APPENDIX A

Statement of Accounts

2012/13

Charles Warboys, Chief Finance Officer

Ralph Gould, Head of Financial Control

Nisar Visram, Financial Controller

Introduction

- The reason for this presentation:
  - 2011 Accounts and Audit Regulations – Council approval of draft statements in June no longer required
  - Chief Finance Officer to sign draft accounts in June, with Council (delegated to Audit Committee) approval in September
  - With the accounts well over 100 pages long, this presentation enables the key figures to be presented in a more user-friendly format
  - *This approach allowed more time to be spent on Quality Assurance.*

Agenda

- Background and Overview – Ralph Gould
- Points of interest – Nisar Visram
- LGPS / Pensions Note 42 – Ralph Gould
- Conclusions and Next steps – Ralph Gould
- Any Questions

Background

- First impressions – a big document – why ?
- Follows international private sector principles and policies – which have been driven by private sector scandals – response being increased disclosure and focus on assets and liabilities compared to Profit and Loss
- Trying to do at least two things at once – follow accounting practice AND statutory requirements (Council Tax, transparency etc) – putting things in the Income and Expenditure accounts e.g. depreciation and reversing out

Background

- International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS)
- The above are interpreted for Local Government by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice - statutory best practice
- Accounting requirements are updated annually and are reflected in the Code. The Council also had new auditors for 2012/13 – Ernst & Young LLP.

Accounts – Purpose

- Present a comprehensive picture of the financial health of the Council
- Encourage a focus on the assets and liabilities of the Council, not just on the bottom line.
- Show income and expenditure for the year, in a format which can be compared with other organisations
- Explain the main assets and liabilities of the Council
- Contain statutory disclosures, including those relating to Members interests, allowances and officer remuneration

Overview of the document

- The Explanatory Foreword – not part of the Statements so not covered by audit opinion

- Main Statements – statutory requirement to follow best practice – ‘ The Code’
  - Movement in Reserves
  - Comprehensive Income and Expenditure
  - Balance Sheet
  - Cash Flow

- Notes to the Accounts – 46 Notes, pages 22 - 88

Overview of the document

- Supplementary Statements
  - HRA and Collection Fund

- Published with but NOT part of the Statements
  - Glossary
  - Annual Governance Statement

A tour through the statements

Handout

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash flow Statement

Employee Remuneration

CBC Accounts - Surplus

- The Council made an overall Surplus of £3.3m in year. This increased General Reserves to 3.5% of Gross Expenditure.

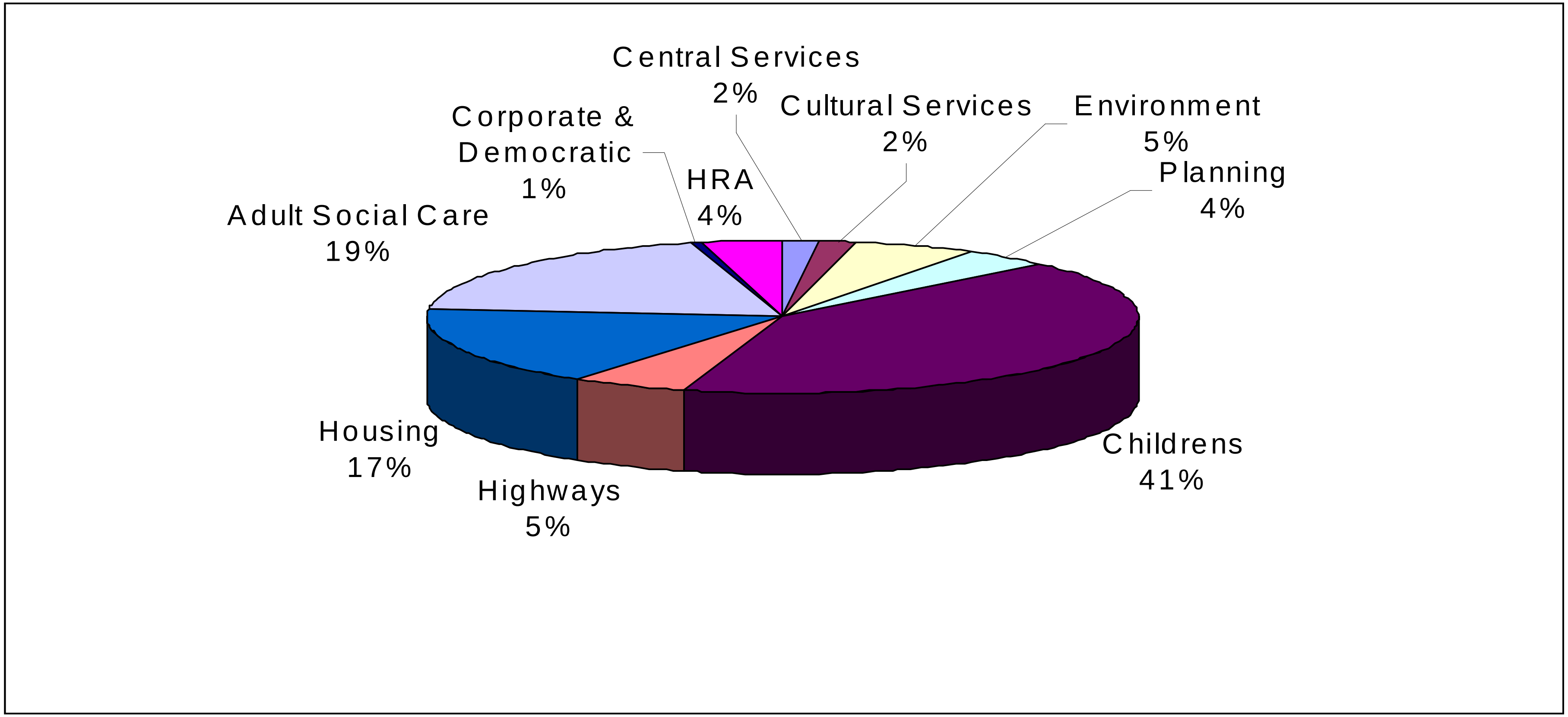
	2011/12 (£m)	2012/13 (£m)
General Fund (GF) Balance	10.9	14.2
GF Reserves Earmarked for Specific Purpose	18.5	21.4

