

Unaudited Statement of Accounts 2017/18

Presentation to Members 30/05/2018

Charles Warboys, Director of Resources

Sarah Michael, Head of Corporate Finance

Stephanie Pocock, Financial Controller

Agenda

- Background – Charles Warboys
- Commentary on the statements – Sarah Michael
Stephanie Pocock
- Conclusions and Next steps – Charles Warboys
- Any Questions

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, expenditure, assets and liabilities for the year, in a format – total cost basis - which can be compared with other organisations
- Contain statutory disclosures, including those relating to Members' interests, allowances and officer remuneration

Background

- International Financial Reporting Standards (IFRS) applied from 2010/11 – driven by private sector requirements as adapted for the public sector. Important differences with the private sector;
 - Tax raising powers
 - No profit motive but an important legal emphasis on Stewardship, Probity and Transparency
 - Multiple statutory obligations to incur expenditure
 - Local Authorities cannot use assets to secure borrowing
 - Access to the Public Works Loans Board
- International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS)
- Interpreted for UK 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 supported by a Practitioner's Guide.

Background

- The Statements do several things
 - follow public sector accounting practice
 - comply with various statutory requirements (e.g. Council Tax requirements, Housing Revenue Account ring fence, transparency best practice, capital expenditure controls.)
- Requires a number of Unusable Reserves to implement

Examples

- Note 7 ‘Expenditure and Funding Analysis’ statement and associated notes - effectively the Council’s management accounts as reported in the Outturn agreed to the Statement of Accounts
- Note 9 ‘Adjustments between Accounting Basis and Funding Basis under Regulations’
- Note 24 Details movements on 7 ‘Unusable Reserves’ including the Capital Adjustment Account and Collection Fund Adjustment Account

Commentary on the Statements

Sarah Michael & Stephanie Pocock

Head of Corporate Finance & Financial
Controller

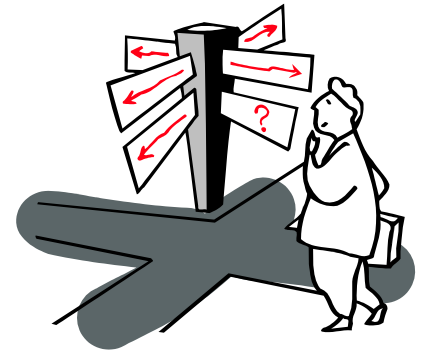
Overview of the document

- The Narrative Statement – not part of the Statements so not covered by audit opinion – but is examined
- Main Statements – statutory requirement to follow best practice – ‘The Code’
 - Comprehensive Income and Expenditure
 - Movement in Reserves
 - Balance Sheet
 - Cash Flow
- Notes to the Accounts – 45 Notes
- Supplementary Statements ;
 - HRA and Collection Fund
- Published with but NOT part of the Statements
 - Glossary
 - Annual Governance Statement

Commentary on the statements

Handout

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Expenditure and Funding Analysis Note 7
- Employee Remuneration Note 31



Comprehensive Income and Expenditure

2016/17			2017/18		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
535,796	(322,110)	213,686	567,768	(316,898)	250,870
		Cost of Services			
15,639	0	15,639	12,442	(8,668)	3,774
		Other Operating Expenditure			
36,842	(15,535)	21,307	34,594	(13,357)	21,237
		Financing and Investment Income and Expenditure			
11,046	(250,786)	(239,741)	6,577	(253,455)	(246,878)
		Taxation and Non Specific Grant Income			
599,323	(588,432)	10,892	621,380	(592,377)	29,003
		Surplus or Deficit on Provision of Services			
		(86,500)			(49,167)
		Surplus or deficit on revaluation of Property, Plant and Equipment			
		(128)			(210)
		Surplus or deficit on revaluation of available for sale financial assets			
		85,042			(7,765)
		Remeasurement of the net defined benefit liability / asset			
		(1,587)			(57,142)
		Other Comprehensive Income and Expenditure			
		9,305			(28,139)
		Total Comprehensive Income and Expenditure			

