

## CORE FINANCIAL STATEMENTS

### **Purpose**

The purpose of presenting this to the Audit Committee is to set out the revised comparative figures that have been restated under the new accounting required as required under International Financial Reporting Standards. The core financial statements are set out below:

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. 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. These are 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.

### **Comprehensive Income and Expenditure Statement**

This statement 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. The taxation position is shown in the Movement in Reserves Statement.

### **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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). The second category of reserves is those that the authority 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'.

### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

<b>MOVEMENT IN RESERVES STATEMENT</b>
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2009/10

<u>Usable</u>	General Fund £'000	GF Earmarked £'000	HRA £'000	HRA Earmarked £'000	Capital Receipts £'000	Major Repairs £'000	Schools £'000	Single Status £'000	<u>Usable Total</u> £'000
<b>Balance @ 31st March 2009</b>	<b>(2,386)</b>	<b>(23,804)</b>	<b>(4,039)</b>	<b>0</b>	<b>(31,909)</b>	<b>(200)</b>	<b>(8,996)</b>	<b>2,624</b>	<b>(68,710)</b>
<b>Movement in Reserves during 2009/10:</b>									
Surplus/(deficit) on provision of services	52,433	0	14,640	0	0	0	0	0	67,073
Other Comprehensive I&E	0	0	0	0	0	0	0	0	0
<b>Total Comprehensive I&amp;E</b>	<b>52,433</b>	<b>0</b>	<b>14,640</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67,073</b>
Adj between a/c and funding basis under reg.	(41,980)	0	(14,884)	0	967	0	(32)	1	(55,928)
<b>Net inc/decrease from trans to Earmarked Reserve</b>	<b>10,453</b>	<b>0</b>	<b>(244)</b>	<b>0</b>	<b>967</b>	<b>0</b>	<b>(32)</b>	<b>1</b>	<b>11,145</b>
Transfers to/from Ear marked Reserves	(13,230)	13,230	0	0	0	0	0	0	0
<b>Increase/(Decrease) in year</b>	<b>(2,777)</b>	<b>13,230</b>	<b>(244)</b>	<b>0</b>	<b>967</b>	<b>0</b>	<b>(32)</b>	<b>1</b>	<b>11,145</b>
<b>Balance @ 31st March 2010</b>	<b>(5,163)</b>	<b>(10,574)</b>	<b>(4,283)</b>	<b>0</b>	<b>(30,942)</b>	<b>(200)</b>	<b>(9,028)</b>	<b>2,625</b>	<b>(57,565)</b>

<u>Unusable</u>	Revaluation Reserve £'000	Available For Sale £'000	Pensions £'000	Capital Adj a/c £'000	Def Cap Receipts £'000	Financial Instruments £'000	Collection Fund £'000	Accumulated Absence £'000	<u>Unusable Total</u> £'000	<u>GRAND Total</u> £'000
<b>Balance @ 31st March 2009</b>	<b>(31,968)</b>	<b>634</b>	<b>158,326</b>	<b>(916,359)</b>	<b>(72)</b>	<b>442</b>	<b>(128)</b>	<b>6,086</b>	<b>(783,039)</b>	<b>(851,749)</b>
<b>Movement in Reserves during 2009/10:</b>										
Surplus/(deficit) on provision of services	0	0	0	0	0	0	0	0	0	67,073
Other Comprehensive I&E	(11,981)	(340)	168,013	(661)	0	0	0	0	155,031	155,031
<b>Total Comprehensive I&amp;E</b>	<b>(11,981)</b>	<b>(340)</b>	<b>168,013</b>	<b>(661)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>155,031</b>	<b>222,104</b>
Adj between a/c and funding basis under reg.	786	121	17	46,261	0	2,063	128	1,927	51,303	(4,625)
<b>Net inc/decrease from trans to Earmarked Reserv.</b>	<b>(11,195)</b>	<b>(219)</b>	<b>168,030</b>	<b>45,600</b>	<b>0</b>	<b>2,063</b>	<b>128</b>	<b>1,927</b>	<b>206,334</b>	<b>217,479</b>
Transfers to/from Ear marked Reserves	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in year</b>	<b>(11,195)</b>	<b>(219)</b>	<b>168,030</b>	<b>45,600</b>	<b>0</b>	<b>2,063</b>	<b>128</b>	<b>1,927</b>	<b>206,334</b>	<b>217,479</b>
<b>Balance @ 31st March 2010</b>	<b>(43,163)</b>	<b>415</b>	<b>326,356</b>	<b>(870,759)</b>	<b>(72)</b>	<b>2,505</b>	<b>0</b>	<b>8,013</b>	<b>(576,705)</b>	<b>(634,270)</b>