The General Fund Balance is very important as this is what would be used in the event of any unforeseen risks/events/uncertainties not already provided for in the Council's budgets

- Movement in Reserves Statement Page 16

How the Council Spends Money

- CBC Spent £490m in 2012/13 on Services



- Comprehensive Income and Expenditure Statement Page 18

How Expenditure was Funded

CBC Service Expenditure	£490m
Funded by:	
Council Tax	(£137m)
Dedicated Schools Grant (DSG)	(£105m)
Other Government Grants	(£172m)
Other Income	(£76m)

- Council Tax funds about 1/3 of expenditure

- Comprehensive Income and Expenditure Statement Page 18 and Grant Income Note 34 Page 74

CBC Accounts – Council Tax and Business Rates

- Council Tax in CBC was £1,316.59 per Band D

CBC collected **£73m** in Business Rates (NNDR) which it paid over to Central Government.

Central Government gave CBC back **£47m**

97.9% of Council Tax raised and 98.3% of Business Rates were collected in year

- Collection Fund Statement Page 94

Income and Expenditure

• Deficit on the Provision of Services	£67m
Statutory Adjustments	(£76m)
Transfers to Earmarked Reserves	£6m
Total GF Surplus	**(£3m)**

- Statutory adjustments determine what is ultimately met by the tax payer have a significant impact on the accounts. They reverse items such as depreciation, impairments etc

- £50m of the deficit reflects write offs in respect of Schools transferring to Academy status

- Movement in Reserves Statement Page 16

CBC Balance Sheet

	2012 £m	2013 £m
Long Term Assets	978	927
Current Assets	117	93
Current Liabilities	(70)	(53)
Long Term Liabilities	(636)	(682)
Net Worth	**389**	**285**

£50m reduction in assets due to Schools becoming Academies

£54m increase in Pension Liability

- Balance Sheet Page 19

Long Term Assets

	£m
Council Houses	304
Land and Buildings	304
Infrastructure	192
Other	127
Total	**927**

Valued to account for restricted use as social housing

Valued at amount spent historically

- Note 12 Assets Page 51

Long Term Assets – Future Change

Infrastructure	£192m	Valued at amount spent historically

- 2014/15 the valuation basis for our roads, street lights etc will change from 'historical cost' to the cost of replacing the assets in their current condition. This will increase the assets value and the net worth of the Council's balance sheet significantly.

• Note 12 Assets
Page 51

Debtors and Creditors

	2012 £m	2013 £m
Debtors – owed to the Council	56	48
Creditors – owed by the Council	52	37

- Significant decrease in Creditors in due to schools transforming to Academy status and the cessation of payroll services provided to schools by the Council

- Note 17 Debtors and Note 20 Creditors pages 58 and 59

Cash and Short Term Investments

	2012 £m	2013 £m
Cash and Cash Equivalents	46	23
Short Term Investments	13	20
Total	**59**	**43**

- This balance represents the physical cash the Council has to support the amounts the Councils owes, its grants carried forward and its general and earmarked reserves

- The Council earned £1m interest on its investments with rates below 1%.

