

MIDDLESBROUGH COUNCIL

AGENDA ITEM

COMMITTEE REPORT

CORPORATE AFFAIRS

28TH JUNE 2013

DRAFT STATEMENT OF ACCOUNTS 2012/13

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 Draft Statement of Accounts 2012/2013.
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 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.
4. The 2012/2013 Statement Of Accounts has been prepared in compliance with International Financial Reporting Standards (IFRS).
5. The purpose of each of the Statements within the Accounts is as follows:
6. **Explanatory Foreword – Appendix A.** The aim of the foreword is to provide narrative context to the accounts by briefly explaining the main sections and presenting a summary of the Council's financial position and performance for the year and its prospects for future years.
7. **Annual Governance Statement.** The Annual Governance Statement reports on the key financial controls and wider governance arrangements in operation within the Council. The members of the Audit & Governance Committee approved the statement on the 23rd May 2013.

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8. **Comprehensive Income and Expenditure Statement – Appendix B.** 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 Service Reporting Code of Practice (SeRCOP) classification, again a statutory requirement.
9. **Balance Sheet – Appendix C.** 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:
10. **Movement in Reserves Statement Appendix D.** 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.
11. **Cash Flow Statement – Appendix E.** 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.
12. **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.
13. **Teesside Pension Fund Accounts.** The Teesside Pension Fund is a local authority Occupational Pension Scheme and the management structure and scheme rules are defined in the Local Government Pension Scheme Regulations 1997. The Fund provides for the payment of retirement benefits to local authority employees and former employees of the Teesside area and other bodies admitted by agreement. The Fund is administered by Middlesbrough Council via the Teesside Pension Fund and Investment Panel, which has plenary powers to make decisions without reference to the Council. The Panel acts in a similar manner to a Board of Trustees of a private sector pension fund.

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14. The day to day running of the Teesside Pension Fund is delegated to the Director of Strategic Resources of Middlesbrough Council. He is responsible for implementing the strategies and policies set by the Pensions and Investment Panel. Supporting him is a team of staff split into two units, one being the Pensions Administration Unit, which is responsible for the calculation and payment of pension benefits and for looking after the employer interests in the Fund. The other is the Loans and Investment Unit, which is responsible for the investments made by the Fund.

External Review

15. The Statements will be subject to external audit - Deloitte, which will commence on 1st July and is expected to be complete on the 31st August. A statement (ISA260) will be produced which details any unadjusted misstatements found during the course of the audit.
16. 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 Code and IFRS.

ROLE OF THE CORPORATE AFFAIRS COMMITTEE

17. 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?
 - 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.
18. The members of the committee also have a responsibility to challenge and be confident in the robustness of the overall financial position of the Council.
19. 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 can be improved in the future are therefore welcome.

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OPTION APPRAISAL/RISK ASSESSMENT

20. Risk:

Risk	Category	Implications
The Council's accounts are significantly incorrect, incomplete or misstated and are "qualified" by the External auditor	Financial Reputation	Member's confidence in the finance service reduced. External criticism.
The Council's overall financial position is not robust.	Financial Service	The Council could not meet future financial challenges/ increases in service demands without imposing cuts.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

21. 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.
22. 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 £191,000 (0.14%).

RECOMMENDATIONS

23. It is recommended that Members of the Corporate Affairs Committee comment on the contents of the draft Statement of Accounts 2012/2013.

REASONS

24. The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2013 in accordance with guidance produced by CIPFA.

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Foreword From The Director of Strategic Resources Paul Slocombe

Middlesbrough Council's financial statements for 2012/13, have been prepared in accordance with the standard format for local authority accounts, recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2012/13, as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, based on International Financial Reporting Standards. 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.

Middlesbrough Council is a large and diverse organisation and the information contained in these accounts is technical and complex. The aim of this foreword, therefore, is to provide narrative context to the accounts by briefly explaining the main sections and presenting a summary of the Council's financial position and performance for the year and its prospects for future years.

Background to the Council

Middlesbrough Council is a unitary local authority serving the people of Middlesbrough, and was created following the abolition of Cleveland County Council in 1996 alongside the three adjacent unitaries of Hartlepool, Redcar and Cleveland and Stockton on Tees. It is the ninth smallest unitary authority in England by area.

The Council acts as Middlesbrough's community leader, working with local residents and businesses, public sector partners and the voluntary and community sector to improve local social, economic and environmental well being for all and to secure the long term sustainability of the town. It has an array of statutory responsibilities and powers, and commissions or delivers a wide range of public services, funded in the main by government grants, council tax and business rates. It is one of the largest employers in the Tees Valley area, providing work for more than 4,500 people.

For the period of these accounts, the Council had a Mayoral style of government, which comprised the Mayor with a mixed party Executive of six members (including the Deputy Mayor) who each have responsibility for looking after an area of the Council's business. To support the work of the Executive and also to hold it to account there are a number of Scrutiny Committees.

In support of the Executive, Committees and the elected members is the management structure of officers. For operational purposes the Council is split into a number of directorates, each headed by a Director with responsibility for a range of services, all reporting to the Chief Executive. The directorates (together with a brief overview of their functions) include:

- **Wellbeing, Care And Learning** (includes Youth Services, Children's Social Care, Corporate Parenting, Family Support, Adoption & Foster Care, Looked After Children, Schools, Early Years provision including Children Centres, Adult Learning, Commissioned Services, Assessment & Care Management, Supporting People, Day Care, Domiciliary care and Personalised Care).

- ***Neighbourhoods and Communities*** - (includes, Housing Strategy, Economic Development, Employment Services, Planning & Building Control, Highways & Transport, Parking, Asset Management, Commercial Estates, Culture, Tourism Libraries, Sports, Parks & Outdoor Recreation, Community Safety, Environmental Health, Environmental Services, Licensing & Enforcement and Cemeteries & Crematoria)
- ***Strategic Resources*** (includes Finance, Internal Audit, Strategic Procurement and Contract compliance, Insurance, Benefits, Council Tax/NNDR, Capital, Pensions and Loans & Investments).
- ***Legal Services*** (includes Legal and Democratic Services).
- ***The Assistant Chief Executive's Department*** - (includes Human Resources, Policy Making, Risk Management and IT)

Middlesbrough Council Vision

In August 2012, Executive approved the future vision for the town as the place to live, work and visit with:

- A town that is clean, safe and healthy;
- A learning town, in which families and communities thrive;
- A town that continues to transform.