<b>COMPREHENSIVE INCOME &amp; EXPENDITURE STATEMENT</b>
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2009/10 was the first year of Central Bedfordshire Council following local government re-organisation. All transactions within the Income and Expenditure Account therefore relate to acquired operations for the purposes of the Statement of Accounts.

<u>2009/10</u>			<u>2010/11</u>		
<u>Gross</u> <u>Exp</u> <u>£'000</u>	<u>Gross</u> <u>Income</u> <u>£'000</u>	<u>Net</u> <u>Exp</u> <u>£'000</u>	<u>Gross</u> <u>Exp</u> <u>£'000</u>	<u>Gross</u> <u>Income</u> <u>£'000</u>	<u>Net</u> <u>Exp</u> <u>£'000</u>
<b>Service Analysis</b>					
69,238	(67,036)	2,202	Central Services to the Public		
702	(409)	293	Court Services		
56,720	(13,333)	43,387	Culture, Environmental, Registration & Planning Services.		
325,069	(268,728)	56,341	Children's & Education Services		
22,824	(3,364)	19,460	Highways & Transport Services		
40,469	(26,091)	14,378	Council Housing (HRA)		
9,243	(3,306)	5,937	Other Housing Services		
85,878	(29,960)	55,918	Adult Social Care		
0	(0)	0	Exceptional Items		
4,549	(2,205)	2,344	Corporate & Democratic Core		
13,277	(2,819)	10,458	Non-Distributed Costs		
<b>627,969</b>	<b>(417,251)</b>	<b>210,718</b>	<b>Cost of Services</b>		
<b>Other Operating Expenditure</b>					
	8,133		Payment of precepts to Parishes		
	0		Levies payable		
	(828)		Payments Housing. Cap Receipts Govt Pool		
	29,614		(Gain)/Loss on Disposal of Fixed Assets- non current		
	0		(Gain)/Loss on Disposal of Fixed Assets- intangibles		
		36,919			
<b>Financing and Investment I&amp;E</b>					
	7,028		Interest payable on debt		
	2		Interest element of finance leases (lessee)		
	1,318		Interest payable on PFI unitary payments		
	0		Premium on early repayment of debt		
	0		Impairment of financial instruments		
	29,350		Pension interest costs		
	(16,235)		Expected return on pension assets		
	(2,084)		Interest and Investment Income		
	0		Interest received on finance leases (lessor)		
	0		Discount for early repayment of debt		
	(7,907)		Changes in fair value of investment properties		
	0		Gain (loss) on disposals of investment properties		
	0		Dividends received		
	0		Gain/(loss) on trading accounts (n/a to a service)		
	(2,189)		Rentals received on investment properties		
	1,066		Expenses incurred on investment properties		
		10,350			