• Note 18 Cash Page 58

Investments

- The Council's Annual Investment Strategy is approved annually by Full Council
- The Strategy specifies the financial institutions the Council can invest in and the maximum sum to be invested with institutions in each credit category.
- The Council only invests in institutions with a minimum credit rating of:
  - A- for UK Institutions
  - AA+ for Non UK
  - All institutions invested in must have access to the UK Government's Credit Guarantee Scheme or be systemically important to the sovereign state's economy.

• Note 45 Financial Instrument Risks Page 84

Borrowing

• The Council's Capital Financing Requirement is £399m. The Council had to make a minimum revenue provision (MRP) of £6m towards this in 2012/13.

• The Council has externally borrowed £306m to meet this, paying £9m interest in year.

• The remainder is internally borrowed from cash balances.

• £165m of borrowing relates to the Housing Revenue Account.

• Note 15 Financial Instruments Page 56 and Note 36 Capital Expenditure and Financing Page 76

Interest Rate Risk

- If Interest Rates increased by 1%, based on the current position the Council would face:

- Increase in interest on borrowing £0.8m

(£0.3m of this would relate to the HRA)

- Increase in interest earned on balances £0.4m

  - Note 45 Financial Instrument Risks Page 84

Capital

- The Council spent £73m on Capital Expenditure in 2012/13. This was funded as follows:

	£m
Capital Receipts	4
Grants and Contributions	38
Revenue Provision	6
Council Resources	25
Total	**73**

Statutory Provision towards Capital Financing Requirement

Increases the Capital Financing Requirement

- Note 36 Capital Expenditure and Financing Page 76

Capital

- The Council had £55m of Capital Grants and Contributions received in advance of expenditure. The largest areas were:
  - £23m of Section 106 Contributions
  - £14m Basic Needs Grant for school places
  - £5m NHS Campus Closure Grant

• Grant Income Note 34 Page 74

Housing Revenue Account (HRA)

New HRA Self financing Regulations in 2011/12 meant the Council had to take on £165m of Housing Debt in exchange for keeping future Housing Rents.

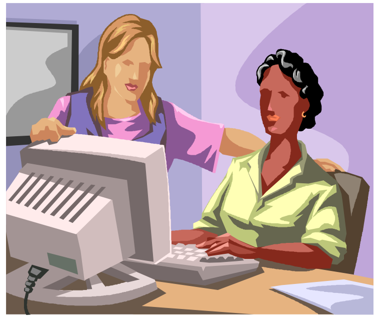
- The Council has over 5,000 Council Dwellings and received £24m in rental income, whilst maintenance and management cost (£10m)

	£m
HRA General Balance	2
HRA Earmarked Reserves	13

- HRA Statements Page 89

CBC Accounts – Employees

- The Council paid 154 permanent employees over £50k (199 in 2011/12) and 74 employee contracts were terminated in year



- Redundancy costs of £1.3m were incurred

- The Council paid over £50k to 73 temporary employees in year (39 in 2011/12)

- Note 31 Officer Remuneration Page 70

Pensions

- The Council's Budget reflects actual employer payments in respect of LGPS - £15.1m (take out for statements)
- CIES deficit on provision of services includes cost of pensions earned in year £20.8m measured under IAS19 – 2 elements
  - In cost of services - £9.4m
  - In Financing and Investment Income and Expenditure £11.4m

Pensions

- In addition in the CIES under Other CIE any Actuarial Gains or Losses are also recognised £48.4m of losses – Note 42

- The difference between contributions actually paid and IAS19 costs (£15.1m v £20.8m) of £5.7m plus the Actuarial losses of £48.4m equals the in year movement on the Net Pension Liability of £54.2 (rounded)

- No impact on General Fund - See Movement in Reserves Statement and Note 7

Pensions

- Assets and Liabilities follows IAS 19

	2011/12	2012/13	VAR
Liabilities	(£582m)	(£670m)	(15%)
Assets	£332m	£366m	10%
Net Total	(£250m)	(£304m)	(22%)

- Actual Contribution rates follow triennial fund valuation calculated on a different basis

Pensions

- Liabilities /cost of pensions – key is the discount rate used - if low liabilities increase
  - Rate March 2012 = 2.3% (4.8% bond yields less 2.5% CPI)
  - Rate March 2013 = 1.7% (4.5% bond yields less 2.8% CPI)
- The change added 12% to the £582m of IAS 19 liabilities at March 2012.

Pensions

- Employers contributions set every three years – different assumptions to IAS 19 and 20 year deficit recovery period
- Results of March 2013 valuation available in Autumn – previous funding level 72% and employer contribution of 23.9% (13/14)
- New LGPS from April 2014

Conclusion and Next Steps

- Accounts show the overall financial health of the organisation, encouraging a focus on more than just the ‘bottom line’
- CBC has a solid financial basis and is heading in the right direction
- The accounts will be audited by Ernst & Young LLP from July – September
- Public Inspection Period 8th July – 2nd August
- The accounts will be signed by Audit Committee in September

Any Questions?