The vision was subsequently been adopted by partner agencies through the Middlesbrough Partnership. The Council in its role as community leader will work with the community and partners over the coming years to deliver that vision.

A key part of the Council's approach to furthering the vision for Middlesbrough will be engagement in Tees Valley wide initiatives, including the City Deal currently being negotiated. This recognises that most Middlesbrough residents are likely to work within the Tees Valley area and that the benefits that accrue from five local authorities working together with the private sector to improve the local economy will greatly benefit Middlesbrough and its residents. This collaborative approach has seen many successes to date and has contributed greatly to the transformation of the town through:

- securing significant European and Regional Development Agency funding to invest in both Middlehaven and Digital City;
- accessing housing market renewal resources invested in schemes such as Gresham, St Hilda's, West Lane and Grove Hill;
- investment in transport infrastructure, including the new railway station at James Cook University Hospital
- investment in renovating empty business premises, including Crown House and the former Cleveland Club.

The Council will also be seeking to learn from the experience of other local authorities in leading transformation. This will particularly focus on those who have adopted a co-operative approach in this regard, for example Leeds, Oldham, Newcastle and Lambeth. By working co-operatively with others, the Council can maximise the potential to co-design and deliver local services and manage local assets. This will enable future delivery models to reflect social values as well as achieving cost savings

The Council will continue to focus on delivering excellent financial management in order to ensure that the wider organisation is best placed to deliver the core strategic aims of the Council.

Core Financial Statements

The Statement of Accounts comprises various sections and statements, which are briefly explained below:

Foreword - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2012/13.

Statement of Responsibilities – this details the responsibilities of the Council and the Director of Strategic Resources, concerning the Council's financial affairs and the Statement of Accounts.

Independent Auditor's Report to the Council – the external auditors, Deloitte, following the completion of the annual audit, provide this.

Annual Governance Statement – the Council is required to carry out an annual review of the effectiveness of the system of internal control and to include a status report with the Statement of Accounts. The Statement explains how the Council has complied with the Code of Corporate Governance during 2012/13.

The Core Accounting Statements, comprise:

- The **Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year.
- The **Movement in 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.
- The **Balance Sheet** – shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
- The **Cash Flow Statement** – this summarises the changes in cash and cash equivalents of the Council during the reporting period.

Accounting Policies Note – this note explains the basis for the recognition, measurement, and disclosure of transactions in the Accounting Statements.

Notes to the Accounting Statements provide supporting and explanatory information and are fundamentally important in the presentation of a true and fair view.

Pension Fund Accounts – the Teesside Pension Fund is administered by the Council; however, the Pension Fund has to be completely separate from the Council's own finances. This statement is an extract from the Teesside Pension Fund Annual Report and summarises the financial position of the Pension Fund, including all income and expenditure for 2012/13, assets, and liabilities as at 31 March 2013.

A **Glossary** to the Statement of Accounts is also included to help to make the document more understandable to the reader.

Changes to Accounting Policies

There have been only minor updates to the 2012 Code after the considerable changes introduced in the last couple of years, the main ones are as follows:

- Reporting the potential liabilities arising from Non Domestic Rates (NNDR) appeals outstanding at 31st March 2013 for the Council as a post balance sheet event for 2012/2013.
- Amendments to the disclosures required in respect of Dedicated School Grant (DSG).

Accounting Standards that have been issued but have not yet been adopted

A revised International Accounting Reporting Standard – IAS 19 Employee Benefits will come into force for accounting periods on or after 1st January 2013. In particular, the revised standard implements a change to the expected return on the asset component of pension cost. The change effectively means that the expected rate of return on assets is calculated at the discount rate, instead of the expected rate of return being based on actual assets held.

For the Council this is likely to mean higher charges to the surplus or deficit on the Provision of Services going forward. If this revised IAS 19 were adopted for the accounting period ending 31st March 2013 then this will increase the expenses recognised for the funded benefits from £16.945 million to £20.985 million. There is no effect on the Council's balance Sheet.

Financial Report for 2012/2013 and beyond.

Setting the Revenue Budget for 2012/13

In preparing the 2012/2013 revenue budget and medium term financial plan the Council adopted the following principles and statements:

- To ensure that resources are directed to Council priorities.
- To maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate.
- To keep Council Tax increases to a minimum:
- To maintain appropriate balances, central provisions and earmarked reserves:
- To make services fully accountable for their own budgets and spending, and enforce a policy of no unauthorized overspending within service areas.
- To maintain appropriate medium term budget planning and monitoring processes, ensuring known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly explained.
- Identified structural budget issues will be addressed.
- Services will be given in full, the impact of inflationary increases (including pay awards).

The key inflation assumptions for 2012/2013 with a pay freeze of 0% and an increase of 3.2% on running costs. In setting the 2012/13 budget, service budget reductions of approximately £11.8 million were identified and a further reduction of £1 million was identified from the capitalisation of existing revenue expenditure and technical accounting adjustments.

The Council approved additional service spending on:

- £1.75 million for identified service pressures within Supporting Children (£1m) and Young People and Care of the Elderly (£0.75m).
- A reduction in unrealistic and non achievable income targets in respect of car parking (£0.48m) and Architects Service (£0.14m).
- £0.7 million for the revenue impact of additional investment in the Council's Housing Renewal programme.

A Council Tax increase of 3.45% was approved by the Council. The Council decided not to accept the £1.252 million Council Tax Freeze Grant from central Government. It was estimated that if the Council accepted the one year grant then additional reductions to services of £20 million would be required over the next ten years.

