

Overview of the 2013/14 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 2013/14 position when compared to 2012/13.

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 2014.
5. The total general fund underspend for the year was £365,740. This differed from the provisional outturn for the year reported to Cabinet on 29 May 2013 due to an adjustment for movements in bad debt provision, additional government grant for small rate relief. Cabinet and an change in business rate income due for the year as there is no levy payable to central government.

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 2014 and its income and expenditure for the year. Following approval of the accounts by Members 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 £365,740, which at 31 March 2014 stands at £4.687m

Balance Sheet

13. The balance sheet sets out the financial position of the Council as at 31 March 2014. 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

Item	31.03.13 £'000	31.03.14 £'000	Change £'000
Creditors (money we owe)	(10,614)	(10,341)	(273)
Debtors (money owed to us)	7,957	12,450	4,493
Fixed Assets	251,211	241,440	(9,771)
Pensions Liabilities/Reserve	28,845	35,349	6,504
Long Term Investments	0	1,150	1,150
Cash	7,157	1,125	6,032
Borrowings	(39,490)	(41,494)	2,004
Collection Fund	(24)	1,230	(1,254)
Earmarked Reserves	(3,444)	(5,841)	2,397
General Fund Balance	(3,919)	(4,687)	768
Housing Revenue Account	(2,179)	(2,704)	525

15. The change to debtors is due to the amount owed by central government in relation to Housing Benefit Subsidy (£0.4m), central government and precepting authorities for their share of the NNDR Collection Fund deficit (1.8m) and long term loans for Site 6 Sovereign Harbour (0.85m) and the Local Authority Mortgage Scheme (£1m).
16. The value of fixed assets has decreased due to routine financial adjustments for impairments based on reviewed valuations provided by our external advisor.
17. Pensions to changes in actuarial assumptions.
18. Long term investment has increased due to the recent investment in WEL.
19. Cash has decrease as internal funds are being used to cover the cost of capital expenditure rather than borrowing externally.
20. The increase in Earmarked reserves is due to the transfer of the grant received for Waste Collection (£1m) and New Home Bonus (£0.5m) pending future use, together with the planned transfers in line with the budget strategy for the Capital Programme reserve (£0.5m) and the Housing Regeneration and Investment Reserve (£0.5m).
21. The variances on the general fund, Housing Revenue account and Collection Fund are explained elsewhere in this report.

Cash Flow Statement

22. 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

23. 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

24. 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 £525,462 and the housing revenue account balance as at 31 March 2014 was £2.7m.

Collection Fund

25. 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).

26. The overall deficit on the Collection Fund is £3.127m 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.

27. The council tax element of £0.079m will be recovered in proportion to each bodies Band D Council Tax during 2014/15 and 2015/16.

28. The introduction of the Business Rates retention scheme has changed the way in which Business Rates are accounted for within the Collection Fund, in the past all balances were the responsibility of central government and any deficit or surplus was shown as a debtor or creditor, as from 1 April 2013 any deficits or surpluses are distributed amongst each authority in the following years. This change as created a deficit balance on Business Rates of £3.048m which 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 2014/15 and 2015/16.

Group Accounts

29. 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. Group are not included at this time however they submitted to the auditors along with the main statement at the end of June.