



Appendix A

Draft Statement of Accounts

2013/14

Charles Warboys, Chief Finance Officer

Ralph Gould, Head of Financial Control

Nisar Visram, Financial Controller

Introduction

Chief Finance Officer

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
- Contain statutory disclosures, including those relating to Members interests, allowances and officer remuneration

Agenda

- Introduction – Charles Warboys
- Background and overview – Ralph Gould
- Comments on significant figures – Nisar Visram and Ralph Gould
- Conclusions and Next steps – Charles Warboys
- Any Questions

Background

- Since 2010/11 applying international accounting principles and policies – driven by private sector requirements as adapted for the public sector.

Background

- International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS)
- 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.

Background

- The Statements do several things
- - follow public sector accounting practice
 - comply with various statutory requirements (e.g. Council Tax requirements, transparency best practice, capital expenditure controls.)

One Example

- Actual Amounts paid in year to Bedfordshire LGPS - £16.9m and reversed out of the Income and Expenditure Statement
- Current Cost of pensions assessed under International Accounting Standard 19 (IAS 19) included in Statement of Accounts I and E £27.7m
- If not adjusted through the Movement in Reserves Statement potential impact on General Fund (Council Tax) of £10.8m

Other Examples

- Note 7 ‘Adjustments between Accounting Basis and Statutory Basis under Regulations’
- Note 27 ‘Amounts Reported for Resource Allocation Decisions’
- Note 23 Details 7 ‘Unusable Reserves’ including the Capital Adjustment Account and Collection Fund Adjustment Account
- Note 36 – Refers to Revenue Expenditure Funded by Capital Under Statute (REFCUS) £19.8m

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



Theme for analysing this years accounts

Council Reserves and Borrowing

- The Council has added to reserves in the financial year
- The Council's capital financing requirement has increased in the financial year, and the capital medium term financial plan projects an increase in future years
- With £16.4m of debt due to be repaid in 2014/15, it is likely the Council may need to borrow externally in the next financial year.

CBC Accounts - Surplus

- The Council made an overall Surplus of £0.9m in year.

	2012/13 (£m)	2013/14 (£m)
General Fund (GF) Balance	14.2	15.1
GF Reserves Earmarked for Specific Purpose	21.4	27.8

