

MIDDLESBROUGH COUNCIL

AGENDA ITEM

COMMITTEE REPORT

CORPORATE AFFAIRS COMMITTEE

26TH SEPTEMBER 2012

STATEMENT OF ACCOUNTS 2011/12

Paul Slocombe Director of Strategic 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 Statement of Accounts 2011/2012.

BACKGROUND

2. 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 Code). The Code 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.
3. The 2011/2012 Statement Of Accounts has been prepared in compliance with International Financial Reporting Standards (IFRS).
4. The Statement of Accounts has had the following alterations made to the figures from the draft presented to members in June 2012. There is no impact on the outturn for the year or the Councils overall financial standing.

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	Issue	Alteration
1	Valuation of Investment Properties	
a	The reclassification of Car parks from Property, Plant & Equipment to investment property.	Change of £7.119 million between the two headings under Long Term Assets on the Balance sheet. There is nil impact overall.
b	The valuations of all the Council's car parks have been reviewed because of the significant fall in income over the past couple of years. This review resulted in a net decrease in the asset values.	The value of the Council's Long Term Assets was reduced by £1.569 million.
c	The valuations of all the Council's administrative buildings were reviewed because of a reduction in the rental value per square metre over past couple of years. This review resulted in a net decrease in the asset values.	The value of the Council's Long Term Assets was reduced by £1.674 million.
d	The Property, Plant & Equipment valuations had included an amount for capital finance costs. The CIPFA accounting guidance specifies that these costs should have been excluded. The revised valuations have resulted in a net decrease in the asset values.	The value of the Council's Long Term Assets was reduced by £8.255 million.

5. Attached to this report are extracts from the audited Statement of Accounts 2011/2012:

- **Appendix A - Comprehensive Income and Expenditure Statement.**

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, a statutory requirement.

- **Appendix B - Balance Sheet.**

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.

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- **Appendix C – Movement on Reserves Statement.**

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.

- **Appendix D - Cash Flow Statement.**

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.

- **Appendix E - Collection Fund Statement.**

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 collection.

- **Appendix F – Teesside Pension Fund Statement.**

The Pension Fund Accounts show the contributions to the Council's Pension Fund, for employees employed by the 72 contributing bodies during 2011/2012, 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 2012.

6. A copy of the full Statement of Accounts has been made available to all members of the Corporate Affairs Committee and a copy has been placed within the Members Library. In addition a copy of the accounts will be made available on the Council's website, once the External Auditor has signed the document.
7. The final Statement of Accounts has been produced within the timetable. There were a number of issues raised by the External Auditor - Deloitte. The External auditor will present a draft report, which summarises the principal matters that have arisen from the audit for the year-end 31 March 2012 to the Committee.

EXTERNAL CONSULTATION

8. Notice was given in the local press for any interested person to inspect, and make copies of, the Statement of Accounts and other supporting documents between 3rd July and 30th July 2012. There were no interested persons again this year.

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FINANCIAL, LEGAL AND WARD IMPLICATIONS

9. 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.

RECOMMENDATIONS

10. It is recommended that members approve the final 2011/2012 Statement of Accounts in the revised format.

REASONS

11. The recommendation is supported by the requirement to comply with the 2004 Accounts and Audit Regulations, which require the audited Statement of Accounts to be approved by the 30th September 2012.

BACKGROUND PAPERS

The following papers were used in the preparation of the report: -

- Final Statement of Accounts 2011/2012.
- Report to Corporate Affairs Committee 22nd June 2012.

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Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2012

Prior Year		Current Year				
Gross Expenditure £' 000	Gross Income £' 000	Net Expenditure (Income) £' 000	Cost of Services by Service Area	Gross Expenditure £' 000	Gross Income £' 000	Net Expenditure (Income) £' 000
20,990	(19,295)	1,695	Central Services to the Public	21,828	(19,668)	2,160
24,202	(7,101)	17,101	Cultural and Related Services	26,738	(8,327)	18,411
23,147	(5,759)	17,388	Environmental & Regulatory Services	22,038	(5,783)	16,255
16,342	(4,579)	11,763	Planning Services	15,855	(4,907)	10,948
192,469	(158,811)	33,658	Education and Children's Services	219,880	(139,207)	80,673
20,726	(5,183)	15,543	Highways and Transport Services	21,258	(4,374)	16,884
77,293	(73,814)	3,479	Other Housing Services	80,668	(77,229)	3,439
75,887	(23,839)	52,048	Adult Social Care	77,420	(26,547)	50,873
451,056	(298,381)	152,675	Total Cost of Direct Services	485,685	(286,042)	199,643
3,709	(58)	3,651	Corporate and Democratic Core	3,494	(23)	3,471
(49,403)	-	(49,403)	Non Distributed Costs	40,962	-	40,962
405,362	(298,439)	106,923	Total Cost of Services	530,141	(286,065)	244,076
		34,686	Other Operating Income & Expenditure			12,794
		26,580	Financing and Investment Activities			1,836
		(211,735)	Taxation and Non - Specific Grants			(159,768)
		(43,546)	(Surplus) or Deficit on provision of services transferred to the General Fund			98,938
		(73,368)	Other Comprehensive Income & Expenditure			126,426
		(116,914)	Total Comprehensive Income and Expenditure			225,364

