

AGENDA ITEM

Corporate Affairs Committee

DATE: 13th JULY 2011

DRAFT STATEMENT OF ACCOUNTS 2010/2011

PAUL SLOCOMBE – DIRECTOR OF RESOURCES

PURPOSE OF THE REPORT

1. The purpose of this report is for Members of the Corporate Affairs Committee to receive and review the Middlesbrough Council Draft Statement of Accounts 2010/2011. The review of the accounts by the Committee is intended to provide an opportunity for public scrutiny of the Council's financial statements and meet best practice requirements.
2. The Statement of Accounts also includes the accounts for Teesside Pension Fund for which the Council is the Administering Authority.

BACKGROUND

3. The Statement of Accounts is essentially a technical publication containing accounting statements that have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain and the Statutory Accounts and Audit Regulations. The Statement of Recommended Practice (SORP) 2010/2011 further supports the accounting framework. The SORP is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts, which present a true and fair view of the position of a local authority.

4. The 2010/2011 Statement Of Accounts has been prepared in compliance with International Financial Reporting Standards (IFRS). The 2010/2011 SORP is based on International Financial Reporting Standards (IFRS).
5. The introduction of IFRS has significantly changed the way that the Council's accounts are prepared and a large number of areas have been subject to different accounting treatments to that under the old SORP. The key accounting changes impacting on the Council are outlined below:
6. **Non-Current Assets Held For Sale (new)**
IFRS introduces a new classification of non-current assets called, assets held for sale. Assets meeting this classification are those where the value of the asset will be recovered mainly by selling the asset rather than through usage.
To be classed as held for sale the asset must meet the following criteria:-
 1. Be available for immediate sale in its present condition.
 2. Its sale must be highly probable.
 3. Management expects the sale to take place within twelve months.

Assets held for sale are to be valued at the lower of their existing balance sheet value or their estimated sale price less costs to sell.

7. **Government and Grants & Other Capital Contributions**
Under the previous accounting arrangements, grants received by the Council towards capital expenditure are held in a Government/ Capital Contributions account and written off to Revenue over the life of the asset the grant was used to purchase. Under IFRS, all such grants are to be transferred to the income & expenditure account as soon as any conditions relating to the grant have been met
8. **Investment Property**
IFRS introduces a definition of investment property that the old SORP did not have. An investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the Council's services. Investment properties are initially measured at cost and thereafter at market value.
9. **Component Accounting**
IFRS places a greater emphasis on component accounting. Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. For example, certain assets such as the Council's crematorium are made up of separate elements that have different useful lives. There is no requirement to apply these changes retrospectively and instead components should be recognised separately as and when they are replaced.

10. **Leases & Lease Type Arrangements**
Leases can be classified as either finance or operating leases. If a lease transfers substantially all the risks and rewards incidental to ownership it will be classified as a finance lease regardless of its legal form. For assets leased under a finance lease, the asset value should be recognised as either an asset or a liability in the Balance Sheet as appropriate. Leases that do not meet the definition of finance leases are accounted for as operating leases and the income or expenditure is either credited, or charged to, service revenue accounts
11. Under IFRS, the land and buildings elements of a lease of land and buildings require separate identification for both lease classification and valuation. In most cases, the land element of a lease will be an operating lease.
12. **Employee Benefits – Accumulated Absences (new)**
A new requirement under IFRS is that the Council must make an accrual in its accounts at year end for any annual leave earned but not taken by employees at the end of the financial year.
13. **Operating Segments (new)**
Under IFRS, the Council is required to identify and disclose information in its financial statements in respect of operating segments (by service grouping). These are components of the Council about which separate financial information is provided to the Corporate Management Team and Members and is used in deciding how to allocate resources and in assessing performance. This will therefore require the Council to include additional financial information on its activities by Directorate.
14. **Accounting for Joint Ventures (new)**
Were the Council has material interests in companies and other entities such as subsidiaries, associates or joint ventures that require group accounts to be prepared, then these must be recorded as financial assets at cost, less any provision for losses. The Council does not have significant interests in any companies and group accounts are not required.
15. The layout of the Statement of Accounts now contains the following:
- An Explanatory Forward;
 - Annual Governance Statement;
 - Statement of Responsibilities for the Statement of Accounts;
 - The Main Financial Statements comprising:
 - The Comprehensive Income and Expenditure Statement;
 - Balance Sheet;
 - Movement in Reserves Statement
 - Cash Flow Statement.
 - Notes to the Main Financial Statements;
 - Collection Fund and notes;
 - Teesside Pension Fund- Fund Account and Net Asset Summary.
16. The purpose of each of the Statements within the Accounts is as follows:

17. **Explanatory Foreword:** Acts as a guide to the most significant matters impacting on the Council's finances. It gives an indication of where the Council's funding comes from, what it is spent on and what services it provides. It also sets out the financial position and is intended to assist in the interpretation of the accounting statements.
18. There is a review of the financial year included in this section and the impact on Middlesbrough of the downturn in the economy.
19. **Business and the Labour Market**
- SSI took over the Corus steel making plant at Redcar creating 800 jobs and put in plans to start producing steel again by September 2011.
 - The announcement of the Hitachi Rail Project was a further boost to the region creating more than 500 permanent jobs and a further 9,000 across the supply chain.
 - Official figures show a 0.5% rise in economic output in the first three months of this year.
 - The retail sector still face challenges ahead although there appears to be some stabilisation in this area.
 - There is evidence to show that the number of business failures is now decreasing.
 - On the whole empty commercial properties continue to rise however there has been a slight improvement in occupancy rate figures for the Council's business enterprise units. There is also a slight improvement on occupancy rates for the Council's overall commercial property portfolio up to 91%.
 - Unemployment continued to rise throughout the year although the rate of increase has slowed and now stands at 7.7%.
20. **Housing Market**
- The average sales prices for properties in Middlesbrough increased from £87,024 to £89,782 between April 2010 and January 2011 (last available comparative figures).
 - In 2010/11, 165 new affordable homes were built down from the 207 in 2009/2010
 - The total number of dwellings completed in 2010/11 was 373, up from 343 in 2009/10.
 - In 2010, 260 Mortgage possession claims were issued (minus 11% annual change on 2009). Landlord Possession Claims numbered 330 (minus 9% annual change since 2009). (Ministry of Justice)

Impact on the Council:

<ul style="list-style-type: none"> • Increase in bad debts 	<ul style="list-style-type: none"> • Increased court fees, staff workload and reduced income
<ul style="list-style-type: none"> • Requests for Hardship relief / empty Property relief / small business rate relief for Business Rates up substantially. 	<ul style="list-style-type: none"> • Increase in staff workload
<ul style="list-style-type: none"> • Large increase in Benefit Claimants 	<ul style="list-style-type: none"> • Increase in staff workload and administration costs.
<ul style="list-style-type: none"> • Further reduction in income from Car parks / Commercial Property Rents / planning fees 	<ul style="list-style-type: none"> • Large budget pressures for services.
<ul style="list-style-type: none"> • Council share of Right to Buy receipts down 	<ul style="list-style-type: none"> • Continues to be a budget pressure.
<ul style="list-style-type: none"> • Increased demand for Welfare rights / Citizens advice services 	<ul style="list-style-type: none"> • Increase in staff workload
<ul style="list-style-type: none"> • Further increase in children taken into care 	<ul style="list-style-type: none"> • Increase in social worker work load and huge costs
<ul style="list-style-type: none"> • Significant increase in numbers of free school meals. 	<ul style="list-style-type: none"> • Additional funding provided by schools to maintain the quality
<ul style="list-style-type: none"> • Capital receipts reduced and delayed 	<ul style="list-style-type: none"> • Possible difficulties funding the Council's Capital Programme.