On the 5th March 2012 the Council set its revenue budget for 2012/13 at £133.588 million. The net budget of £133.588 million was funded by;

	£ ' 000s
Revenue Support Grant from the Government	1,552.9
Share of National Business Rates Proceeds	80,109.8
Council Tax payers for 2012/13*	51,925.3
Total net budget in 2012/13	133,588.0

Review of the Year and Summary Financial Information APPENDIX A

THE 2012/13 REVENUE BUDGET - OUTTURN REPORT

Service Area	Budget	Outturn	Variance
	£ ' 000s	£ ' 000s	£ ' 000s
Wellbeing, Care & Learning	68,386	67,360	(1026)
Neighbourhoods and Communities	33,478	31,775	(1703)
Central Services	25,692	24,882	(810)
Corporate Costs	6,032	9,380	3,348
Net Service Expenditure as reported in note 37	133,588	133,397	(191)

All services made savings on staffing and running expenses during 2012/2013, some of which were an early achievement of 2013/2014 saving proposals. The totals for each service of these early savings are shown in the following table:

Service Area	£ ' 000s
Wellbeing, Care & Learning	1,765
Neighbourhoods and Communities	695
Central Services	229
Total Early Savings in 2012/13	2,689

There will continue to be a significant risk on the delivery of planned savings/cuts and the Council will need to invest in service reconfiguration both to improve services and generate greater savings. The Council has transferred savings made during 2012/2013 (£4.7 million) in to the Change Programme Reserve to fund this essential investment. It has also transferred £150,000 into the Election Reserve to cover the costs of the Mayoral referendum in 2013/2014.

A report on the financial outturn for the Council was presented to the Council's Deputy Mayor on 7th June 2013, which confirmed that a saving of £191,000 had been achieved on the revenue budget of £133.588 million set by the Council. The major variations were:

Wellbeing, Care & Learning	Variance
	£ ' 000s
Increased demand for agency fostering services	1,443.0
Increased demand for agency residential care for children	631.0
Increased requirement for in house fostering	121.0
Increase in Demand Led Pressures on Social Care services	1,156.0
Savings on Staff and Running Costs - Integrated Working	(1,340.0)
Review of contracts and commissioning	(991.0)
Implementation of the Fairer Charging Policy	(297.0)
Net savings on running expenses	(557.0)
Staff Vacancy Management and restructures	(163.0)
Increased Income	(1,421.0)
Increase in Bad Debt Provision	392.0
Total	(1026.0)

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Neighbourhoods and Communities	Variance
	£ ' 000s
Car parking income shortfall	256.0
Savings on Staff and Running Costs - Strategic Management	(71.0)
Savings on Staff and Running Costs - Environment Services	(275.0)
Increased Income - Environment Services	(103.0)
Savings on Staff and Running Costs - Community Protection	(627.0)
Increased Income - Crematorium	(127.0)
Increased Income - Sports and Leisure	(53.0)
Saving on Staff and Running Costs - Economic Development, Culture and Communities	(107.0)
Saving on Staff and Running Costs - Development Division	(383.0)
New Homes Bonus Scheme funding	(207.0)
Other amounts	(6.0)
Total	(1703.0)

Central Services	Variance
	£ ' 000s
Saving on Staff and Running Costs - Members & Legal Services	(251.0)
Increase in Land searches reserve	66.0
Increased Housing Benefits Income	(170.0)
Saving on Staff and Running Costs - Strategic Resources	(434.0)
Savings on Carbon Reduction Commitment	(129.0)
Saving on Staff and Running Costs - Chief Executives Office	(318.0)
Reduced income on Council owned Property	127.0
Shortfall on Strategic Partnership Efficiency Savings	299.0
Total	(810.0)

Corporate Costs	Variance
	£ ' 000s
Funding of NNDR discretionary hardship relief	255.0
Increase in Miscellaneous Bad Debt Provision	433.0
Allocation to Election and Change Programme Reserve	3,860.0
Savings on Pay and Prices Inflation	(217.0)
Additional Interest Received	(763.0)
Reduced Pension Payments	(77.0)
Other amounts	(143.0)
Total	3,348.0

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 Service Reporting Code of Practice (SeRCOP) requirements. The outturn reported to the Deputy Mayor on the 7th June 2013 was 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 of Income and Expenditure account is very different. The main difference between the Council's management 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 SeRCOP:

- 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 SeRCOP, 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.

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Local Economic Climate 2012/13

Trading conditions have continued to be difficult for business this year, however certain sectors are taking advantage of new opportunities. Oil & gas, offshore wind and engineering is experiencing growth. Middlesbrough engineering and logistics companies such as Intellect, AV Dawson, Ecco Finishing, PD Ports and QA Weldtech are continuing to invest in their companies and capitalise on demand both in the UK and abroad.

Retail is slowly improving, however retailers continue to experience difficulties. There has been an increase in independent retailers as the high street evolves to cope with changing consumer demands. Middlesbrough has capitalised on this with the regeneration of Baker Street and surrounding streets, which has seen over 10 new independent retailers set up in this area over the last year.

Digital companies continue to experience high growth and recently the 5th office building as part of the Boho/ Digital City offering in Middlesbrough has received the go ahead. Major players in the apps and gaming market such as Double Eleven, Spring and Graphically have experienced major investment and growth.

Company formation has been rising steadily in Middlesbrough since 2008. Last year company formation in Middlesbrough saw a dramatic increase, a total of 660 new companies were formed - more than any other year and a 2% increase on the previous year.

The Council continues to move forward to support the local economy with plans underway to develop the Advanced Manufacturing Park in Riverside Park as well as private investment and expansion plans in the Middlehaven area.

Key indicators of the state of the local economy are as follows:

Indicator	2012		2013		Direction	
	Local	UK	Local	UK	Local	UK
Unemployment	8.2%	4.1%	8.1%	4.4%	Better	Worse
Youth unemployment	13.3%	8.3%	11.7%	6.6%	Better	Better
Vacancies per '000 of population	9.0	8.9	11.7	16.1	Better	Better
Unemployed people per vacancy	8.5	3.4	6.9	2.4	Better	Better
Empty commercial properties	710		616		Better	
Occupancy of Council commercial premises	88.0%		94.1%		Better	

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FINANCIAL REPORT

This section details where the Council got its money from and what it spent it on as well as detailing what the Council owns, how much it is owed and owes to other organisations.