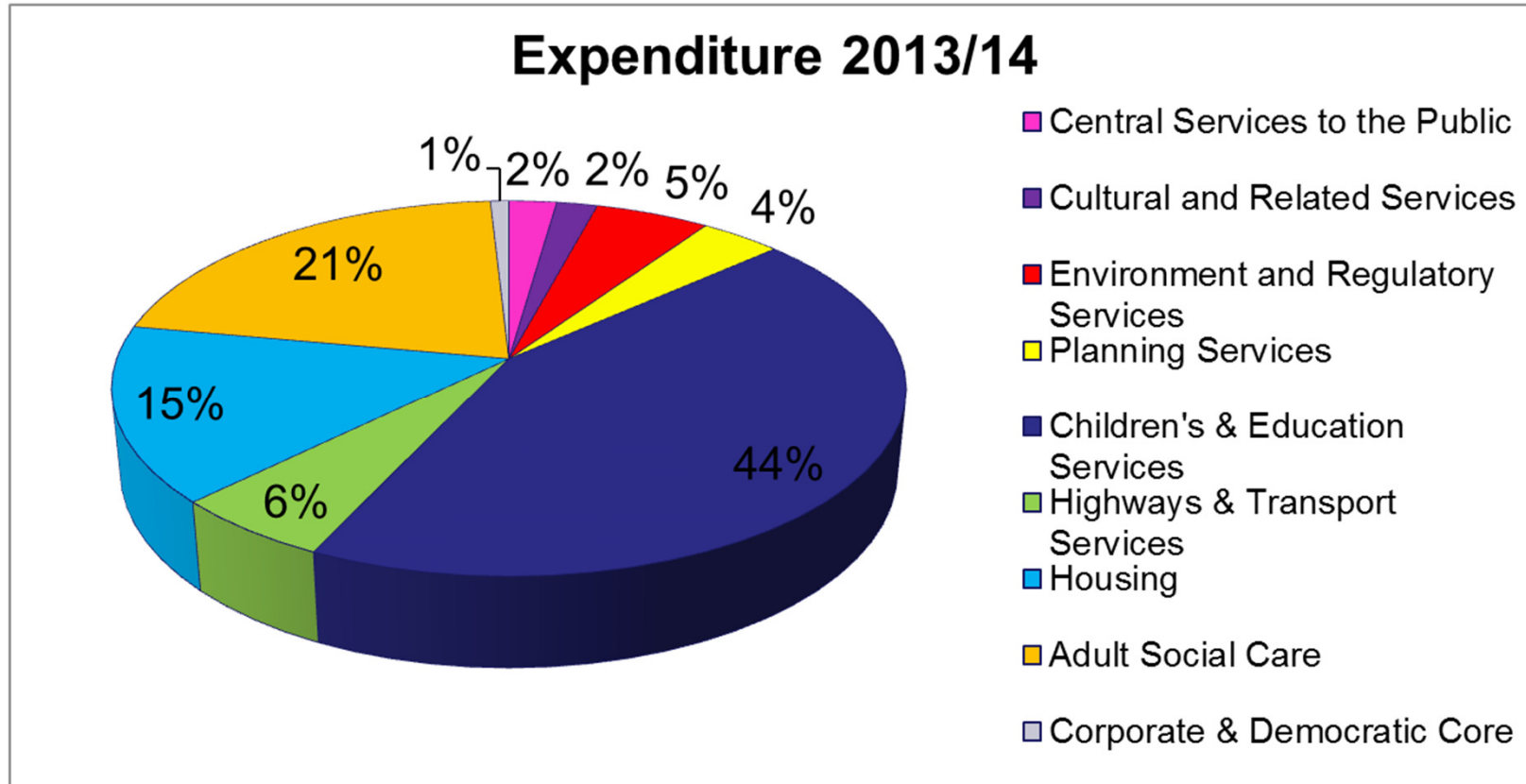
- Movement in Reserves Statement Page 17

The Purpose of General Fund Balances

- Key indicator of the financial health of the organisation
- A means for building up funds to meet known or predicted requirements. Where specific, funds are set aside as earmarked reserves
- A contingency to cushion the impact of unexpected events or emergencies
- Linked to risks facing the Council and the potential impact of those risks
- Can only be used once so not appropriate to fund continuing budget pressures

General Fund Balances in context

- Balances of £15.1m represent 3% of Gross Expenditure of £473m (including schools)



- Comprehensive Income and Expenditure Statement Page 19

The Purpose of General Fund Balances

A few of the future risks facing the Council for which General Fund balances may be used include:

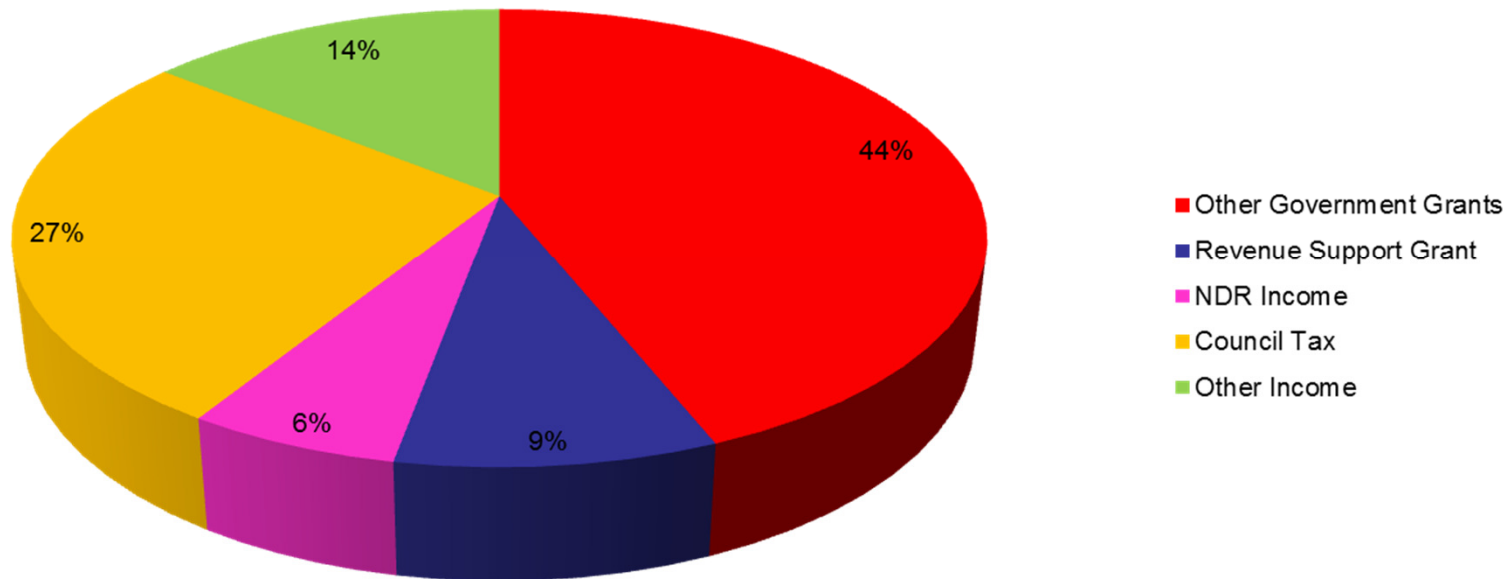
- The impact of further funding cuts. Efficiencies of £25.6m are required over the next 3 years and further cuts may follow in the next parliament.
- The impact of reductions in the Council Tax support scheme and housing benefits on collection rates and the wider social impact.
- The risk of a major business leaving the area leading to reduced business rates income for the Council.

The Council received 53% of its income from Government Grant Funding and 27% from Council Tax.

6% of Council income in 2013/14 came from Business Rates

Sources of Council Income 2013/14

2013/14 Funding Sources



• Comprehensive Income and Expenditure Statement Page 19 and Grant Income Note 34 Page 78

General Fund Balances – Other Risks

Other risks which may require the use of General Fund Balances include:

- An increase in interest rates would increase the revenue implications of existing borrowing and future borrowing planned under the Capital MTFP.

A 1% increase in interest rates would have a £633k annual impact on the Council based on existing debt. (Note 45 Page 93)

- Significant population growth, 20% increase in those over 85 in the next few years (187% of those over 90 over the next 20 years), and the impact this will have on demand for the Council's services.
- The risk of failure of a major contractor of the Council impacting Council's budgets.
- The impact of major emergencies such as flooding, disease outbreak, IT failure or a major service failure in a Council service.

Balances in context - Assets held by the Council

The Council has assets worth £1,051m the most significant of which are:

	2012/13	2013/14
	£m	£m
Plant, Property and Equipment	836	876
Investment Properties	79	82
Cash and Investments	43	33
Debtors	48	47

The increase in Plant, Property & Equipment values are due to upward revaluations of Housing Stock and Capital Expenditure on Infrastructure assets

- Balance Sheet Page 20

Balances in context - Liabilities held by the Council

The Council has Liabilities worth £709m:

	2012/13	2013/14
	£m	£m
Borrowing	315	308
Creditors	37	45
Pensions Liability	304	307
Private Finance Initiative	17	17
Provisions	7	7
Capital Grants in Advance	55	25

£7m of borrowing matured in year. £28m of Schools Places funding was categorised as a Capital reserve in line with technical accounting requirements.