Where the money comes from IFRS

Central Bedfordshire Council Comprehensive Income and Expenditure	2016/17	2017/18	
Income	£000	£000	
Specific Revenue Grants	217,005	208,440	36.64%
Council Tax	142,800	152,065	26.73%
Fees, Charges and Rents	112,459	113,243	19.90%
RSG (Government Grants)	20,152	10,599	1.86%
Business Rates net of Levy and Tariff	31,204	33,486	5.89%
Other non ring fenced grants	3,997	6,035	1.06%
Interest Income	353	346	0.06%
Capital Grants and Contributions	41,588	44,732	7.86%
	569,558	568,946	100.00%

Reserves

- General Fund
- Revaluation
- Pensions

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

Usable Reserves

	31/03/2017	31/03/2018	(Increase)/ Reduction	SoA
	£'000	£'000	£'000	Note
General Fund Balance	(15,569)	(15,647)	(78)	MIRS
General Fund Earmarked Reserves	(54,442)	(61,387)	(6,945)	10
HRA Balance	(2,000)	(2,000)	0	HRA Pg 115
HRA Earmarked Reserve	(21,571)	(26,770)	(5,199)	10
HRA Major Repairs Reserve	(200)	(200)	0	HRA Pg 115
Capital Receipts Reserve	(6,474)	(30,184)	(23,710)	23
Capital Grants Unapplied Reserve	(2,459)	(2,216)	244	23
Total Usable Reserves	(102,715)	(138,404)	(35,689)	

Unusable Reserves

	31/03/2017	31/03/2018	(Increase)/ Reduction*	SoA
	£'000	£'000	£'000	Note 24
Revaluation Reserve	(263,823)	(279,909)	(16,086)	
Available for Sale Reserve	(279)	(489)	(210)	
Pension Reserve (*Debit Reserve)	416,484	430,371	13,887	
Capital Adjustment Account	(538,503)	(530,275)	8,228	
Collection Fund Adjustment Account	(1,814)	180	1,994	
Short Term Accumulated Absences (*Debit Reserve)	2,563	2,300	(263)	
Total Unusable Reserves	(385,372)	(377,822)	7,550	
Total Usable Reserves	(102,715)	(138,404)	(35,689)	
Total Reserves	(488,087)	(516,226)	(28,139)	

Capital Budget and Outturn 2017/18

Gross Capital Expenditure by Directorate	Budget £'000's	Outturn £000's	Variance £000's
Children's Services	13,084	18,582	5,498
Community Services	66,922	36,786	(30,136)
Regeneration and Business Support	19,631	4,658	(14,973)
Social Care, Health and Housing	10,955	3,171	(7,784)
HRA	16,472	7,519	(8,953)
Total Net Expenditure - reported	127,064	70,716	(56,348)
Total including s106		80,685	
Financed by			
Grants and Contributions	(53,377)	(40,269)	13,108
Revenue Contribution	(1,589)	(1,589)	0
Capital Receipts	(12,000)	(28,858)	(16,858)
Borrowing	(60,098)	0	60,098
Total Funding	127,064	70,716	(56,348)
Total including s106		(80,685)	