21. **Annual Governance Statement.** The Annual Governance Statement reports on the key financial controls and wider governance arrangements in operation within the Council. The Statement was approved by the members of the Audit & Governance Committee on the 26th May June 2011.
22. **Comprehensive Income and Expenditure Statement - Appendix A.** This is equivalent to a profit and loss account in a private sector companies accounts. It shows the income and expenditure of all the Council's functions, the net cost of Council services for the financial year and demonstrates how this has been funded (e.g. Government Grants, Non Domestic Rates and Council Tax). The format of the income and expenditure of the Council's services is presented using the Best Value Accounting Code of Practice (BVACOP) classification, again a statutory requirement.
23. The day to day budget monitoring arrangements of the Council are based around its own organisational structure and are different to both the statutory and BVACOP requirements. The outturn accounts reported to the Executive on the 24th June 2011 have had to be reworked to fit these formal requirements. The resulting changes however do not affect the overall net expenditure to be funded from central government grant and Council Tax, although the presentation of the figures in the Statement - Income and Expenditure account is very different.
24. The main difference between the Council's accounts and the published statutory accounts are as follows:

a. Service Headings:

The following service headings are used in preparation of the accounts in accordance with BVACOP:

- Central Services to the Public;
- Cultural, Environmental, Regulatory and Planning services;
- Children's and Education Services;
- Highways and Transport services;
- Other Housing services;
- Adult Social Care;
- Corporate and Democratic Core;
- Non-distributed costs.

b. Capital Depreciation Charges:

In the Statement of Accounts the Council is required to ensure that each service has to reflect a depreciation charge for the assets they use (land, buildings, plant and machinery etc).

c. Transfers To and From Reserves:

Transfers into and expenditure funded from reserves are not considered part of the net cost of services and are therefore not reflected at all within the income and expenditure account.

d. Central Support Services:

Under BVACOP, the costs of corporate services that are provided to front line services and an allocation of certain central expenses have to be included as service costs rather than central 'corporate' costs. Such services and costs include Finance, Legal, Human Resources, IT, Payroll, Creditors, Debtors, Performance & Policy, Audit etc.

e. Employer's Pension Fund Contributions:

Accounting for retirement benefits (IAS26) requires that employer's contributions to pension schemes, reflected in service accounts should only consist of 'current service' costs. As the actual contributions made to the Pension fund by the Council include an element of back funding to recover any previous pension scheme deficit, the service expenditure figures reported in the Statement have to be adjusted to reflect the current service costs as calculated by the fund actuary.

In addition the income and expenditure account includes as part of operating expenditure the net impact of the notional return on the pension fund assets and the increase in accrued future pension liabilities, the Middlesbrough Council elements.

f. Other Differences:

Other transactions such as interest earned and paid, precept payments to Cleveland Police / Cleveland Fire Brigade / Parish Councils and trading units are not considered as part of the net cost of services and are required to be shown as separate items in the section below the service expenditure totals in the comprehensive income and expenditure statement.

25. Revenue Spending

The main components of the revenue budget for 2010/2011, and how these compare with the actual income and expenditure are set out below:

Budgeted Expenditure	Budget £Million	Outturn £Million	Variance £ Million
Service Budgets			
Children, Families & Learning	30.6	30.3	-0.2
Social Care	48.2	48.1	-0.5
Environment	27.1	27.1	0.0
Regeneration & Culture	14.7	14.0	-0.7
Central & Corporate	14.2	15.2	1.0
Net Service Expenditure	135.1	134.7	-0.4
Budgeted Contribution from Reserves	-1.5	-1.5	0.0
Net Impact on the General Fund	133.6	133.2	*-0.4

* NB. actual outturn variance for 2010/11 was -£418,000

The net budget of £133.6 million was funded by

Item	£million
Revenue Support Grant from the Government	10.6
Share of National Business Rates Proceeds	73.0
Council Tax payers for 2010/10*	50.0
= total net budget in 2010/10	133.6

Income from Council taxpayers totalling £50.0 million was based on a charge of £1,261.08 for an average Band D property.