Balance Sheet as at 31 March 2012			
At 31 March 2010 as restated	At 31 March 2011 as restated		At 31 March 2012
£' 000	£' 000		£' 000
		Long Term Assets	
554,243	569,386	Property, Plant & Equipment	470,655
21,844	21,844	Heritage Assets	25,580
61,140	43,745	Investment Properties	55,461
1,393	1,154	Intangible Assets	995
3,692	673	Long Term Investments	2,823
1,095	1,061	Long Term Debtors	1,094
643,407	637,863	Total Long Term Assets	556,608
		Current Assets	
21,020	25,580	Short Term Investments	14,133
1,300	1,458	Assets held for sale	1,813
2,355	2,278	Inventories	2,100
38,899	37,325	Short Term Debtors	36,307
2	1	Current Intangible Assets	-
20,950	20,848	Cash and Cash Equivalents	17,595
84,526	87,490	Total Current Assets	71,948
		Current Liabilities	
-	(5,000)	Short Term Borrowing	(7,852)
(48,501)	(45,294)	Short Term Creditors	(43,245)
(759)	(1,611)	Provisions	(819)
(49,260)	(51,905)	Total Current Liabilities	(51,916)
		Long Term Liabilities	
(3,319)	(2,734)	Provisions	(3,911)
(80,381)	(75,363)	Long Term Borrowing	(84,399)
(192,957)	(79,096)	Pension Liability	(199,478)
(668)	(582)	Other Long Term Liabilities	(369)
(4,589)	(2,000)	Capital Grants Receipts in Advance	(174)
(281,914)	(159,775)	Total Long Term Liabilities	(288,331)
396,759	513,673	Net Assets	288,309
		Reserves	
59,146	73,246	Usable Reserves	60,225
337,613	440,427	Unusable Reserves	228,084
396,759	513,673	Total Reserves	288,309

The Balance Sheets at 31 March 2010 and 31 March 2011 have been restated as a result of the introduction of a new accounting treatment for Heritage Assets.

Movement in Reserves Statement

	General Fund £'000	Earmarked General Fund Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Useable Reserves £'000	Unuseable Reserves £'000	Total Reserves £'000
Movement in Reserves for the year ended 31 March 2012	5,139	24,516	12,436	31,155	73,246	440,427	513,673
Balance at 1 April 2011 as restated	(98,938)				(98,938)		(98,938)
(Deficit) on provision of services (accounting basis)							
Other Comprehensive Income and Expenditure (note 12)					-	(126,426)	(126,426)
Total Comprehensive Income and Expenditure	(98,938)	-	-	-	(98,938)	(126,426)	(225,364)
Adjustments between accounting basis & funding basis under regulations (note 6)	97,269		1,119	(12,471)	85,917	(85,917)	-
Other Movements in Unusable Reserves (note 27)					-	-	-
Total Movements and adjustments	97,269	-	1,119	(12,471)	85,917	(85,917)	-
Increase / (Decrease) before transfers to Earmarked Reserves	(1,669)	-	1,119	(12,471)	(13,021)	(212,343)	(225,364)
Transfer (to) / from Earmarked Reserves (note 7)	1,569	(1,569)			-		-
Increase / (Decrease) in the year ended 31 March 2012	(100)	(1,569)	1,119	(12,471)	(13,021)	(212,343)	(225,364)
Balance at 31 March 2012	5,039	22,947	13,555	18,684	60,225	228,084	288,309