WHERE THE MONEY COMES FROM

	%	2011/12	%	2012/13	More / (Less)
		£m		£m	£m
Redistributed Business Rates	29.7%	66.0	37.01%	80.1	14.1
Revenue Support Grant	9.2%	20.4	6.06%	1.6	(18.8)
Council Tax	22.5%	50.1	23.98%	51.9	1.8
Sales Fees and Charges	16.5%	36.7	14.51%	31.4	(5.3)
Specific Grants	10.6%	23.5	12.20%	26.4	2.9
Other LA and Health	8.8%	19.5	8.96%	19.4	(0.1)
Rent Income	1.9%	4.2	1.66%	3.6	(0.6)
Other	0.8%	1.8	0.92%	2.0	0.2
Total	100.0%	222.2	100.0%	216.4	(5.8)

Formula Funding (Redistributed Business Rates & Revenue Support Grant) - The Council received a reduction of £4.7 million in formula funding (Revenue Support Grant and Redistributed Business Rates) between 2011/2012 and 2012/2013. In overall terms the Council received a reduction in spending power of £6.026 million which included formula funding and other central government support.

Council Tax - The Council's performance at collecting Council Tax in 2012/2013 was 96.0% collected in the year compared to 96.1% the previous year.

Sales Fees & Charges - There were reductions in income for most service areas with car parking having one of the largest reductions compared to previous years.

Other Local Authority and Health Contributions - The health authorities both centrally and locally provided additional one off income of £2.5 million compared to 2011/2012 to Social Care, Children Families and Learning and Environment. Income from other local Authorities reduced by £2.0 million

Rent Income for industrial units and enterprise centres is down on previous years as the difficult economic circumstances make it difficult for the council to fill units and bad debts increase from business failures.

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WHERE THE MONEY GOES

	2011/12		2012/13		More / (Less)
	%	£m	%	£m	£m
Social Care	31.70%	70.4	32.62%	70.6	0.2
Environment & Transport	17.40%	38.6	17.93%	38.8	0.2
Children Families & Learning	23.40%	52.1	22.41%	48.5	(3.6)
Regeneration	5.90%	13.1	5.64%	12.2	(0.9)
Partnership	10.40%	23.2	6.15%	13.3	(9.9)
Accommodation, ICT & Central Administration	6.00%	13.4	10.30%	22.3	8.9
Capital Financing	4.10%	9.1	4.02%	8.7	(0.4)
Net Change in Reserves	1.00%	2.3	0.92%	2.0	(0.3)
Total	100.0%	222.2	100.0%	216.4	(5.8)

Partnership - On the first of June 2011 a number of services transferred back to the Council from Mouchel (Accountancy, Facilities Management, Valuers). This reduced the contracts payments required. There was also a 1 million reduction agreed with Mouchel as their contribution to the Council's budget gap.

Accommodation, ICT & Central Administration - The expenditure on central services increased as a direct result of the mouchel staff transferring back to the Council.

WHAT THE MONEY IS SPENT ON

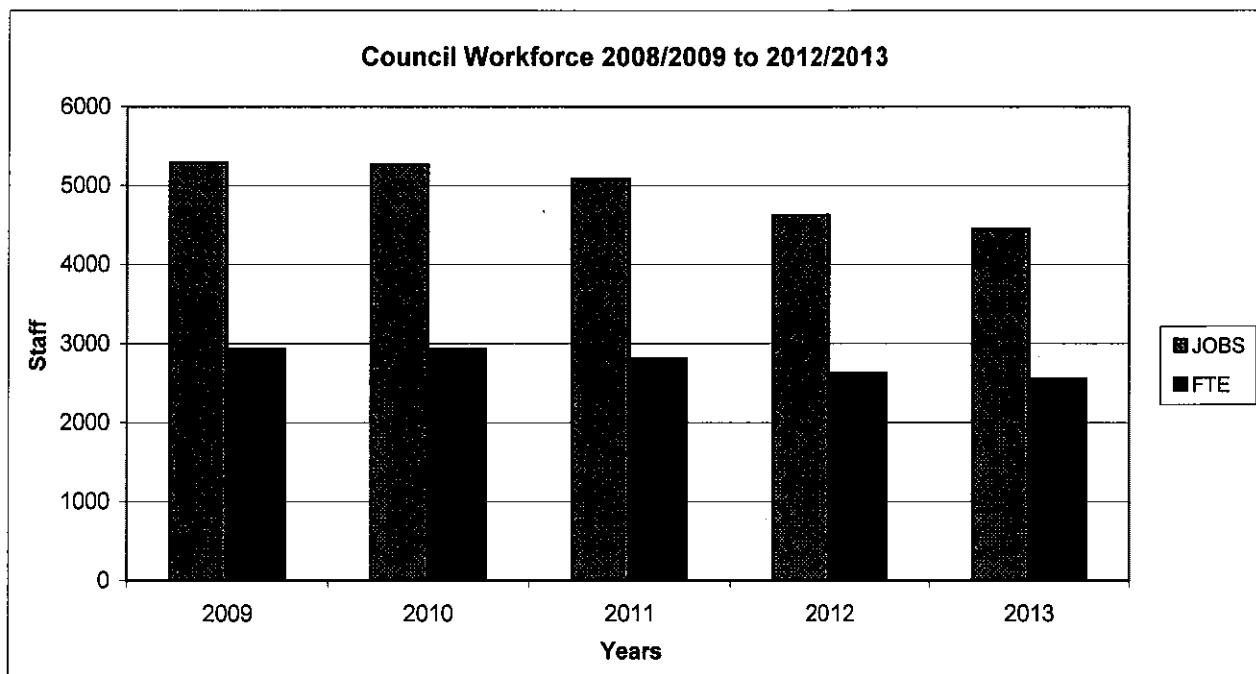
	2011/12		2012/13		More / (Less)
	%	£m	%	£m	£m
Employee Costs	37.40%	83.2	35.12%	76.0	(7.2)
Premises	2.30%	5.1	2.31%	5.0	(0.1)
Transport	2.10%	4.7	2.13%	4.6	(0.1)
Supplies and Services	18.30%	40.7	17.19%	37.2	(3.5)
Third Party Payments	33.80%	75.1	37.71%	81.6	6.5
Capital Financing Costs	4.10%	9.1	4.02%	8.7	(0.4)
Contributions to Capital	0.90%	2.0	0.60%	1.3	(0.7)
Contribution to Reserves & Provisions	1.00%	2.3	0.92%	2.0	(0.3)
Total	100.0%	222.2	100.0%	216.4	(5.8)