- Balance Sheet Page 20

Borrowing

- Cumulative borrowing requirement of £418m (£165m HRA and £253m General Fund)
- External Borrowing £307m (£165m HRA and £142m General Fund). 97% of this was from Central government via the Public Works Loan Board (PWLB). The rest of General Fund borrowing is borrowed from internal cash balances, with £33m remaining at the end of 2013/14

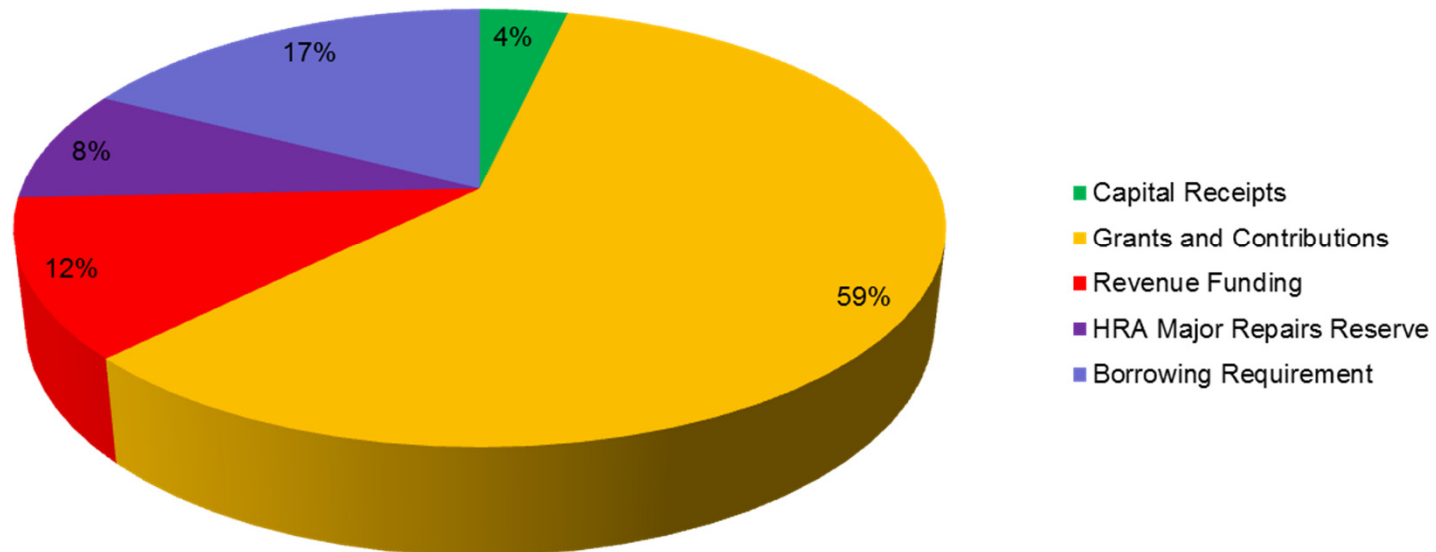
	2012/13	2013/14
	£m	£m
Cash and Cash Equivalents	23	19
Short Term Investments	20	14
Total	43	33

Financial Instruments Note 15 Page 60

Borrowing in context

- The Council spent £79.9m on capital expenditure in 2013/14, of which £13.9m was funded by increasing the Council's borrowing requirement.

Capital Funding 2013/14



Borrowing in context

- The Capital budget for 2014/15 will require the use of £46m of Council resources, increasing the borrowing requirement. £16.4m of borrowing matures for repayment in 2014/15.
- With £33m cash balances, it is likely that external borrowing will be required from the 2014/15 financial year
- The authorised borrowing limit for the General Fund is £474.7m outlined within the Treasury Management Strategy.

Borrowing in context

- Borrowing can be compared to the value of assets held by the Council

	Borrowing	Land and Buildings*
	£m	£m
HRA	165	308
General Fund	142	386

* Includes Investment Properties and Council Dwellings

In theory, assets could be sold by the Council to repay borrowing and capital receipts can offset the need for future borrowing

- Plant, Property and Equipment Note 12 Page 55

Borrowing in context

- The Council paid £9m as interest on debt and £7m as a statutory repayment of debt principal. Total financing costs are therefore £16m per annum.
- 25% of the Council's debt is variable with the remainder fixed.
- This represents 8% of the Council's net budget requirement and will increase in future.

