

3.4 PRESENTATION OF FINANCIAL STATEMENTS

3.4.2 Accounting Requirements

Movement in Reserves Statement

3.4.2.36 A local authority shall present a Movement in Reserves Statement. Where a local authority presents group accounts as well as authority-only accounts, the authority shall present either separate Movement in Reserves Statements for the authority-only accounts and the group accounts, or a single Movement in Reserves Statement showing both the authority-only and group reserves.

3.4.2.37 An authority shall include a description of the purpose of the statement, either in the explanatory foreword or on the face of the statement (or both). The following description is recommended but not mandatory.

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority'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. 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.

3.4.2.38 The Movement in Reserves Statement shall show, for each classification of reserves:

- a) balance as at the end of the previous reporting period
- b) surplus or deficit on the provision of services (accounting basis)
- c) other comprehensive income and expenditure
- d) total comprehensive income and expenditure
- e) adjustments between group accounts and authority accounts (group accounts only)
- f) net increase or decrease before transfers (group accounts only)
- g) adjustments between accounting basis and funding basis under regulations
- h) net increase or decrease before transfers to earmarked reserves (England and Wales) or other statutory reserves (Scotland)
- i) transfers to or from earmarked reserves (England and Wales) or other statutory reserves (Scotland)
- j) increase or decrease in year
- k) balance as at the end of the current reporting period.

3.4.2.39 A local authority shall present, either in the Movement in Reserves Statement or in the notes, an analysis of the amounts included in items c), e), g) and i) of the statement. The analysis of item g) shall include the following items where relevant:

depreciation, impairment and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets

in England only, the excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy

amortisation of intangible assets

movements in the fair value of investment properties

capital grants, contributions and income in relation to donated assets credited to the Comprehensive Income and Expenditure Statement

revenue expenditure funded from capital under statute

costs of disposal funded from capital receipts

net gain or loss on sale or derecognition of non-current assets and non-current assets held for sale

amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements

amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS 19) are different from the contributions due under the pension scheme regulations

amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation (England only)

amounts debited or credited to the Business Rate Supplements Revenue Account

statutory provision for repayment of debt

capital expenditure charged to the General Fund Balance

transfers in respect of CIL receipts

transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool (in England and Wales only)

any voluntary provision for repayment of debt

net transfer to or from earmarked reserves required by legislation

transfers between other reserves required by legislation.

3.4.2.40 The classification of reserves presented in the Movement in Reserves Statement shall include the following items; authorities may choose to present additional items on the face of the statement:

- a) General Fund Balance (in Scotland, includes earmarked portion of General Fund Balance)

- b) Earmarked General Fund Reserves (not Scotland) (recommended but not mandatory)
- c) Housing Revenue Account Balance (in Scotland, includes earmarked portion of Housing Revenue Account Balance)
- d) Earmarked Housing Revenue Account Reserves, ~~including the (not Scotland)~~ (recommended but not mandatory)
- e) Major Repairs Reserve ~~(recommended but not mandatory)~~ (England and Wales)
- ef) Revenue statutory funds (Scotland)
- fg) Capital Receipts Reserve (England and Wales); Capital statutory funds (Scotland)
- gh) Capital Grants Unapplied Account
- hi) Total usable reserves
- ij) Unusable reserves
- jk) Total reserves of the authority
- kl) Authority's share of the reserves of subsidiaries, associates and joint ventures (group accounts only)
- lm) Total reserves (group accounts only).

3.4.2.41 A local authority shall present, either in the Movement in Reserves Statement or in the notes, an analysis of the amounts included in each item of the classification of reserves required by paragraph 3.4.2.40. This analysis shall present amounts held for capital purposes separately from those held for revenue purposes, and shall separately identify the total reserves held by schools.

Cash Flow Statement – indirect method

3.4.2.67 Where an authority presents a Cash Flow Statement prepared using the indirect method, as a minimum the statement shall include line items that present the following amounts:

- a) net surplus or deficit on the provision of services
- b) adjust net surplus or deficit on the provision of services for non-cash movements
- c) adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities
- d) net cash flows from operating activities
- e) investing activities
- f) financing activities
- g) net increase or decrease in cash and cash equivalents
- h) cash and cash equivalents at the beginning of the reporting period
- i) cash and cash equivalents at the end of the reporting period.

3.4.2.68 The amounts to be included (where relevant) in lines b), c), e) and f) above are as follows:
Adjust net surplus or deficit on the provision of services for non-cash movements

- a) depreciation
- b) impairment and downward valuations
- c) amortisation
- d) increase/decrease in impairment for bad debts
- e) increase/decrease in creditors
- f) increase/decrease in debtors
- g) increase/decrease in inventories (stock)
- h) movement in pension liability
- i) carrying amount of non-current assets and non-current assets held for sale, sold or derecognised
- j) other non-cash items charged to the net surplus or deficit on the provision of services.

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities

~~a) purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)~~

~~ba)~~ proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)

~~eb)~~ proceeds from the sale of property plant and equipment, investment property and intangible assets.

Investing activities

- a) purchase of property, plant and equipment, investment property and intangible assets
- b) purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
- c) other payments for investing activities
- d) proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets
- e) proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
- f) other receipts from investing activities
- g) net cash flows from investing activities.

Financing activities

- a) cash receipts of short- and long-term borrowing
- b) other receipts from financing activities
- c) cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts
- d) repayments of short- and long-term borrowing

- e) other payments for financing activities
- f) net cash flows from financing activities.

3.4.2.69 A local authority shall consider presenting the detail of the amounts of major classes of gross cash receipts and gross cash payments rising from operating, investing and financing activities (see paragraph 3.4.2.68) in the Cash Flow Statement based on the indirect method where such presentation is relevant to an understanding of the authority's cash flow position, or otherwise in the notes.