

GUIDE TO INTREPRETING THE PRIMARY STATEMENTS OF ACCOUNTS

1. INTRODUCTION

1.1 This appendix is intended to provide a rough guide to the four primary statements included within the Statement of Accounts.

2. MOVEMENT IN RESERVES STATEMENT

2.1 This statement, on page 10 of the statements, shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Movement in Reserves Statement	£000	
Balance at 31 March 2014 c/fwd	1,502	
<u>Movement in Reserves 2014/15</u>		
Surplus or (Deficit) on provision of services	(3,877)	General Fund share of the Surplus or Deficit. The HRA share is in a separate column
Other Comprehensive I & E	0	
Total Comprehensive I & E	<u>(3,877)</u>	
Adjustments between accounting basis and funding basis under regulations	6,987	Statutory adjustments such as replacing depreciation with MRP, pension liabilities with contributions, etc.
Net Increase / (Decrease) before Transfers to Earmarked Reserves	3,110	Surplus / (Deficit) for year
Transfers (to) / from Earmarked Reserves	(2,508)	Offset by transfers to earmarked reserves
Increase / (Decrease) in Year	<u>602</u>	Gives the change in the General Fund balance over the year
Balance at 31 March 2015 c/fwd	<u>2,104</u>	

2.2 The 'Surplus or (Deficit) on the provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

2.3 The 'Net Increase / (Decrease) before transfers to Earmarked Reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- 2.4 An overall increase in usable reserves despite a loss being shown in the CIES normally means that there is a corresponding change in unusable reserves as for example MRP charges are replaced with depreciation and impairment. The difference will be reflected in the Capital Adjustment Account. Increases in Unusable Reserves such as the Pensions Reserve will need to be funded in the future, even if it is over a long period, placing an increasing burden on future taxpayers.
- 2.5 Reserves – including the General Fund and the Housing Revenue Account – are an indication of the resources available to an authority to deliver services in the future. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.
- 2.6 Information on the level of reserves can be found in the Balance Sheet and related notes, and in the Movement in Reserves Statement and related notes. This latter statement will be more useful in explaining the changes that have taken place during the year, including contributions to and from earmarked reserves.

3. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

- 3.1 This statement can be found on page 11 of the Statements and shows 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
Cost of Services	61,464	(71,992)	(10,528)	Reconciles to the Segmental Reporting Note
Other Operating Expenditure	3,786	0	3,786	
Financing and Investment I & E	7,113	(995)	6,118	Includes income and expenditure relating to Investment Properties and also change in market value of Investment Properties (-£465,000 in 2014/15)
Taxation and Non- Specific Grant Income	0	(18,245)	(18,245)	Includes capital grants and contributions received in year (£1,139,000 in 2014/15)
(Surplus) / Deficit on Provision of Services (Surplus) or Deficit on revaluation of non- current assets			(18,869)	
Actuarial (gains) / losses on pension assets / liabilities			8,841	
Other Comprehensive Income & Expenditure			7,798	
Total Comprehensive Income & Expenditure			(11,071)	

4. THE BALANCE SHEET

- 4.1 The Balance Sheet, on page 12, shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
- 4.2 Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- 4.3 The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are

sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

5. CASH FLOW STATEMENT

- 5.1 The Cash Flow Statement, on page 13, shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the authority.
- 5.2 Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.
- 5.3 Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Notes	2014/15 £000	
Net (Surplus) or deficit on the provision of services		(18,869)	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjust net (surplus) or deficit on the provision of services for noncash movements		5,469	
Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		3,243	3 groups of transactions:
Nest cash flows from Operating Activities	23	(10,157))	• Operating
Investing Activities	24	5,005)	• Investing
Financing Activities	25	524)	• Financing
Net (increase) or decrease in cash and cash equivalents		(4,628)	
Cash and cash equivalents at the beginning of the reporting period		(18,686)	Cash and cash equivalents figure in the
Cash and cash equivalents at the end of the reporting period		(23,314)	--- Balance Sheet