	0	<b>Surplus/Deficit of Discontinued Operations</b>	
		<b>Taxation and Non-Specific Grant Income</b>	
	0	Recognised capital grants and contributions	
	(129,901)	Council tax	
	(40,146)	National Non Domestic Rates	
	(9,266)	Revenue Support Grant	
	(11,601)	Non service related govt grants	
	(190,914)		
	<u>67,073</u>	<b>(Surplus)/Deficit on Provision of Services</b>	
	0	Associates & joint venture a/c for on an equity basis	
	0	Tax expenses- corporation tax payable	
	0	Group surplus(deficit)	
	0		
	(11,749)	(Surplus)/Deficit on revaluation of non-current assets	
	(232)	* Revaluation gains	
	0	* Revaluation losses (chargeable to Revaluation. Reserve)	
	(340)	* Impairment losses (chargeable to Revaluation. Reserve)	
	168,013	(Surplus)/Deficit on revaluation of available for sale assets	
	0	Actuarial (gain)/losses on pensions asset/liabilities	
	(661)	Share of other associated & joint ventures	
	155,031	Other	
	<u>155,031</u>	<b>Other Comprehensive I&amp;E</b>	
	<u>222,104</u>	<b>Total Comprehensive I&amp;E</b>	

<b>BALANCE SHEET</b>
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1 <sup>st</sup> April 2009 £'000	31 <sup>st</sup> March 2010 £'000		31 <sup>st</sup> March 2011 £'000	31 <sup>st</sup> March 2011 £'000
		<u>Property, Plant &amp; Equipment:</u>		
354,889	339,593	* Council Dwellings		
549,728	529,657	* Other Land and Buildings		
8,026	8,946	* Vehicles, Plant, Furniture and Equipment		
139,311	146,270	* Infrastructure Assets		
2,377	2,027	* Community Assets		
25,642	30,246	* Assets under Construction		
2,062	1,802	* Surplus assets not held for sale		
127	77	* Finance leases (CBC lessee)- Fleet Vehicles		
1,082,162	1,058,618			
		<u>Investment Properties:</u>		
48,959	56,856	* Investment Properties		
0	0	* Investment Properties Assets Under Construction		
48,959	56,856			
		<u>Intangible Assets</u>		
4,622	4,922	* Software		
0	0	* Rights of use of land		
0	0	* Goodwill (groups)		
4,622	4,922			
0	0			
		<u>Assets Held for Sale</u>		
		<u>Long Term Investments:</u>		
5,188	5,936	* Non property investments		
0	0	* Excess pension fund		
0	0	Investment in Associates & Joint ventures		
5,188	5,936			
		<u>Long Term Debtors</u>		
845	712	* Long Term General Debtors (>1 year)		
0	0	* Long Term Fin. Leases Debtors (>1 year)		
845	712			
<b>1,141,776</b>	<b>1,127,044</b>	<b>Long Term Assets</b>		
58,168	55,445	<u>Short Term Investments</u>		
0	660	<u>Assets Held for Sale</u>		
		<u>Inventories:</u>		
42	46	* Stocks and Works in Progress		
		<u>Short Term Debtors</u>		
66,321	56,435	* General Debtors (<1 year)		
0	0	* Fin. Leases Debtors (<1 year)		
39,786	16,595	<u>Cash and Cash Equivalents</u>		
<b>164,317</b>	<b>129,181</b>	<b>Current Assets</b>		