	2014/15	2015/16	2016/17
	£m	£m	£m
Projected Borrowing*	51.4	91.4	112.7

* *Source: Treasury Management Strategy 2014/15*

- Adjustments Note 7 Page 46 and Financing and Investment Income and Expenditure Note 10 Page 53

Holdings and Borrowing Summary

- The Council has general reserves of £15.1m and £27.7m of earmarked reserves.
- The General Fund has a cumulative borrowing requirement of £253m related to capital expenditure, of which £142m has been externally borrowed and the rest by borrowing from internal cash balances
- Land and buildings held by the Council were valued at £386m
- Financing costs for borrowing were £16m
- With low cash balances, the Council expects to borrow externally in the near future based on capital plans.

Other Items: Non Domestic Rates (NDR)

- From 1 April 2013 the Council retained a share of business rates locally in lieu of receiving funds redistributed from Central Government.
- The Council collected £76m in Business Rates. Ultimately the Council retained £28m of the amounts collected with the remainder being paid over the Central Government and 1% of the amount collected paid to Bedfordshire Fire Services.
- 98.5% of Business Rates raised were collected in year
- This will be an increasingly important source of funding in the future.



Taxation and Non-Specific Grant Income and Expenditure note 11 Page 54

Other Items: Staff

- Number of staff paid over 50k in year (including redundancy)

	2012/13	2013/14
Temporary Staff	73	77
Permanent	154	131
Redundancies included	(5)	(2)

- The contracts of 61 staff were terminated in year with £816k paid in redundancies
- The figures exclude members of the Corporate Management Team, who are disclosed individually on the Statement of Accounts
 - Officers' Remuneration Note 31 Page 74



Housing Revenue Account (HRA)



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 £26m in rental income, whilst maintenance and management cost (£10m). £2.3m was held by the HRA as unapplied capital receipts.

£m	2012/13	2013/14
HRA General Balance	2	2
HRA Earmarked Reserves	13	19

Future Changes

- From 2016/17 Councils will have to value their roads and associated assets (bridges, street lights etc) at the cost of replacing the asset in its current condition. Currently these are valued at historical cost.
 - Infrastructure Assets are valued at £207m on the balance sheet. The accounting changes will increase these to over £1bn – significantly increasing the net worth of the Council's balance sheet. This is a technical change, and does not mean the Council is really worth more.
- CIPFA are currently consulting on proposals to include all schools excluding Academies onto the balance sheet of the council. Currently the Council only includes Community Schools.
- Statutory deadline for producing the accounts is currently 30 June 2014. Under proposed changes to the Accounts and Audit Regulations 2011 it is proposed this will be 31 May from 2017/18.

Pensions

- The CIES reflects IAS19 cost of pensions earned in year £27.7m
- No impact on net worth of authority in the accounts (Liability £307.1m matched by offsetting Unusable (negative) Reserve £307.1m)

Pensions

- Assets and Liabilities follows IAS 19

	2012/13	2013/14	VAR
Liabilities	(£670m)	(£684m)	(2%)
Assets	£366m	£377m	3%
Net Total	(£304m)	(£307m)	(1%)

- Actual Contribution rates follow triennial fund valuation different basis used 31 March 2013 Liabilities £550m Assets £361m Deficit £189m (66% Funded)

Conclusion and Next Steps

- Accounts show the overall financial health of the organisation, encouraging a focus on more than just the 'bottom line'
- CBC is in a strong financial position and has added to general and earmarked reserves, held to protect the Council against identified risks.
- There are significant uncertainties ahead relating to funding from Central Government
- Borrowing resulting from capital expenditure will be an important element of the accounts in future financial years.

Conclusion and Next Steps

- The accounts will be audited by Ernst & Young LLP from July – September
- Public Inspection Period 8th July – 2nd August
- The final accounts will be approved by Audit Committee in September

Any Questions?