Capital Expenditure and Borrowing Requirement

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2009-2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital investment:										
Property, plant and equipment	41,231	38,873	39,360	51,715	61,962	71,173	83,930	83,882	48,650	520,776
Investment properties	-	-	97	84	101	335	-	-	-	617
Intangible assets	-	1,369	1,415	527	228	784	315	1,050	544	6,232
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	10,619	12,103	23,890	21,085	19,773	32,241	27,506	28,275	31,492	206,984
Debt as a result of HRA Financing	-	-	164,995							
Total Spend	51,850	52,345	229,757	73,411	82,064	104,533	111,751	113,207	80,686	
<i>memo line Adjusted for HRA Financing</i>	<i>51,850</i>	<i>52,345</i>	<i>64,762</i>	<i>73,411</i>	<i>82,064</i>	<i>104,533</i>	<i>111,751</i>	<i>113,207</i>	<i>80,686</i>	734,609
Sources of finance:										
Capital receipts	(1,490)	(29,826)	(3,780)	(3,665)	(2,851)	(1,636)	(5,081)	(10,268)	(28,858)	(87,455)
Government grants and other contributions	(25,514)	(24,722)	(41,808)	(38,481)	(44,564)	(52,415)	(52,863)	(42,388)	(44,976)	(367,731)
Major Repairs Allowance			(3,805)	0	(6,569)	(3,597)	(3,946)	(4,567)	(5,262)	(27,746)
Sums set aside from revenue:										
Direct revenue contributions	(702)	(1,502)	(1,288)	(528)	(2,256)	(10,900)	(12,103)	(5,698)	(1,590)	(36,567)
Minimum Revenue Provision (MRP) / PFI principal	(4,473)	(7,025)	(5,534)	(5,874)	(7,074)	(7,250)	(8,867)	(1,648)	(5,161)	(52,906)
Other Movements	(549)	(227)	(2,778)							(3,554)
Total Financing in year	(32,728)	(63,302)	(58,993)	(48,548)	(63,314)	(75,798)	(82,860)	(64,569)	(85,847)	(575,959)
Closing Capital Financing Requirement	211,419	200,516	370,942	399,434	418,184	446,920	475,811	524,446	519,185	
Increase/(decrease) in Capital Financing Requirement	19,122	-10,957	170,764	24,863	18,750	28,735	28,891	48,638	-5,161	323,645
										158,650
										Cumulative borrowing need ex HRA 2009/18

Assets and Liabilities

Assets

- Property, Plant & Equipment (PPE)
- Cash / Short-term investments
- Assets Held for Sale

Liabilities

- Borrowing – short- term
- Pensions
- Capital Grants received in advance

Assets

	31/03/2017	31/03/2018	Increase/ (Reduction)	SoA
	£'000	£'000	£'000	Note
Property, Plant & Equipment	1,309,583	1,306,250	(3,334)	14
Intangible Assets	12,185	11,334	(851)	15
Long Term Investments	5,279	5,489	210	16
Long Term Debtors	491	16	(475)	16
Long Term Assets	1,327,538	1,323,089	(4,449)	
Short Term Investments	1,007	4,513	3,507	16
Assets Held for Sale	6	6,786	6,780	20
Inventories	90	0	(90)	
Short Term Debtors	44,726	45,498	771	18
Cash and Cash Equivalents	4,263	7,111	2,848	19
Current Assets	50,093	63,908	13,816	
Total Assets	1,377,631	1,386,997	9,366	

Long Term Investments - Lime Fund

Short Term Investments - Deposits at 3 months Notice

Liabilities

	31/03/2017	31/03/2018	(Increase)/ Reduction	SoA
	£'000	£'000	£'000	Note
Short Term Borrowing	(73,430)	(27,341)	46,089	16
Private Finance Initiative - Short Term	(711)	(787)	(76)	39
Short Term Creditors	(59,080)	(55,819)	3,260	21
Provisions	(6,101)	(5,231)	870	22
Current Liabilities	(139,321)	(89,178)	50,143	
Long Term Borrowing	(274,279)	(274,320)	(41)	16
Private Finance Initiative - Long Term	(16,532)	(15,745)	787	
Net Liability Pensions	(416,484)	(430,371)	(13,887)	39
Capital Grants received in advance	(42,927)	(61,158)	(18,230)	34
Long Term Liabilities	(750,222)	(781,593)	(31,371)	
Total Liabilities	(889,543)	(870,771)	18,772	
Total Assets	1,377,631	1,386,997	9,366	
Net Assets	488,088	516,226	28,138	

Supplementary Statements

HRA Account

- Benefiting from low interest rates
- Reserving for and funding independent living schemes and strategic priorities Cap Exp £7.5m (£11.4m 16/17)
- Accounting follows Communities and Local Government – Accounting Directions and related restrictions

Collection Fund

- Total Surplus position on Council Tax from £0.5m (13/14), £3.5m (14/15), £7.3m (15/16), £4.4m (16/17) to £0.5m (CBC share of surplus £0.4m).
- Business rate position Deficit reflecting new reliefs, valuation appeals and refunds. Deficit of £6.3m (13/14) £6.1m (14/15), £7.2m (15/16), £3.9m (16/17) now £1.4m (CBC share of deficit £0.7m).