0	0	<u>Cash and Cash Equivalents</u>
(1,449)	(5,006)	<u>Short Term Borrowing</u>
		<u>Short Term Creditors</u>
(86,189)	(68,992)	* General Creditors (within one year)
(46)	(43)	* Fin Leases Creditors (<1 year)- Fleet Veh.
(3,586)	(5,742)	<u>Provisions</u>
(6,086)	(8,013)	<u>Provisions- accumulated absences</u>
0	0	<u>Liabilities in Disposal Groups</u>
<b>(97,356)</b>	<b>(87,796)</b>	<b>Current Liabilities</b>
		<u>Long Term Creditors</u>
(75)	(35)	LT Fin Leases Cred. (>1 year)- Fleet Veh.
(20,459)	(19,716)	PFI
(3,466)	(3,126)	<u>Provisions</u>
(154,372)	(154,183)	<u>Long Term Borrowing</u>
		<u>Other Long Term Liabilities:</u>
(158,326)	(326,355)	* Liability to Defined Benefit Pen. Scheme
(10)	(11)	* Investment funds
0	0	* Deferred liabilities
0	0	<u>Donated Assets/Inventories Account</u>
(20,279)	(30,733)	<u>Capital Grants (receipts in advance)</u>
<b>(356,987)</b>	<b>(534,158)</b>	<b>Long Term Liabilities</b>
<b>851,750</b>	<b>634,271</b>	<b>Net Assets</b>
		<u>Usable Reserves</u>
(2,386)	(5,163)	* General Fund Reserve
(23,804)	(10,574)	* General Fund Earmarked Reserves
(4,039)	(4,223)	* Housing Revenue Account Balance
(0)	(60)	* HRA Earmarked Reserves
(31,909)	(30,942)	* Usable Capital Receipts Reserve
(0)	(0)	* Community Infrastructure levy
(0)	(0)	* Capital Grants Unapplied
(200)	(200)	* Major repairs reserve
(0)	(0)	* Capital Grants RiA
(0)	(0)	* Repairs and Renewals Fund
(0)	(0)	* Insurance fund
(8,996)	(9,028)	* Schools Reserve
2,624	2,625	* Single Status Reserve
(68,710)	(57,565)	
		<u>Unusable Reserves</u>
(31,968)	(43,163)	* Revaluation Reserve
634	415	* Available for sale Fin Instruments Reserve
(916,359)	(870,759)	* Capital Adjustment Account
442	2,505	* Fin Instruments Adjustment account
(72)	(72)	* Deferred Capital Receipts
158,326	326,356	* Pension Reserve
(128)	(0)	* Collection Fund Adjustment Account
(0)	(0)	* Unequal pay back pay account
6,086	8,013	* ST accumulating compensated absences
(783,039)	(576,706)	
<b>(851,749)</b>	<b>(634,271)</b>	<b>Total Reserves</b>

## **ADDITIONAL COMMENTARY TO SET OUT RESERVE BALANCE DEFINITIONS**

### **Revaluation Reserve:**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets].

The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

### **Available for Sale Financial Instruments Reserve:**

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

### **Capital Adjustment Account:**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

### **Financial Instruments Adjustment Account:**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

### **Pensions Reserve:**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

### **Deferred Capital Receipts Reserve:**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under



statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

**Collection Fund Adjustment Account:**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

**Unequal Pay Back Pay Account:**

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. This is not applicable to Central Bedfordshire Council.

**Accumulated Absences Account:**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>CASH FLOW</b>
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2009/10 £'000	Note	2010/11 £'000	2010/11 £'000
(67,073)			
	<u>Net surplus/(deficit) on the provision of services</u>		
	<u>Adj. net surplus/deficit on the provision of services for non-cash movements</u>		
29,934	- Depreciation and impairment		
0	- Revaluation decreases to I&E		
(3,453)	- Deferred grants amortised in year		
2,165	- Pension fund adj.		
41,592	- Other movements in General Fund		
4,473	- Repayment of loans		
359	- Revenue contribution to capital		
1,816	- Contributions to provisions		
(8,657)	- Contributions to capital reserves		
(13,327)	- Contributions to revenue reserves		
54,902			
	<u>Adj. for items included in the net surplus/deficit on the prov. of services that are investing and financing activities</u>		
4,199	- Interest and investment income		
0	- Interest on finance leases		
(224)	- REFCUS		
0	- Gain/loss on disposal of assets		
(4)	- (Inc)/decrease in stock		
12,669	- (Inc)/decrease in debtors		
(19,268)	- (Inc)/decrease in creditors		
(2,628)			
<b>(14,798)</b>	<b>Net cash flows from operation activities</b>		
	<u>Investing activities</u>		
(43,061)	- Purchase of PPE, investment properties and intangible assets		
1,628	- Purchase of short and long term investments		
(8,201)	- Other payments for investing activities		
18,604	- Proceeds from the sale of property, plant and equip. investment prop and intangible assets		
2,106	- Capital grants		
2,599	- Proceeds from short and long term investments		
12,939	- Other receipts from investing activities		
(13,386)			
	<u>Financing activities</u>		
0	- Cash receipts of short and long term borrowing		
0	- Other receipts from financing activities		
0	- Cash payments for the reduction of o/s liabilities relating to finance leases and on-balance sheet PFI contracts (principal)		
4,993	- Repayments of short and long term borrowing		
0	- Other payments for financing activities		
4,993			
<b>(23,191)</b>	<b>Net inc/decrease in cash and cash equivalents</b>		
(39,786)	Cash and cash equivalents at 1st April		
0	Cash held		
(16,595)	Bank current account		
0	Short term deposits with building societies		
<b>(23,191)</b>	<b>Cash and cash equivalents at 31st March</b>		

