

/Statement of Accounts 2014/15 – Explanatory Notes

1. Introduction

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit and Governance Committee for approval. It provides explanations and commentary on the main issues within the accounts to facilitate robust scrutiny and challenge of the accounts prior to approval.
- 1.2 The purpose of the Statement of Accounts is to give the public, councillors, employees, other stakeholders and interested parties clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
 - Where the money came from to pay for these services
 - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2014/15: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4 There are no changes to the accounts as a result of changes in accounting standards introduced in the year.

2. Explanatory Foreword

- 2.1 The purpose of the Explanatory Foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
 - A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.
 - A summary of capital expenditure and how this was financed.
 - Changes to accounting policies and practice.
 - Any other significant matters.

3. Statement of Responsibilities for the Statement of Accounts

- 3.1 This statement sets out the various responsibilities for the accounts:
- The Council's responsibilities under local government legislation.
 - The Chief Finance Officer legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Chief Finance Officer (s151).

4. Movement In Reserves Statement

- 4.1 This statement shows the movement in the year on the different reserves held by the Council analysed into “usable reserves” (those that can be applied to fund expenditure or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance for council tax setting purposes.

Description	2013/14 £000's	2014/15 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	(671)	(1,105)	434	Net Cost of Service reduced by £218k. £100k increase in Taxation and Non-Specific Grant Income. £(260k) decrease in Gains on Disposal of non-Current Assets and £350k decrease in pensions net interest costs due to an increase in interest on pension fund assets.
Other Comprehensive (Income) & Expenditure	(9,190)	4,466	13,656	£14m loss on Remeasurement of Net Defined Benefit/ Liability (Pension liability) due to changes in Actuarial assumptions
Balance on Reserves at 31 March	11,486	8,125	(3,361)	Earmarked reserves increased by £1.6m, Capital Receipts Reserve increased by £450k. Unusable Reserves decreased by £(5.4m) due to net increases in the pension fund liabilities of £(5.1m) and a £(0.3m) reduction in Collection Fund Adjustment Account.

5. Comprehensive Income and Expenditure Statement

5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show 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 (council tax).

- Expenditure and income directly related to the services provided by the Council (Net total £5,487k).
- Expenditure and income not directly attributable to services but to the Council as a whole (When added to the Net Cost of Services above this totals £7,607k).
- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to (£1,105k).
- Surplus or deficit on revaluation of Non-Current Assets £1,576k. (Bringing the overall total of Comprehensive Income and Expenditure to (£3,361k).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year

5.2 When considering this statement Councillors should note the following major variances between 2013/14 and 2014/15:

Description	2013/14 £000's	2014/15 £000's	Variance £000's	Comment
Central Services to the Public	290	444	154	£75k increase in Election costs, £50k increase in Local Tax Collection costs
Corporate and Democratic Core	1,172	945	(227)	£225k increase in Democratic Services costs. £450k reduction in Corporate Management costs due to re-analysis of costs charged to Services
Other Housing Services	493	749	256	£100k increase in Disabled Facilities Grant related expenditure and £140k increase in Homelessness costs.
Planning Services	1,063	816	(247)	£80k reduction in Building Control net costs, £30k reduction in Development Control net costs as a result of increased income and £130k reduction in Economic Development costs.

Non distributed costs	703	465	(286)	Pension costs reduced by £270k.
Other Operating Expenditure	832	1,112	258	£270k decrease in Gains on Disposal of non-Current Assets.
(Surplus) or Deficit on revaluation of non-current assets	426	(295)	721	Upward revaluation of non-current assets in 2014/15
Remeasurement of net defined benefit/ liability.	(9,616)	4,761	(14,377)	Movement in the pension benefit/ liability, due to changes in Actuarial assumptions.

5.3 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a surplus of £9.861m at the end of 2013/14 to a deficit of £3.361m at the end of 2014/15 – the variances identified above make up the majority of this movement.

6. **Balance Sheet**

6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.

6.2 Councillors may wish to note the following explanations for key variances when compared with 2013/14.

Description	2013/14 £000's	2014/15 £000's	Variance £000's	Comment
Property Plant & Equipment.	26,979	27,340	361	£1.0m depreciation and £1.3m expenditure on additions.
Short Term Debtors	2,637	3,138	501	£0.7m increase in Central Government Bodies debtors (mostly Business Rates Collection Fund balances), £0.1m decrease in Public Sector debtors.
Cash and Cash Equivalents	6,070	5,073	(997)	£1.4m decrease in short-term deposits. £0.4m increase in Bank Current a/c position.

Short Term Creditors	2,566	3,590	(1,024)	£500k increase in Other Entity and Individuals creditors. £550k increase in Public Sector creditors (mostly Council Tax Collection Fund balances).
Other Long Term Liabilities	20,664	25,773	5,109	£5.1m increase in pensions liability (scheme liabilities increased by £10m offset by scheme assets increasing by £4.9m).
Usable Reserves	7,229	9,238	2,009	£1.56m increase in Earmarked reserves, £450k increase in Capital Receipts Reserve.
Unusable Reserves	4,257	(1,113)	(5,370)	£5.1m increase in Pensions Reserve liability.

7. Cash Flow Statement

- 7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.
- 7.2 Councillors may wish to note the following explanations for key variances when compared with 2013/14.

Description	2013/14 £000's	2014/15 £000's	Variance £000's	Comment
Net surplus or (deficit) on the provision of services	671	1,105	434	See MIRS comment (above)
Investing Activities	(132)	(4,249)	(4,117)	£600k decrease in proceeds from sale of PPE. £1m increase in PPE expenditure. £2.5m increase in short term Investments.
Cash & cash equivalents	6,070	5,073	(997)	See Balance Sheet comments for Cash and Bank Overdraft

8. Statement of Accounting Policies

- 8.1 The purpose of the Statement of Accounting Policies is to explain the concepts or rules that have been used in preparing the accounts. The various policies have been chosen by the S151 Officer and Councillors need to satisfy themselves that these policies are reasonable – for example the frequency of asset re-valuations.

9. Explanatory Notes to the Statement of Accounts

- 9.1 The purpose of these notes, are to provide the reader of the accounts with more information on certain aspects. Accounting guidance determines what the notes are to contain although the Council is free to add additional information if it is felt that this will help interpretation.