

Report to	-	Audit and Standards Committee
Date	-	25 July 2018
Report of the	-	Executive Director
Subject	-	Statement of Accounts 2017/18

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**Recommendation:** It be **RESOLVED:** That the Council's 2017/18 Statement of Accounts be approved.

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**Service Manager: Robin Vennard**

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### **Introduction**

1. The Accounts and Audit Regulations 2003 require the Council's accounts to be approved by the Council or, as in Rother's case, its delegated Committee each year. This report discusses the main issues affecting the Statement of Accounts and provides a commentary on the core financial statements. (Appendix A shows the full Statement which will be circulated separately to Members, when available).
2. At the time of writing this report, the Council's external auditors BDO, had largely completed their work on the accounts for 2017/18. BDO's report is shown elsewhere on the agenda for this meeting and sets out their work and any issues that have arisen from it. Any further items identified will be verbally reported to the Committee at its meeting. The published accounts include a Narrative Report and the Annual Governance Statement approved by the Committee at its meeting on 26 March (Minute AS17/47 refers).

### **Changes to the Format of the Statement of Accounts**

3. The Code of Practice has required no major changes in the presentation of the accounts.

### **Statement of Accounts**

4. Detailed below is a brief description of the core financial statements and the issues relating to them.
5. **Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority, analysed into "useable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and un-useable reserves such as the revaluation reserve for land and property. The deficit of (£0.734m) on the provision of services line shows the true economic cost of providing the authority's services, and these are shown in greater detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net change of £0.830m before transfers to Earmarked Reserves line shows the statutory

General Fund Balance before any discretionary transfers to earmarked reserves is made by the Council.

6. **Comprehensive Income and Expenditure Statement** – this shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. It therefore does not show the "cash" position for the Council and is intended to reflect private sector accounting practice in presenting a profit and loss account.
7. **Balance Sheet** – this is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, the net current assets employed in its operations and summarised information on the fixed assets held. The net worth of the Council has increased by £1.4m (as shown in the total reserves line). The main reasons for this change are due to an increase in earmarked reserves.
8. The Balance Sheet also highlights that the useable cash resources of the Council have increased by £0.644m. A detailed analysis of the Council's earmarked reserves is shown in the notes to the accounts.
9. **Cash Flow Statement** – this brings together in a single statement the inflows and outflows of cash arising from the Council's transactions with third parties for revenue, investment and capital purposes. Under International Financial Reporting Standards the statement only reflects those flows of funds directly related to the Council. Where the Council acts as an agent, as in the case of collecting the Council Tax on behalf of precepting authorities, these inflows and outflows of cash are excluded.
10. **Collection Fund Income and Expenditure Account** – this reflects a statutory requirement for the Council, which collects the local taxes, to maintain a separate account in relation to Business Rates and the Council Tax and their distribution. Overall the Collection Fund balance was in surplus for the year by (£0.660m). With the introduction of the Business Rate Retention Scheme in April 2013, this balance is now made up of both Council Tax and Business Rates. For Council Tax the Fund was in surplus by £0.965m as at 31 March 2018, with East Sussex County Council entitled to the majority of this amount. For business rates the Fund was in deficit by (£0.305m), with the Government meeting the highest amount followed by this Council.

## **Conclusion**

11. The Balance Sheet shows that overall the financial position of the Authority remains sound with an adequate amount of reserves in place to meet short term needs. The Pension Fund liability of £22m is a long term financial assessment of a possible shortfall on the Fund, based on the current situation and performance. As such, no immediate action is required to manage the deficit.

12. It is, however, essential that in the medium term, the Council continues to deliver the target savings set out in the Medium Term Financial Strategy in order for the Council to continue to balance its budget. Subject to the approval of this Committee, it is recommended that the Statement of Accounts be signed by the Chairman of the Committee.

Malcolm Johnston  
Executive Director

**Risk Assessment Statement**

There are no risks arising from this report.

**Background Documents**

Local Government Accounting Code of Practice 2017/18 and associated guidance.