26. The Coalition government made an announcement on the 24th May that outlined a reduction of £6.2 billion of public sector spending for the current year (2010/2011). Local government were given a target of £1.2 billion, mainly through Area Based Grant reductions. From June 2010, Middlesbrough received a reduction in central government support of £4.4 million (£3.2 million revenue funding; £1.2 million Capital funding). The reductions represented a 10.45% reduction in Area Based Grant funding to Middlesbrough.

27. **Balance Sheet - Appendix B.** This statement is important to the understanding of the local authority's financial position as at the 31st March 2011. It reports details of, the value of assets owned by the council, the level of creditors (amounts owed by the Council), the level of debtors (amounts owed to the Council) and the level of provisions and balances maintained by the Council. The main items of note are as follows:
28. Long Term Assets – these are assets owned by the authority which are used either in direct service provision or held for investment purposes. The value as at 31 March 2011 is £648.1 million (March 2010 - £629.2 million). Fixed assets are revalued at least every five years and there was an increase in the value of assets revalued during 2010/2011 of £15.0 million. Intangible assets are expenditure which does not result in a tangible assets such as software and other licences. Other long-term investments and long term debtors relate to investments with a maturity date in excess of 12 months from the balance sheet date and debt outstanding on mortgages provided to third parties for the purchase of Council and private dwellings.
29. Current Assets – the main items included within this heading are debtors i.e. money owed to the Council as at 31 March 2011 and short-term investments (money invested in other local authorities, a variety of banks and building societies). Short-term investments have increased by £4.6m to £25.6 million mainly as a result of some long term loans maturing in 2011/2012. The Council's short term debtors decreased by £1.6 million to £37.0 million which is due to:
- Reduction in Vat contributions Of £0.8 million;
 - Designated Authority Contributions fell by £0.2 million
 - Section 106 developers Contributions reduced by £0.4 million;
 - Recharges for the Tees Community Equipment service were £0.3 million compared to the previous year end.
30. Current Liabilities – this is the amount of money owed by the Council to its suppliers and contractors, which totalled £48.9 million as at 31 March 2011 (£48.5 million as at 31 March 2010).
31. Long term Liabilities – this section is made up of several different items. Long term borrowing and the value of the pension liability makes up approximately 97.8% of the total. Long term borrowing was reduced by £5.0 million to £75.4 million during 2010/2011 as the Council repaid loans and did not arrange any new borrowing. The Pension Liability reduced to £79.1 million from £192.95 million at March 2010 due to increases in asset values and a change by central government to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The assumption is that CPI will increase at a slower rate than RPI and so pension increase and therefore liabilities will be lower. This is the value placed on the Council liability by the Pension Fund Actuary and is offset in the balance sheet by a corresponding credit on the Pension Reserve.
32. The Council used £0.5 million of Provisions, which it had set aside to deal with long term liabilities including single status, equal pay and Building Schools for the Future. A full list is included in Appendix C.

