

**BODY:** CABINET  
**DATE:** 13 July 2016  
**SUBJECT:** Annual Accounts 2015/16  
**REPORT OF:** Financial Services Manager

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**Ward(s):** All

**Purpose:** To present the annual accounts and final outturn for 2015/16.

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

**Recommendations:** Members are asked to -

- i) Agree the final outturn for 2015/16.
- ii) Approve the transfer to reserves and provisions as set out in paragraphs 2.3 and 3.2.

## **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 2016 by 30 September 2016.
- 1.2** A report to the Cabinet meeting on 25 May 2016 set out the provisional outturn for 2015/16. The forecast was for a credit variance of £195,000 on service expenditure.
- 1.3** Since that time the work on closing the accounts has now been completed and the final outturn confirmed. The outturn forms part of the Statement of Accounts presented to the Audit and Governance Committee.

## **2.0 General Fund Final Outturn 2015/16**

- 2.1** The content of the accounting statements and notes differ from budget reports submitted to Cabinet during the year, in that Income and Expenditure is analysed according to the statutory national groupings set out in CIPFA's Service Reporting: Code of Practice (SeRCOP), rather than reflecting the management organisation of the Council.

It is only the bottom line of the movement in reserves for the general fund that turns this statutory presentation into a comparable outturn figure with the performance monitoring arrangements.

- 2.2** The general fund final service outturn is a favourable variance of £204,835 detailed in the table below.

	<b>Original Budget £'000</b>	<b>Revised Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Corporate Services	5,457	5,898	5,917	19
Community Services	6,249	6,148	5,911	(237)
Regeneration, Planning policy and Asset Management	(42)	48	(6)	(54)
Tourism & Leisure Services	3,085	2,959	2,787	(172)
<b>Service Expenditure</b>	<b>14,749</b>	<b>15,053</b>	<b>14,609</b>	<b>(444)</b>
Contingencies	1,834	1,893	1,810	(83)
Net Interest and Capital Financing	(448)	(239)	-	239
Transfer to (from) Reserves	-	(57)	26	83
<b>Net Expenditure</b>	<b>16,135</b>	<b>16,650</b>	<b>16,445</b>	<b>(205)</b>
Financed by				
Government Grants	(4,720)	(5,264)	(5,215)	49
Council Taxpayers	(7,324)	(7,324)	(7,324)	-
Business Rates	(3,201)	(3,201)	(3,295)	(94)
<b>Total Financing</b>	<b>(15,245)</b>	<b>(15,789)</b>	<b>(15,834)</b>	<b>(45)</b>
Transfer from General Fund Balance	890	861	611	(250)

The main change from the details of the service variances reported to the June Cabinet relates to adjustment to provision for bad debt relating to housing benefits overpayment, accrual adjustments for the building control management fee and IT Steria contract and an increase in the legal fees chargeable to the HRA.

- 2.2** The General Fund Balance at 31 March 2016 was £3.3m. Details of other reserves are included in the accounts.
- 2.3** In addition to the transfers to and from reserves as approved by Cabinet on the 25 May 2016 a transfer of £575,381.51 was made to the Capital Programme reserve in line with the budget strategy representing the balancing mechanism on capital financing costs. This includes savings on external interest payable due to the continued use of internal balances and the actual timing of capital spending incurred compared to the expected cash flow profile.

### **3.0 Housing Revenue Account**

- 3.1** The figure previously reported to the Cabinet on 25 May 2016 set out a favourable variance of £218,000. The final net expenditure for the year was a surplus of £527,929 a favourable variance against budget of £231,979. This movement in variance is due to an accounting adjustment for capital funding from revenue.

The Housing Revenue Account Balance as at 31 March 2016 was £3.7m

- 3.2** In addition to the transfers to and from reserves as approved by Cabinet on the 25 May 2016 a transfer of £793,000 was made to the Housing Regeneration and Investment Reserve in line with the budget strategy and the 30 year Housing Business Plan. This represents the variance between the budgeted and actual depreciation

allowance.

#### **4.0 Capital Expenditure**

**4.1** The final capital expenditure for the year was £18.0m compared to a revised budget of £19.9m a variance of £1.9m-(General fund (£0.3m) and HRA £2.2m) or 9.5%.

#### **5.0 Statement of Accounts**

**5.1** The draft statement of accounts is available on the Council's Website and copies can be obtained from Financial Services. An overview and key points of interest is attached at Appendix 1.

**5.2** 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<sup>th</sup> June.

**5.3** The major changes to the Code for 2015/16 were:

- Narrative Report of the Chief Finance Officer – this has replaced the explanatory foreword and is now far more comprehensive in regard to the Council activities, plans and performance and is intended to become the equivalent of the director's report in company accounts. The report has moved from purely look backwards and should now have a forward looking orientation, identifying those trends and factors relevant to the users' assessment of the current and future performance of the authority and the progress toward the achievement of its long-term objectives both financial and operational.
- Fair Value Measurement – Authorities are now required to measure assets and liabilities in accordance with the highest and best use principle rather than the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This change has had no impact on the figures within the Financial Statement, but has increased the disclosure requirement in the notes.

**5.4** Other changes that have affected the Statement of Accounts:

- Accounting for Greencoat House (Ltd) (WEL) – Due to the Council holding 70% stake in the company the accounts have had to be treated as part of the Council's group accounts. Greencoat House Ltd has been included as an associate and appears as a long term investment on the Council's Balance Sheet valued on an equity share basis.
- Eastbourne Housing Investment Company – The financial transactions for this company as a wholly owned subsidiary of the Council, has been included in the group accounts section of the Statement.

**5.5** The external auditor (BDO) is due to commence work on 11 July and the accounts are open for public inspection between 1 July and 11 August 2016. All queries and

questions to the Auditor must be put in writing and sent directly to BDO's offices.

## **6.0 Summary**

- 6.1** The 2015/16 accounts have now been finalised and have resulted in the outturn position on the general fund varying by £9,000 from the provisional outturn reported to the Cabinet on 25 May.
- 6.2** There is a requirement to approve the statement of accounts 2015/16 by 30 September 2016. This responsibility has been delegated to the Audit and Governance Committee by Full Council.
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### **Background Papers:**

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

Unaudited Statement of Accounts 2015/16.

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and Guidance notes for practitioners

Final Accounts Working Papers 2015/16

Cabinet Report 25 May 2016: Provisional Outturn – Quarter 4 2015/16.

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