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Employee Costs -The employee costs have reduced because a number of staff have left under the Early Retirement / Voluntary Redundancy (ER/VR) scheme during 2012/13 in response to the need to reduce the Council's expenditure by £12.8 million in 2012/13. There is a disclosure note in the accounts (note19) which shows the number and cost of exit packages agreed in 2011/12 and 2012/13

Employee Costs - Trend in Staffing Numbers Over Recent Years

The following graph shows the Council's staff numbers from 2008/2009 to 2012/2013 in terms of the number of jobs and full-time equivalents (FTE) in post. Between 31 March 2009 and 31 March 2013 the total number of jobs has reduced by 821 (15.5%). In the same period the number of FTEs has reduced by 380 (13%).



Supplies and Services - All service areas made savings on supplies and services during 2012/2013.

Third Party Payments - The majority of this expenditure relates to the provision of care provided by external organisations including the children's fostering, children's residential, social care adults domiciliary and residential care. There were significant increases in demand in all of these areas during the year.

The presentation of information is different between the Financial Report data and that reported in the Statement of Accounts. A reconciliation of the data is below.

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Reconciliation of Income to Service Analysis	2011/12	2012/13	More / (Less)
	£m	£m	£m
Shown below as ' where the money comes from'.	222.2	216.4	(5.8)
Income excluded from analysis			
Schools DSG Grant (note 28).	97.8	97.3	(0.5)
Other Schools Income	4.3	4.8	0.5
Benefits Grant Income (note 28).	92.4	96.2	3.8
Other minor amounts	9.0	14.9	5.9
Gross Income Value	425.7	429.6	3.9
Treated as 'Funding' in Services Reporting			
Business Rates	(66.0)	(80.1)	(14.1)
Council Tax	(50.1)	(51.9)	(1.8)
Revenue Support Grant	(20.4)	(1.6)	18.8
Funding Value as noted in outturn figures above.	(136.5)	(133.6)	6.8
Income Reported by Services (note 37).	289.2	296.0	9.7

BALANCE SHEET

A summary of the Balance Sheet is shown in the next table. This is a snapshot at the end of the year and shows what the Council owns, is owed and owes to others and how these amounts are funded.

Balance Sheet	2012	2013	More / (Less)
	£m	£m	£m
What the Council Owns	577.1	525.5	(51.6)
What the Council is Owed	51.5	55.3	3.8
Total Assets of the Council	628.6	580.8	(47.8)
What the Council Owes	(275.0)	(302.6)	(27.6)
Council Reserves	353.6	278.2	(75.4)

What the Council Owns		2012	2013	More / (Less)
		£m	£m	£m
Operational Property Plant and Equipment	1	459.2	411.0	(48.2)
Community Assets		7.5	7.6	0.1
Heritage Assets	2	25.6	25.8	0.2
Assets under Construction		3.9	0.5	(3.4)
Investment Properties	3	55.5	63.5	8.0
Assets Held for Sale	4	1.8	1.0	(0.8)
Cash and Cash Equivalents	5	17.6	12.0	(5.6)
Inventories		2.1	2.1	0.0
Other		3.9	2.0	(1.9)
Total		577.1	525.5	(51.6)

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- 1 **Operational Property, Plant and Equipment** are assets owned by the authority which are used in direct service provision . The value as at 31 March 2013 is £411.0 million (March 2012 - £459.2 million). The assets are revalued at least every five years and there was a decrease in the value of assets revalued during 2012/2013 of £36.6 million. In addition 5 schools transferred to academy status during the year and the £15.9 million value of the buildings was removed from the balance sheet. The Council acquired or enhanced a number of roads / vehicles / buildings during the year to the value of £17.1 million. Upward revaluations amounted to £5.2 million. There was a depreciation charge of £17 million on the operational Property, Plant and Equipment.

- 2 **Heritage Assets.** Heritage assets are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by Middlesbrough Council are the art, books & artefacts collections either exhibited or stored in the local museums or MIMA art gallery. The Council acquired the Christopher Dresser Pottery Collection during the year.

- 3 **Investment Assets** - The Council's disposal of the Longridge site reduced the investment value of assets by £3.0 million and there were reductions in value of a number of land & buildings (car parks / Beechwood Y&C centre / MTLC / Housing Development) of £16.2 million. The Council acquired Housing development land for £5.9 million and upward revaluations of land Hemlington Grange / Natures World / Nunthorpe Farm increased values by £20.8 million.

- 4 **Assets held for sale** reduced by £0.8 million from the sale of the Stainsacre outdoor centre.

- 5 **Cash and cash equivalents** reduced by £5.6 million to £12 million as the Council minimised cash held because of the very low interest rates .

Capital

Details of the Capital expenditure in the year is as follows

Types of Expenditure	Spending (£ m)	Percentage
Operational Property Plant and Equipment	14.6	38.5%
Community Assets	0.0	0.0%
Heritage Assets	0.2	0.5%
Assets under Construction	2.4	6.3%
Investment Properties	6.6	17.4%
Intangible Assets	0.4	1.1%
	24.2	63.9%
Revenue Expenditure funded under capital	13.7	36.1%
	37.9	100.0%

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Operational Property Plant and Equipment. The council spent £4.1 million on repairs to roads, £1.3 million on improving the Bus Station, £2.7 million on Schools, £2.6 million on improvements to Libraries, Leisure centres, Care homes and Administrative Buildings and £1.8 million on other infrastructure (bridges, traffic signals, street lights) and £1.6 million on IT hardware and vehicles.

Investment Properties. The Council invested £5.8 million in the acquisition of land for Housing Development Projects.

Intangible Assets is expenditure, which is classified as capital, but does not result in the creation of an asset owned by the Council. The spend during 2012/2013 was on IT systems / licences.

Details of how the Capital expenditure was funded are shown below.

