



# ANNUAL ACCOUNTS BASIS

TOWN COUNCIL MEETING

REPORT 3/15

12 JANUARY 2015

The purpose of this paper is to provide Members with advance notice of a change to the basis on which the Town Council's Annual Accounts are prepared in response to the significantly increased turnover this year.

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**No.    DETAIL**

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**1)    CONTEXT**

- a) The Audit Commission's rules for Town and Parish Councils allow that those with both income and expenditure of less than £200,000 a year can present their Annual Accounts on a Receipts and Payments Basis.
- b) If either Income or Expenditure are in excess of £200,000 the requirement then is to produce Annual Accounts on an Income and Expenditure basis.
- c) That requirement will apply to Ventnor Town Council's Annual Accounts for the current year of 2014/15 and future years as in the current year £567,719 has already been received and £470,880 spent.

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**2)    THE DIFFERENCES**

- a) Accounts prepared on a Receipts & Payments basis simply reflect the Cash Book records that list amounts received and amount paid out on the dates on which those transactions actually take place.
- b) However, not all the transactions recorded in the current financial year – the period between 1 April 2014 and 31 March 2015 – relate to events or activity that took place in this year: for example, the VAT repayment of £1,798.04 received and recorded in the Council's Cash Book on 11 April 2014 actually relates to the final quarter of the preceding year, the period 1 January – 31 March 2015.
- c) Moving from the Receipts & Payments basis of the Cash Book involves in the main the following adjustments:
  - deducting payments made in 2014/15 that relate to activity in 2013/14
  - deducting receipts in 2014/15 that result from activity in 2013/14
  - deducting payments (or part-payments) made in 2014/15 that relate to activity in 2015/16
  - adding receipts in 2015/16 that result from activity in 2014/15
  - adding payments in 2015/16 that relate to activity in 2014/15.
- d) The advantage is a much clearer understanding of the financial consequences of the Town Council's activities within the actual period of the financial year in providing a Profit & Loss Account.
- e) Accounts prepared on the Income & Expenditure basis will also provide a separation between receipts and payments reflecting revenue movements and those of a capital nature reflected in the inclusion of a Balance Sheet.

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**3)    RECOMMENDATION**

Members are asked to note the change in the basis of the preparation of the Town Council's Annual Accounts that will be reflected in those for the current financial year.

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