33. Financed by – the total of all the items within this section is the value of the net worth of the Council. It shows the reserves and balances held as at 31 March 2011, and can be split between unuseable and usable reserves as follows:
- Useable Reserves – The Council's budget monitoring gives greater prominence to the level of cash backed reserves in the form of the general fund balance and earmarked reserves which are potentially useable to finance revenue and capital spending. A full list is included in Appendix D.
 - Unuseable Reserves - The unusable reserves are the Revaluation Reserve (£99.0 million) and the Capital Adjustment Account (£444.3 million), which are not cash backed. The Capital Adjustment Account records the consumption of the value of asset and what used to be called deferred charges and is now Revenue Expenditure Funded from Capital under Statute over the period that the authority benefits from the expenditure.
34. **Movement in Reserves Statement - Appendix E.** This statement shows the movement in the year on the different reserves held by the Council, split into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
35. The Coalition Government issued the draft Local Government Finance Report on the 13th December 2010 with the final settlement being confirmed on the 31 January 2011. This set out detailed Local government figures on an individual authority basis for the next two years. Middlesbrough received an 8.8% reduction in "Revenue Spending Power", which is a reduction of approximately £15.2 million for 2011/2012. This was one of the highest levels of reduction within England. There is a further reduction of £5.9 million in central government support for 2012/2013
36. In addition to the reduction in external funding there are increased costs and financial risks from increases in service pressure relating to fostering and residential care for Supported Children (£2.3 million) and in Adult Social Care (£ 0.750 million), largely the result of an ageing population with increasing care needs.
37. Over the next four years the total gap is estimated to be £50 million.
38. The Council has identified savings from service efficiencies, staffing structure reviews, accommodation review, joint working with other bodies, and service reductions to fund the reductions for 2011/2012. The process is continuing during 2011/2012 and the Council will need to make some difficult and fundamental changes in the services it provides and the way it operates to cover the £50 million.
39. There will be a significant risk on the delivery of planned savings/cuts and the Council will need to continue to invest in service reconfiguration both to improve services and generate greater savings. The Council has transferred savings made during 2010/2011 (£5.4 million) in to the Invest to Save/Change Programme

Reserve to fund this essential investment. It has also transferred £0.5 million into the Social Care / Venerable Children reserve to cover financial risks related to increased demand.

40. **Cash Flow Statement - Appendix F.** This Statement explains the movement in the Council's cash balances over the year and summarises the inflows and outflows of cash. The other main Statements are produced on an accruals basis, whereby income and expenditure are matched to the period to which they relate whether or not it has been paid or received. This Statement has any non-cash accounting adjustments and accruals removed and displays the situation relating to actual cash received from third parties and actual cash paid to third parties.
41. **Collection Fund.** This statement has no equivalent in the private sector. It is required by statute and shows the transactions the Council has undertaken in relation to Non-Domestic Rates and Council Tax income. The information within the collection fund statement is consolidated into the Comprehensive Income and Expenditure Account under sources of finance.
42. **Teesside Pension Fund Accounts.** The Pension Fund Accounts show the contributions to the Council's Pension Fund for employees employed by the 71 contributing bodies during 2010/2011, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the fund as at 31 March 2011. The average pension paid in 2010/2011 was £3,825 (£3,743 in 2009/2010).
43. The membership of the Fund has once again shown a small rise over last year, with total membership now standing at 61,388, an increase of 1,799 on last year. However the impact of the current depressed economic situation is shown by the fact that, for the second consecutive year and the third year in the last 5, the number of active members has fallen. Contributing to this fall were a significant number of early retirements, particularly towards the year end, as some of the major employers engaged in further voluntary redundancy exercises.
44. Every three years the Fund actuary, Barnett Waddingham, carries out a full actuarial valuation of the Fund. At the latest valuation the actuary was able to declare a funding level of 99% for the Teesside Fund. This allowed many of the employers in the Fund to decrease the amount of their contribution for the next three years, releasing money for front-line services. The next valuation is due to be determined during 2013.
45. **Appendices:** Attached to this report are extracts from the draft Statement of Accounts providing details of the main accounting financial statements. A copy of the full draft statement has been made available to all members of the Corporate Affairs Committee. A copy of the full statement has been deposited within the Members Library. In addition a copy of the statements will be made available on the Council's Web site.

External Review

46. The Statements will be subject to external audit - Deloitte, which will commence on 4th July and is expected to be complete on the 22nd August. A statement (ISA260) will be produced which details any unadjusted misstatements found during the course of the audit.
47. The preparation of the Statement of Accounts has been undertaken in accordance with an internal quality assurance framework to ensure the accounts are prepared in accordance with the SORP and changes from the introduction of IFRS.