Type of Funding	Spending (£ m)	Percentage
Grants	18.5	48.8%
Borrowing	15.6	41.2%
Other	3.8	10.0%
Total	37.9	100.0%

The Council can fund its capital expenditure from several sources, each with its own advantages and limitations. The main source of funding are grants, which often have restrictions on their use and borrowing, which comes with an additional interest cost.

WHAT THE COUNCIL IS OWED

	Note	2012 £m	2013 £m	More / (Less) £m
Short Term Debtors	1	36.3	37.1	0.8
Short Term Investments	2	14.1	17.5	3.4
Long Term Debtors	3	1.1	0.7	(0.4)
Total		51.5	55.3	3.8

Debtors tend to be higher at year end when a lot of external recharges are made. The amount has increased slightly by £0.8 million to £37.1 million in 2012/2013..

Short-term investments (money invested in other local authorities, a variety of banks and building societies) have increased by £3.4 million to £17.5 million. The Council is aiming to maximise the interest it earns by investing longer term. The investments are made after evaluating cash flow and potential risks.

Long Term Debtors - relate to investments with a maturity date in excess of 12 months from

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WHAT THE COUNCIL OWES

		2012	2013	More / (Less)
		£m	£m	£m
Pension Liability	1	134.3	158.4	24.1
Loans to be repaid after next year	2	84.4	86.2	1.8
Creditors due next year	3	43.2	40.0	(3.2)
Provisions	4	4.7	4.2	(0.5)
Short Term Borrowing Loans to be repaid next year	5	7.9	13.4	5.5
Other amounts		0.5	0.4	(0.1)
Total		275.0	302.6	27.6

1 The **Pensions Liability** figure within the annual accounts is prepared on an International Accounting Standard (IAS 19) basis. Under IAS 19, the Council is required to disclose the total value of all pension payments that have accumulated (including deferred pensions) at the 31 March each year. This value is made up of:

- a) The total cost of pensions that are being paid out to former employees who have retired.
- b) The total sum of the pension entitlements earned to date for current employees.

The accounting standard also requires all investments (assets) of the Pension Fund to be shown at their market value at 31 March each year. In reality, the value of such investments fluctuates in value on a day-to-day basis but this is ignored for the purpose of the accounting standard. Comparing the value of all future pension payments and the value of investments, as at 31 March, results in either an overall surplus or deficit for the Pension Fund. This is called the IAS 19 surplus or liability.

The Pension Liability increased to £158.8 million from £134.3 million at March 2012. The rise in the value of the assets during the year of £61.2 million was offset by the value of the liabilities increasing by £85.3 million resulting in a net change of £24.1 million.

- a) Investment returns over the year were good making the value of assets at the year end higher than expected. The impact of this is around £42.3 million.
- b) The value placed on the liabilities increased by more than assumed due largely to a reduction in corporate bond yields. This is the rate that the accounting standard requires the actuaries to use in order to value future pension payments at today's prices. A lower discount rate increases the value placed on the liabilities. The discount rate reduced from 4.8% to 4.4%.

The net liability has a sustained impact on the net worth of the Authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy because:

- a) The deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the Scheme actuary.
- b) Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

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Long-term borrowing was increased by £1.8 million to £86.2 million during 2012/2013 as the Council arranged loans to fund as part of its capital programme which included road repairs and investment in housing renewal.

Creditors is the amount of money owed by the Council to its suppliers and contractors, which totalled £40.0 million as at 31 March 2013 (£43.2 million as at 31 March 2012). At the end of 2011/2012 there was a payment due of £5 million to the Public works Loan Board (PWLB). There was no large payments due to the PWLB in 2012/2013. There was a Tees Valley Bus Network grant payment due to the other local authorities in 2012/2013 of £1.6 million.

The Council has a number of **Provisions** set aside to meet known liabilities. The main provisions include the Housing Pension Contribution Deficit, redundancies in 2013/2014 approved in 2012/2013, and Mouchel ICT contract residual value. Provisions held at 31 March 2013 totalled £4.2 million (Note 43).

Short term borrowing is the outstanding loans to the Council which will be repaid back in the next twelve months.

Council Reserves	2012	2013	More /
	£m	£m	£m
Schools	7.0	7.4	0.4
Usable Reserves	53.2	55.7	2.5
Unusable Reserves	293.3	215.1	(78.2)
Total	353.5	278.2	(75.3)

Schools - There was a £0.499m drawdown from school reserves as a result of 5 schools converting to new style academy status which allows them to take their reserves with them, and a £0.922m underspend against delegated budgets for the remaining schools. Schools now have some £7.4m of reserves .

The financial statements set out details of the Council's earmarked reserves, which are another essential tool to manage risk exposure and smooth the impact of major costs. Details of the Council's earmarked reserves can be found on page 51, Note 12 in the Accounting Statements. Current usable reserves total £63.1 million and the main earmarked reserves are:

- Capital Grants Unapplied Reserve (£16.4 million);
- Capital Receipts Reserve (£15.3 million);
- Change Fund including Early Retirements and Voluntary Redundancies ; (£4.2 million)
- Insurance Fund reserves to manage claims and other corporate risks (£1.9 million);
- Demand led pressures in Adults and Childrens Social Care (£2.0 million).

The Council is expected to maintain a minimum balance on the General Fund of between £4.0 million and £4.5 over the medium term to cover unexpected financial risks after making specific reserves and provisions to meet known and expected liabilities. The balance at the 31st March 2013 was £5.2 million.

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The level of the reserves is consistent with the overall financial environment and the key financial risks faced by the Council. There remain, however, significant pressure/risk issues, which reflect the routine reality of the complexity of the Council's financial operations – in particular in relation to Children's Services and Adult Social Care, which will continue to require close monitoring during the year. The Council is planning for further cuts in government revenue grants next year and beyond. In this context, the reserves are always looked at closely and no more is held other than what is needed but equally the Council is prudent in setting aside money for new risks and major commitments.

Unusable Reserves

The unusable reserves are the Revaluation Reserve (£54.6 million) and the Capital Adjustment Account (£321.5 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.

