Overview of the 2012/13 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 2012/13 position when compared to 2011/12.

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 2013.

5. The most significant changes for the Authority finances in 2012/13 were:

   • Total general fund underspend on service expenditure for the year of £53,500. This figure is in line with the Budget Monitoring reports submitted quarterly to the Cabinet and the provisional outturn reported on 29 May 2013.
   
   • A decrease in the general fund balance of £744,000, resulting in a balance as at 31 March 2013 of £3.9m.
   
   • An increase of £4.1m in the pension liability due to actuarial assumptions. The pension fund assets and liabilities are due to be revalued as at 31 March 13 and will be reported in the autumn.

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 2013 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 general fund underspend was £53,500, resulting in a transfer from the general fund balance of £744,000 compared to
the planned budget contribution of £628,000. The general fund balance as at 31 March 2013 stands at £3.9m.

**Balance Sheet**

13. The balance sheet sets out the financial position of the Council as at 31 March 2013. The statement shows the balances and reserves at the Council’s disposal, its long term indebtedness, and the fixed and current assets employed.

14. A summary of principal movement is as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>31.03.12 £'000</th>
<th>31.03.13 £'000</th>
<th>Change £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors (money we owe)</td>
<td>(12,146)</td>
<td>(10,614)</td>
<td>(1,532)</td>
</tr>
<tr>
<td>Debtors (money owed to us)</td>
<td>7,569</td>
<td>7,958</td>
<td>389</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>250,611</td>
<td>251,211</td>
<td>600</td>
</tr>
<tr>
<td>Pensions Liabilities/Reserve</td>
<td>(24,721)</td>
<td>(28,845)</td>
<td>(4,124)</td>
</tr>
<tr>
<td>Cash and Investments</td>
<td>4,112</td>
<td>7,257</td>
<td>(3,145)</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(34,485)</td>
<td>(39,490)</td>
<td>5,005</td>
</tr>
<tr>
<td>Earmarked Reserves</td>
<td>(3,847)</td>
<td>(3,444)</td>
<td>(403)</td>
</tr>
<tr>
<td>General Fund Balance</td>
<td>(4,663)</td>
<td>(3,919)</td>
<td>(744)</td>
</tr>
<tr>
<td>Housing Revenue Account</td>
<td>(2,001)</td>
<td>(2,179)</td>
<td>178</td>
</tr>
</tbody>
</table>

15. The amount owed by the Council to its short term creditors has increased by £1.1m due to an increase in the amount of NNDR to be paid into the national pool.

16. Net cash and bank balances (less cash balances overdrawn) as at 31 March have increased by £5.0m due to the conversion of short term investment of £1.9m into call accounts and additional investment in call accounts of £4.8m.

17. A decrease in short-term borrowing of £3.5m due to the loan maturity and subsequent repayment.

18. Long term borrowing has increased by £8.5m due to replacing the matured short term borrowing with longer term borrowing and new borrowing taken on to replace the use of internal cash balances being used to internally finance capital expenditure. This action was taken to take advantage of low borrowing rates and is in line with the Council’s treasury management strategy.
Notes to the Core Financial Statements

19. 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.

Supplementary Single Entity Accounts

20. 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 £177,670 and the housing revenue account balance as at 31 March 2013 was £2.1m.

21. 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). The surplus balance of £114,570 is to be recovered from each precepting body in proportion to it’s Band D Council Tax during 2013/14 & 2014/15. This balance is separated on the Balance Sheet between the precepting authorities to reflect this Council’s own financial position rather than a group position of the Collection Fund authorities.

Cash Flow Statement and Notes

22. This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Group Accounts

23. 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.