Role of the Corporate Affairs Committee

48. The role of the Corporate Affairs Committee is to examine the accounts and in particular to consider the following:
 - What were the key judgments made in preparation of this years accounts?
 - Are there any significant changes from the introduction of IFRS?
 - What impact has the economic climate had on the accounts?
 - Assurances about the financial systems that have provided the figures for the accounts;
 - What quality control arrangements over the preparation of the accounts were put in place by the Director of Resources and his staff;
 - Any issues raised by the External Auditors - Deloitte.
49. The members of the committee also have a responsibility to challenge and ensure themselves of the robustness of the overall financial position of the Council.
50. As noted earlier in this report, the format of the Statement of Accounts is heavily prescribed by a range of regulations and reporting arrangements. However, it is important that they are understandable and meaningful to all stakeholders. Although constrained by regulations and reporting standards, the Council is always looking to improve the content and format of the Statement of Accounts. Members' comments on how the Accounts and explanatory information could be improved in the future are therefore welcome.

OPTION APPRAISAL/RISK ASSESSMENT

51. Risk:

Risk	Category	Implications
The Council's accounts are significantly incorrect, incomplete or misstated and are "qualified" by the External auditor.	Financial Reputation	<ul style="list-style-type: none"> • Uncertainty about the financial position of the Council. • Lack of external confidence in the Council's finances could result in increased costs to the Council. • In extreme circumstances central government could appoint an external team to directly intervene in running the Council.
The Council's overall financial position is not robust.	Financial Service	<ul style="list-style-type: none"> • The Council's ability to meet future financial challenges would be significantly limited. • In extreme circumstances the Council would not be able to pay it's bills.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

52. Overall the accounts show a sound financial position for the Council with the level of balances being in line with the Council's Medium Term Financial Plan.
53. The application of sound financial management across all services was reflected in the final outturn for the year with a net saving compared to budget of £418,000 (0.30%).
54. Actual capital spend in the year was £86.5 million, compared with a budget of £103.5 million. Expenditure during the year was mainly funded from grants (81.7%), from borrowing (17.8%), and from capital contributions (0.5%). The percentage of spend achieved compared to the budget represented 83.6%.

RECOMMENDATIONS

55. It is recommended that Members of the Corporate Affairs Committee comment on the contents of the draft Statement of Accounts 2010/2011.

REASONS

56. The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2011 in accordance with guidance produced by CIPFA.

BACKGROUND PAPERS

57. The following papers were used in the preparation of the report: -
- Code of Practice on Local Authority Accounting in the UK – SORP 2010.
 - Annual Governance Statement Report to Audit & Governance Committee 26th May 2011
 - 2010/2011 Outturn report to Executive on the 21st June 2011

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APPENDIX A

Comprehensive Income and Expenditure Statement

2009/10				2010/11		
Gross Exp. £000s	Gross Income £000s	Net Exp. £000s	Note	Gross Exp. £000s	Gross Income £000s	Net Exp. £000s
20,381	18,175	2,206	Central Services to the public	20,990	19,295	1,695
68,543	21,796	46,747	Cultural, Environmental, Regulatory and Planning services	71,484	26,348	45,136
172,856	129,435	43,421	Education and Children's services	219,960	169,133	50,827
22,023	6,867	15,156	Highways and Transport services	31,090	15,547	15,543
59,319	70,144	(10,825)	Other housing services	77,293	73,814	3,479
77,383	31,201	46,182	Adult Social Care	79,732	27,684	52,048
3,437	201	3,236	Corporate and Democratic Core	3,709	58	3,651
1,098	2	1,096	Non Distributed Costs	(49,403)	0	(49,403)
425,040	277,821	147,219	Cost Of Services	454,855	331,879	122,976
9	0	9	Other Operating Expenditure	13,814	0	13,814
33,803	24,956	8,847	Financing and Investment Income and Expenditure	58,239	43,372	14,867
0	210,570	(210,570)	Taxation and Non-Specific Grant Income	0	210,809	(210,809)
		(54,495)	(Surplus) or Deficit on Provision of Services			(59,152)