Other Items: Remuneration Note 31

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

	2015/16	2016/17	2017/18
Permanent	191	197	183

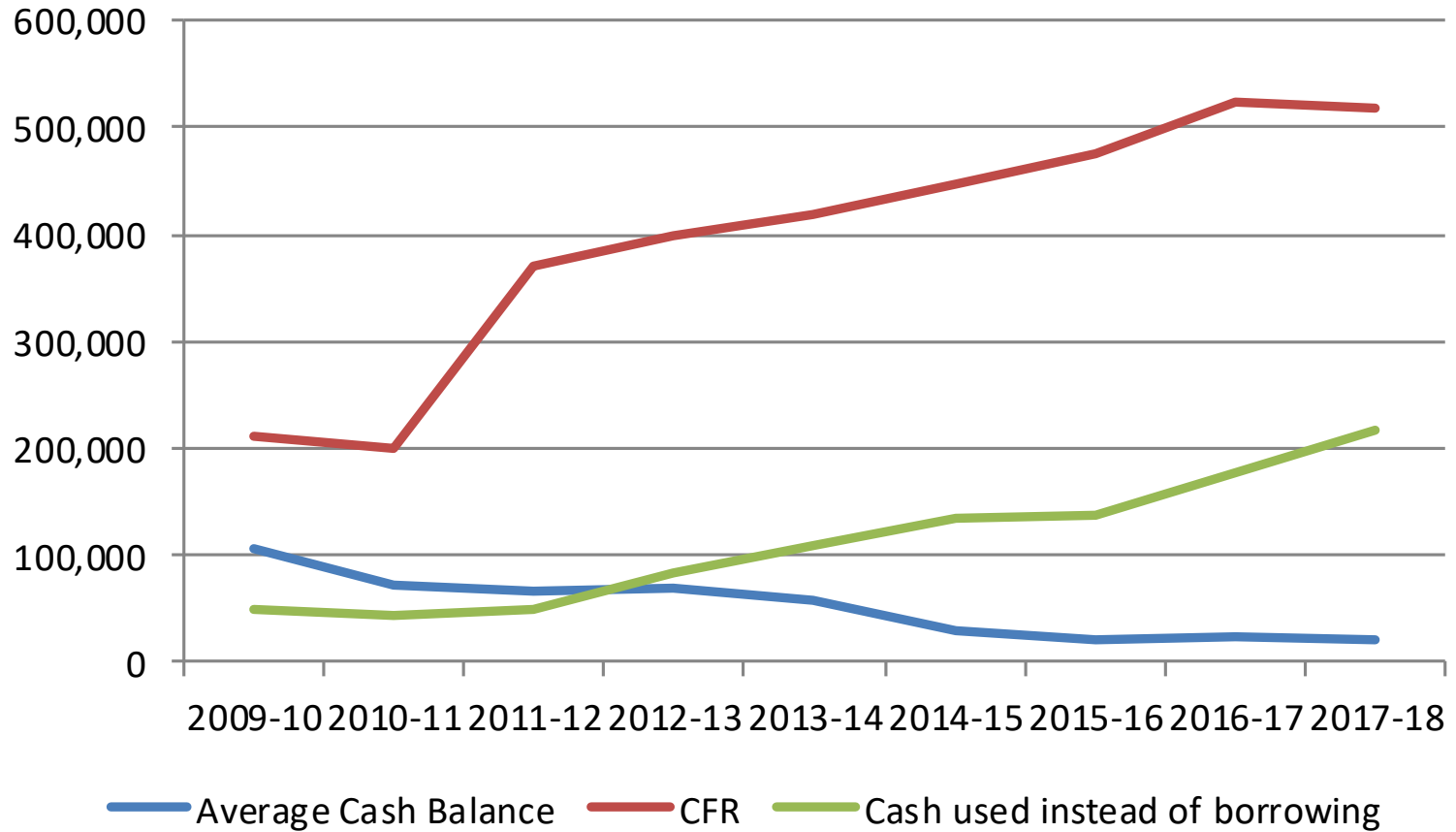
- The figures exclude members of the Corporate Management Team, who are disclosed individually.
- The contracts of 46 staff (38 in 16/17) were terminated in year with £642k (£673k in 16/17) paid as redundancy costs.