Movement in Reserves Statement

	General Fund	Earmarked General Fund Reserve	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Useable Reserves	Unuseable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Movement in Reserves for the year ended 31 March 2011							
Balance at 1 April 2010 as restated	5,721	24,928	10,298	18,199	59,146	337,613	396,759
Surplus on provision of services (accounting basis)	43,546				43,546		43,546
Other Comprehensive Income and Expenditure (note 12)					-	73,368	73,368
Total Comprehensive Income and Expenditure	43,546	-	-	-	43,546	73,368	116,914
Adjustments between accounting basis & funding basis under regulations (note 7)	(44,540)		2,138	12,956	(29,446)	29,446	-
Other Movements in Unusable Reserves (note 27)					-	-	-
Total Movements and adjustments	(44,540)	-	2,138	12,956	(29,446)	29,446	-
Increase / (Decrease) before transfers to Earmarked Reserves	(994)	-	2,138	12,956	14,100	102,814	116,914
Transfer (to) / from Earmarked Reserves (note 7)	412	(412)			-		-
Increase / (Decrease) in the year ended 31 March 2011	(582)	(412)	2,138	12,956	14,100	102,814	116,914
Balance at 31 March 2011 as restated	5,139	24,516	12,436	31,155	73,246	440,427	513,673

Cash Flow Statement for the Year ended 31 March 2012		
Year to 31 March 2011 (as restated - see note 1b)"		Year to 31 March 2012
£' 000		£' 000
43,546	Surplus / (deficit) on provision of services	(98,938)
	Adjustment for items not affecting cash flow	
16,083	Depreciation of Property Plant and Equipment	16,938
413	Amortisation of Intangible Assets	366
3,500	Impairments to Property Plant and Equipment	85,520
563	Impairments to Assets held for sale	-
18,467	Fair Value losses on Investment Properties	952
(3,070)	Donated Property Plant and Equipment	(2,771)
(4)	Donated Investment Properties	(1,065)
1	Impairment on Long Term Intangibles	1
-	Write down of Long Term Investments	364
34,676	Deficit on Disposal of non current assets	12,782
(542)	Difference between Current Service Cost and Contributions made to the Pension Scheme	(323)
(46,700)	Impact of Changes to Actuarial Assumptions applied to the Pension Scheme Deficit	(183)
(2,595)	Release of Revenue and Grants Received in Advance (net)	(1,826)
267	Movement in Provisions	385
64,605	Surplus on provision of services after non cash adjustments	12,202
	Other operating Cashflows	
(1,679)	Cash absorbed by the reduction in creditors	(2,059)
1,608	Cash generated by the reduction in debtors	985
77	Cash generated by the reduction in inventory	178
64,611	Net cash flow from operating activities	11,306
(63,087)	Investing Activities	(26,244)
(1,626)	Financing Activities	11,685
(102)	Net decrease in cash and cash equivalents	(3,253)
20,950	Cash and Cash Equivalents at the start of the period	20,848
20,848	Cash and Cash Equivalents at the end of the period	17,595

Collection Fund Income and Expenditure Account

2010/11 £000		2011/12 £000
	Income	
42,986	Council Tax	43,110
	Transfers from General Fund	
17,382	Council Tax Benefits	17,806
(1)	Transitional Relief	(2)
36,330	Income from Business Rate Payers	38,226
	Contributions towards previous years estimate	
357	Collection Fund (Surplus) / Deficit	(46)
0	Bad Debts provision	0
97,054	Total Income	99,094
	Expenditure	
	Precepts and Demands:	
50,242	Middlesbrough Council	50,125
7,478	Cleveland Police Authority	7,461
2,547	Cleveland Fire Authority	2,541
	Business Rates	
36,147	Payments to National Pool	38,045
183	Costs of Collection	181
	Bad & Doubtful Debts	
134	Write Offs	44
22	Provisions	618
96,753	Total Expenditure	99,015
301	Movement on Fund Balance	79

Teesside Pension Fund

Fund Accounts for the year ended 31st March 2012

2010/11 £000		2011/12 £000
	Contributions and Benefits	
99,207	Contributions	91,358
8,624	Transfers in	10,743
9,297	Other income	5,505
117,128		107,606
101,511	Benefits	102,867
10,380	Leavers	4,155
1,561	Administrative expenses	1,597
113,452		108,619
3,676	Net additions from dealings with members	(1,013)
	Returns on investment	
66,136	Investment income	77,382
146,314	Change in market value of investments	(64,978)
(1,253)	Investment management expenses	(1,222)
211,197	Net returns on investments	11,182
214,873	Net increase in the Fund during the year	10,169
2,371,622	Net assets of the scheme as at 1st April	2,586,495
2,586,495	Net assets of the scheme as at 31st March	2,596,664

2011	Net Assets Statement as at 31st March	2012
2,565,629	Investments Assets	2,579,973
21,234	Current Assets	17,391
3,124	Debtors due over 1 year	2,893
(3,492)	Current liabilities	(3,593)
2,586,495	Net assets of the scheme at 31st March	2,596,664

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Administering Authority. They do not take account of obligations to pay pensions and benefits that fall due after the end of the scheme year.