APPENDIX A

2009/10			Note	2010/11		
Gross Exp.	Gross Income	Net Exp.		Gross Exp.	Gross Income	Net Exp.
2009/10			Note	2010/11		
Gross Exp. £000s	Gross Income £000s	Net Exp. £000s		Gross Exp. £000s	Gross Income £000s	Net Exp. £000s
		(24,524)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(16,972)
		275	(Surplus) or deficit on revaluation of Long Term Investment			0
		3,738	(Gains)/losses on Capital Movements			0
		92,983	Actuarial (gains) / losses on pension assets / liabilities			(66,619)
		72,472	Other Comprehensive Income and Expenditure			(83,591)
		17,977	Total Comprehensive Income and Expenditure			(142,743)

Balance Sheet

1st April 2009 £000s	31st March 2010 £000s		Notes	31st March 2011 £000s
513,200	561,897	Property, Plant & Equipment	13	589,275
36,623	61,140	Investment Property	14	55,979
1,299	1,393	Intangible Assets	15	1,154
0	0	Assets Held for Sale		0
6,470	3,692	Long Term Investments	50	673
1,072	1,095	Long Term Debtors	51	1,061
558,664	629,217	Long Term Assets		648,142
40,318	21,020	Short Term Investments		25,580
313	1,300	Assets held for sale	20	1,458
2,606	2,355	Inventories	17	2,278
44,403	38,899	Short Term Debtors	18	37,325
1	2	Intangible Current Assets		1
7,380	20,950	Cash and Cash Equivalents	19	20,848
95,021	84,526	Current Assets		87,490
0	0	Short Term Borrowing		5,000
43,620	48,501	Short Term Creditors	21	43,934
1,540	759	Provisions	22	1,611
45,160	49,260	Current Liabilities		50,545
		Long Term Creditors		
3,691	3,319	Provisions	22	2,734
100,511	80,381	Long Term Borrowing	16	75,363
97,164	192,957	Pension Liability	43	79,096
2,063	668	Other Long Term Liabilities		582
4,550	4,589	Capital Grants Receipts in Advance	36	2,000
207,979	281,914	Long Term Liabilities		159,775
400,546	382,569	Net Assets		525,312
51,749	59,146	Usable reserves	23	74,606
348,797	323,423	Unusable Reserves	24	450,706
400,546	382,569	Total Reserves		525,312

Provisions

	Balance at 1 April 2010 £000	Additional Provision made in 2010/11 £000	Amounts used in 2010/11 £000	Unused amounts reversed in 2010/11 £000	Balance at 31 March 2011 £000
Long Term					
Business Loan	70	0	0	0	70
Guarantees					
Housing Pension	2,800	0	(200)	0	2,600
Contribution Deficit					
ML Shop	0	30	0	0	30
HR Initiatives & Equal Pay	449	0	(415)	0	34
Total - Long Term	3,319	30	(615)	0	2,734
Current					
Write back of unpresented cheques	28	81	0	0	109
Landfill usage liability	2	0	0	(2)	0
Building Schools for the Future	302	0	(98)	0	204
Repayment of Capital Grants	307	21	(121)	0	207
Business Rents Provisi	120	0	0	(120)	0
Early Retirement/ Voluntary Redundancy	0	1,091	0	0	1,091
Total - Current	759	1,193	(219)	(122)	1,611
TOTAL PROVISIONS	4,078	1,223	(834)	(122)	4,345