Low Interest Rates

- The Council's capital financing requirement (need to borrow) has reduced significantly in the financial year to £-5.161m (a reduction of £53.8m) following a significant increase in capital receipts.
- The capital medium term financial plan projects an increase in borrowing in future years
- With an ongoing capital programme the Council will need to borrow externally in the next financial year.

Trends in Cash/Cash usage instead of borrowing /CFR

£'000



LGPS Pension Scheme Deficits

- Council's largest liability at £430.4m an increase of £13.9m measured in line with IAS 19
- Schemes have many challenges not least improving life expectancy
- Overwhelming influence is level of yields (interest rates) on corporate and government bonds - sets discount rate for liabilities (pension promises)

Discount Rate Pensions

	31/3/10	31/3/11	31/3/12	31/3/13	31/3/14	31/3/15	31/3/16	31/3/17	31/3/18
Discount Rate	5.5%	5.5%	4.8%	4.5%	4.2%	3.2%	3.5%	2.6%	2.7%
	£M	£M	£M	£M	£M	£M	£M	£M	£M
Liabilities	(678.4)	(533.5)	(581.8)	(669.5)	(684.4)	(802.3)	(747.7)	(917.4)	(934.7)
Assets	352.1	336.2	332.2	365.7	377.2	422.7	427.1	500.9	504.4
Deficit	326.3	197.3	249.6	303.8	307.2	379.6	320.6	416.5	430.4
Funding level	52%	63%	57%	55%	55%	53%	57%	55%	54%

Pensions

- Assets and Liabilities follows IAS 19

	2014/15	2015/16	2016/17	2017/18	Change 15/16 – 16/17
Liabilities	(£802m)	(£748m)	(£918m)	(£935m)	£17m (1.9%)
Assets	£423m	£427m	£501m	£504m	£3m (0.7%)
Net Deficit	(£379m)	(£321m)	(£417m)	(£430m)	£14m (3.3%)
Assets as % Liabilities IAS 19	52.7%	57.1%	54.6%	54.0%	

- Actual Contribution rates follow triennial fund valuation different basis used 31 March 2016 Liabilities £639m (£550m 2013) Assets £422m (£361m) **Deficit £217m** 66% Funded (£189m 66%)

Charles Warboys

Director of Resources

Changes

- The 2018/19 Code of Practice introduces a new accounting standard that will have an impact on the accounts

IFRS 9 *Financial Instruments*

The Code adopts the new classification and measurement requirements for financial assets, the new expected credit loss impairment model and new disclosure requirements as a consequence of the adoption of the standard.

- At present CIPFA are working with MHCLG in order to introduce a statutory override which will reduce the impact upon local government. The implementation of IFRS9 will mean that all financial assets will need to be reclassified, this could result in an impact to the Council's bottom line.
- Further it is anticipated that the 2019/20 Code of Practice will introduce a further accounting standard, IFRS 16 *Leases*, which will be effective for reporting periods commencing after 1 January 2019.

Conclusion and Next Steps

- Accounts show the overall financial health of the organisation
- 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. Interest rate risk is important and is being monitored closely
- The accounts will be audited by Ernst & Young LLP during June and July
- Public Inspection Period 31st May to – 11th July (30 working days)
- The final accounts will be approved by Audit Committee at the meeting on 30 July 2018

Any Questions?

