approach. This has resulted in lower impairment values being carried on the balance sheet.

These changes are also explained within the Foreword of the Statement of Accounts.

2.4 The Annual Governance Statement is not reported within the Statement of Accounts but sits alongside the statement giving members assurance that the data supporting the figures included in the accounts are based on sound financial systems.

3.0 Financial Results

3.1 The provisional outturn for the general fund, HRA and capital was reported to the Cabinet on 14 May 2014. An analysis of the Council's financial activity of the year 1 April 2013 to 31 March 2014 can be found in the Foreword of the Statement of Accounts and the key issues are outlined in the overview attached at Appendix 1.

4.0 External Audit

4.1 The 2013/14 Statement of Accounts is still subject to external audit by BDO LLP and the outcome of the audit will be reported back to this committee at its September meeting. Any significant subsequent changes to the Statement also will be reported at that time.

4.2 BDO are due to start their audit work on 7 July 2014.

5.0 **Consultation**

5.1 The accounts will be open for public inspection between 7 July and 1 August 2014 when any taxpayer of the Borough is entitled to come, inspect and make copies of the accounts and all books, deeds, contracts, bills, vouchers and receipts related to those accounts. The date set for questioning the external auditor has been set as 4 August 2014 until the end of the audit. All queries and questions must be put in writing to him and sent directly to his offices.

6.0 **Summary**

6.1 Members are asked to note the annual accounts for 2013/14.

Background Papers:

The Background Papers used in compiling this report were as follows:

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and Guidance notes for practitioners.

2013/14 Final Accounts working papers.