TEESSIDE PENSION FUND ACCOUNTS

During the last twelve months, the equity markets were again volatile but ended the year positively, with some at all time highs. Investors' continuing concerns over euro zone weighed heavily on equity markets in the early part of the year. That was until the head of the European Central Bank, Mario Draghi, promised to do "whatever it takes" to save the Euro and made a pledge of potentially unlimited bond purchases. This stabilised the equity markets and the year ended strongly as investors returned to equity markets seeking better returns on their investments than the safe-haven of bonds.

The financial performance of the Fund for the year to 31 March 2013 was positive. The Fund's value rose to £2,921 million, an increase over the year of £324 million or 12.5%. The rise was due to the strong equity markets, in which the Fund is largely invested, and investment income.

The membership of the Fund continues to increase, with total membership at the year end now standing at 64,496, an increase of 1,534 over last year. The number of active members has increased slightly by 52 for the first time in 5 years. The numbers of pensioners increased by 584 (3.5%) and the number of deferred members has increased by 1,021 (5.1%).

Where a member retires early there is a cost to the Fund arising from the fact that contributions are no longer being received for the member, and a Pension is drawn earlier than the Actuary had assumed. It is the policy of the Fund to recharge the actuarial cost of these retirements to the employers. This policy has the advantage that the Fund recovers the cost of an early retirement at the outset. For the employer the advantages are;

- the impact of retirement decisions is transparent
- the cost is invoiced separately rather than being recovered in the employers Contribution Rate, which was once the case.

In this financial year the Fund received over £4.1 million from these early retirement recharges, down on last years figure of £5.5 million, but still a significant amount.

The Fund is managed internally, which means that Fund management fees are low. This can be clearly demonstrated by the key measure of performance collected by the Department for Communities and Local Government, which compares investment fund management costs across all Councils. These are expressed as £ per scheme member (psm). The results for 2011/12 show that the Teesside Fund had investment management costs of £19.22 psm. The average for all Local Authorities in 2011/12 was £84.10 psm. Had the Fund incurred the average psm costs this would have represented, based on the March 2012 membership of 62,962, extra costs of £4.07 million.

Every three years the Fund's actuary carries out a full actuarial valuation of the Fund. The purpose of this is to calculate how much the employers in the scheme need to contribute going forward to ensure that the Fund's liabilities and the pensions due to current and future pensioners, will be covered. Unlike most other Public Sector schemes the Local Government Scheme is a funded scheme. This means there is a pool of investments, that produces income, which meets a significant part of the liabilities. The actuary calculates to what extent the Fund's assets meet its liabilities, this is presented as a Funding Level. The aim of the Fund is to be 100% funded. At the latest valuation the actuary was able to declare a funding level of 99%. 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 carried out in March 2013 and the results are expected towards the end of 2013 calendar year.

LOOKING AHEAD TO 2013 / 14 AND BEYOND

Financial Future

The local economic climate has been subject to a slow recovery and on the whole the country and the town still face many economic challenges in the years ahead. The outlook for the period beyond next year is for further reductions in funding from central government, which coupled with continuing increases in demand led pressures within the Social Care and Safeguarding services will place significant pressure on resources.

The Council had identified savings from service efficiencies, staffing structure reviews, a review of accommodation, joint working with other bodies, and service reductions to fund the reductions of £12.8 million in 2012 / 2013. The cuts process is continuing with reductions of £13.0 million for 2013 / 2014. The Council will need to make some difficult and fundamental changes in the services it provides and the way it operates to make the level of savings due in 2014/2015 (£16.5 million) and 2015/2016 (£15.5 million).

There will be a significant risk on the delivery of planned savings / cuts and the Council will need to continue to invest in service transformation to improve services and generate greater savings. The Council has transferred savings made during 2012/2013 of £4.7 million in to the Change Fund Reserve to fund this essential investment.

Council Insurance Funds and Municipal Mutual Insurance (MMI)

In September 1992 Municipal Mutual Insurance (MMI), the Council's former insurers, ceased accepting new business. MMI and its policyholders, including local authorities, established a Scheme of Arrangement for the orderly run down of the company. MMI's future liabilities under its old policies cannot be fully quantified until the claims, current and yet to be made, have been settled. There is the possibility that, at some time in the future, MMI will not have enough assets to meet the claims and liabilities. The Scheme of Arrangement provides that, if there is a likelihood of a shortfall, MMI can reclaim from the major policyholders part of the claims paid from 1st October 1992.

MMI have announced that they can no longer predict achieving a solvent run-off of the business, thereby triggering the Scheme of Arrangement. As a result control of the company has passed to an Administrator. The Administrator has now announced that the initial reclaim Scheme Levy will be set at 15%.

The estimated costs for Middlesbrough Council in 2013/2014 are £208,000 for the Middlesbrough insurance fund and £36,600 for the Middlesbrough Share (24.88%) of the likely shortfall on the Cleveland County Council Fund. The Middlesbrough Insurance Fund will be able to absorb both amounts.

Non-domestic Rates Reform - Business Rates Retention Scheme

The Local Government Finance Act 2012 introduced a business rates retention scheme. Under the new scheme in England, local authorities will retain 50 per cent of the increase in non-domestic rates they collect. Billing authorities will pay over the "central share" to central government and the relevant proportionate share to their major precepting bodies. A system of "top ups" and "tariffs" has been established which are calculated by comparing an individual authority's business rates baseline to its baseline funding level. There are also protections built into the scheme by means of a safety net and levy and transitional protection payments.

The new arrangements for the retention of business rates came into effect on 1 April 2013. The Council will assume responsibility for refunding ratepayers who have successfully appealed against rateable value of their properties on the rating list. The cost of rating appeal refunds to the Council received up to 12th June 2013 is £1.1 million. The Council has a provision of £3.5 million for rating appeals during 2013/2014.

Public Health Reform

Under the new Health and Welfare Act 2012, responsibility for many aspects of public health transferred to Local Authorities from the Primary Care Trusts on the 1st April 2013. The Council has agreed a new public health policy, which aims "to improve the health and well-being of our communities, reduce health inequalities, and improve life expectancy in Middlesbrough." The Council will receive a ring-fenced public health grant. A Director of Public Health has been appointed and accounting and commissioning arrangements have been updated in preparation for the new responsibilities.