<b>HOUSING REVENUE ACCOUNT- INCOME &amp; EXPENDITURE STATEMENT</b>
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2009/10 £'000		2010/11 £'000	2010/11 £'000
	<b>Income</b>		
(20,555)	Dwelling Rents (Gross)		
(484)	Non Dwelling Rents (Gross)		
(821)	Charges for Services and Facilities		
(4,231)	Contributions towards Expenditure		
0	HRA Subsidy Receivable		
0	Sums directed by the Secretary of State that are income in accordance with proper practices		
(26,091)			
	<b>Expenditure</b>		
4,395	Repairs and Maintenance		
4,970	Supervision and Management		
174	Rents, Rates, Taxes and Other Charges		
12,329	HRA Subsidy Payable		
18,444	Depreciation and Impairment of non-current assets		
156	Debt management costs		
0	Sums directed by the Secretary of State that are expenditure in accordance with the Code		
40,468			
<b>14,377</b>	<b>Net Cost of HRA Services as included in the whole authority Comprehensive I&amp;E Statement</b>		
104	HRA Services share of Corporate and Democratic Core <u>HRA share of other amounts included in the whole Authority Net Cost of Services but not allocated to specific Services</u>		
0	* FRS17 Past Service Cost		
104			
<b>14,481</b>	<b>Net Cost of HRA Services</b>		
	<u>HRA share of operating I&amp;E included in the whole Authority Comprehensive I&amp;E Statement</u>		
(467)	* (Gain) or Loss on Disposal of non-current assets		
0	* Interest payable and similar charges		
(216)	* HRA interest and Investment Income		
656	* Pensions Interest Cost & Expected Return on Pensions Assets		
(27)			
<b>14,454</b>	<b>(Surplus) / Deficit for the Year on HRA services</b>		

<b>MOVEMENT ON THE HRA STATEMENT</b>
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2009/10 £'000		2010/11 £'000	2010/11 £'000
4,010	HRA Balance at the end of the previous reporting period		
(14,454)	Surplus / (Deficit) on HRA I&E Statement		
	<u>Adjustments between accounting basis and funding basis under regulations</u>		
0	* Diff between int payable and similar charges inc amortisation of premiums & discounts determined in accordance with the Code and those determined in accordance with Statute		
14,849	* Diff between any other item of I&E determined in accordance with Code and determined in accordance with statutory HRA requirements		
(467)	* (Gains) / Losses on sale of HRA assets		
656	* HRA share of contributions to or from the Pensions Reserve		
(343)	* Capital expenditure funded by the HRA		
0	* Sums directed by Sec of State to be debited or credited to the HRA that are not I&E in accordance with the Code		
<b>14,695</b>	<b>Net Increase / (Decrease) before transfers to or from reserves</b>		
	<u>Transfers to or from reserves</u>		
(55)	* Transfer (to)/from the Major Repairs Reserve		