Earmarked Reserves

2010/11

	Balance at 1 April £000	Transfers In £000	Transfers Out £000	Balance at 31 March £000
School Reserves				
School Balances	4,686	445	0	5,131
Total School Reserves	4,686	445	0	5,131
Investment Reserves				
Durham Tees Valley Airport	364	0	0	364
SITA Tees Valley Ltd	309	0	0	309
Total Investment Reserves	673	0	0	673
Specific Revenue Reserves				
Insurance Fund (MBC)	1,401	2,802	(2,585)	1,618
Insurance Fund (CBC)	897	5	(68)	834
Accommodation Review	21	0	(21)	0
IT Development	319	0	0	319
Service Middlesbrough	1,286	0	(1,286)	0
Social Care & Vulnerable Children	1,000	500	0	1,500
Performance Reward Grant	504	0	(473)	31
European Grant Reserve	128	0	0	128
Initiatives Fund	150	0	(150)	0
Research and Development in Future Provision in Schools	254	0	(254)	0
Investment to Save/Change Programme	1,302	9,324	(5,488)	5,138
WNF and JIP Grants	1,048	1,373	(1,048)	1,373
Election cost Reserve	70	95	0	165
Multi Functional Devices Reserve	9	0	0	9
ABG Reserve	281	0	(244)	37
Middlehaven Commuted Sums	137	0	(137)	0
Revenue Grants Unapplied	7,472	4,187	(7,471)	4,188
DRF reserve	3,290	1,135	(1,427)	2,998
BSF ICT Reserve	0	511	0	511
Social Care Winter Pressures	0	520	0	520
Land Search Fee Reserve	0	34	0	34
DSG Central Expenditure	0	522	0	522
MIMA Asset Reserve	0	147	0	147
Total Specific Reserves	19,569	21,155	(20,652)	20,072
Total Revenue Reserves	24,928	21,600	(20,652)	25,876

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	(5,539)	(26,457)	(11,462)	(8,291)	(51,749)	(348,797)	(400,546)
<u>Movements in Reserves during 2009/10</u>							
(Surplus) or deficit on provision of services (accounting basis)	(54,495)	0	0	0	(54,495)	0	(54,495)
Other Comprehensive Income and Expenditure	0	275	0	0	275	72,197	72,472
Total Comprehensive Income and Expenditure	(54,495)	275	0	0	(54,220)	72,197	17,977
Adjustments between accounting basis & funding basis under regulations (note 8)	55,709	(142)	1,164	(9,908)	46,823	(46,823)	0
Net increase/decrease before Transfers to earmarked reserves	1,214	133	1,164	(9,908)	(7,397)	25,374	17,977
Transfers to / from Earmarked Reserves (note 9)	(1,396)	1,396	0	0	0	0	0
Increase / Decrease in 2009/10	(182)	1,529	1,164	(9,908)	(7,397)	25,374	17,977
Balance at 31 March 2010 carried forward	(5,721)	(24,928)	(10,298)	(18,199)	(59,146)	(323,423)	(382,569)
<u>Movements in Reserves during 2010/11</u>							
Surplus or (deficit) on provision of services (accounting basis)	(59,152)	0	0	0	(59,152)	0	(59,152)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(83,591)	(83,591)
Total Comprehensive Income and Expenditure	(59,152)	0	0	0	(59,152)	(83,591)	(142,743)
Adjustments between accounting basis & funding basis under regulations (note 8)	58,786	0	(2,138)	(12,956)	43,692	(43,692)	0
Net increase/decrease before Transfers to earmarked reserves	(366)	0	(2,138)	(12,956)	(15,460)	(127,283)	(142,743)
Transfers to / from Earmarked Reserves (note 9)	948	(948)	0	0	0	0	0
Increase / Decrease in 2010/11	582	(948)	(2,138)	(12,956)	(15,460)	(127,283)	(142,743)
Balance at 31 March 2011 carried forward	(5,139)	(25,876)	(12,436)	(31,155)	(74,606)	(450,706)	(525,312)

Cash Flow Statement

2009/10 £'000	Note	2010/11 £'000
(9,503) Operating Activities	25	(6,805)
(31,032) Investing Activities	26	3,214
26,965 Financing Activities	27	3,693
Net increase or decrease in cash and cash (13,570) equivalents		102
Cash and cash equivalents at the beginning of the 7,380 reporting period		20,950
Cash and cash equivalents at the end of the 20,950 reporting period		20,848