Carbon Footprint

In 2011, Middlesbrough Council became only the second local authority in the Country to be endorsed as a "One Planet Living" Council for its commitment to delivering long-term, sustainable environmental, economic and social improvements to the town and tackle climate change. The Council has set out to reduce carbon dioxide emissions from buildings by 90% by 2025. Notable achievements made during the course of 2012 have included:

- Using Salix 'Invest to Save' funding to deliver three energy efficiency schemes in Council buildings generating an estimated annual saving of 12.07 tonnes of carbon
- The delivery of an awareness raising and automatic computer shutdown programme reducing the number of computers left on overnight.
- Installation of solar photovoltaic panels on three Council buildings; Rainbow Leisure Centre, Neptune Leisure Centre and Beresford Buildings
- Approval and planning permission granted for the installation of wind turbines at Newham Grange Leisure Farm and Sandy Flatts,

Schools Transferring To Academies

Five schools converted to academy status in 2012/2013, Chandlers Ridge Primary, Brambles Farm Primary, Pennyman Primary, Caldicotes Primary and North Ormesby Primary. The school reserves relating to these five schools totalling £0.499 million have been written out of the Council's Books and passed across to the newly formed academies. In 2013/2014 there is potential for more schools to transfer.

Change Programme

With the funding that is expected to be available to the Council, it will simply not be possible beyond 2013/14 to maintain all current services and service levels and make all the budget savings which will be required. The Council must both do less and do what it does do differently. This needs to be approached in a systematic, coherent and controlled manner with maximum impact through minimum effort. A Change Programme has been developed to deliver this.

The Change Programme sets out:

- What the shape of the Council will look like by 2018.
- The major areas of service redesign that will be needed to achieve this.
- The principles to be adopted in pursuing a fundamentally reshaped Council.

The Change Programme will operate over a five year period and would be subject to regular review over that period in terms of delivery against agreed objectives, revised targets for spending reductions and the management and staffing arrangements required to achieve this.

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2013

Prior Year		Current Year				
Gross Expenditure £000	Gross Income £000	Net Expenditure (Income) £000	Gross Expenditure £000	Gross Income £000	Net Expenditure (Income) £000	Note
Cost of Services by Service Area						
21,828	(19,668)	2,160	21,919	(20,281)	1,638	
26,738	(8,327)	18,411	26,852	(7,742)	19,110	
22,038	(5,783)	16,255	22,020	(5,750)	16,270	
15,855	(4,907)	10,948	11,434	(3,428)	8,006	
219,880	(139,207)	80,673	174,981	(126,192)	48,789	
21,258	(4,374)	16,884	21,273	(4,494)	16,779	
80,668	(77,229)	3,439	83,365	(82,497)	868	
77,420	(26,547)	50,873	78,630	(28,168)	50,462	
485,685	(286,042)	199,643	440,474	(278,552)	161,922	
3,494	(23)	3,471	3,631	(152)	3,479	
40,962	-	40,962	1,954	(207)	1,747	1
530,141	(286,065)	244,076	446,059	(278,911)	167,148	
-	-	12,794	-	-	15,222	2
-	-	1,836	-	-	7,193	3
-	-	(159,768)	-	-	(150,866)	4
		98,938			38,697	
		55,675			20,259	
		31,688			14,927	
		(22,414)			1,423	
		(3,736)			-	
		61,213			36,609	
		160,151			75,306	

Balance Sheet at 31 March 2013			
At 31 March 2012 £000		Note	At 31 March 2013 £000
	Long Term Assets		
470,655	Property, Plant & Equipment	5	419,048
25,580	Heritage Assets	6	25,756
55,461	Investment Properties	7	63,468
995	Intangible Assets		704
2,823	Long Term Investments		1,323
1,094	Long Term Debtors		682
556,608	Total Long Term Assets		510,981
	Current Assets		
14,133	Short Term Investments	8	17,510
1,813	Assets held for sale		1,000
2,100	Inventories		2,111
36,307	Short Term Debtors	9	37,148
-	Current Intangible Assets		-
17,595	Cash and Cash Equivalents	10	12,033
71,948	Total Current Assets		69,802
	Current Liabilities		
(7,852)	Short Term Borrowing	8	(13,436)
(43,245)	Short Term Creditors	11	(39,957)
(819)	Provisions		(937)
(51,916)	Total Current Liabilities		(54,330)
	Long Term Liabilities		
(3,911)	Provisions		(3,262)
(84,399)	Long Term Borrowing	8	(86,240)
(134,265)	Pension Liability	14	(158,355)
(369)	Other Long Term Liabilities		(380)
(174)	Capital Grants Receipts in Advance		-
(223,118)	Total Long Term Liabilities		(248,237)
353,522	Net Assets		278,216
	Reserves		
60,225	Usable Reserves	12	63,087
293,297	Unusable Reserves	13	215,129
353,522	Total Reserves		278,216

Movement in Reserves Statement							
Movement in Reserves for the Year Ended 31 March 2012	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
Balance at 1 April 2011	5,139	24,516	12,436	31,155	73,246	440,427	513,673
transferred to the General Fund (accounting basis).	(98,938)	-	-	-	(98,938)	-	(98,938)
Other Comprehensive Income and Expenditure	-	-	-	-	0	(61,213)	(61,213)
Total Comprehensive Income and Expenditure	(98,938)	0	0	0	(98,938)	(61,213)	(160,151)
& funding basis under regulations (note 15).	97,269	0	1,119	(12,471)	85,917	(85,917)	0
Increase / (Decrease) before transfer to Earmarked Reserves	(1,669)	0	1,119	(12,471)	(13,021)	(147,130)	(160,151)
Transfer (to) / from Earmarked Reserves (note 16).	1,569	(1,569)	-	-	0	-	0
Increase / (Decrease) in the year ended 31 March 2012	(100)	(1,569)	1,119	(12,471)	(13,021)	(147,130)	(160,151)
Balance at 31 March 2012	5,039	22,947	13,555	18,684	60,225	293,297	353,522

Movement in Reserves Statement							
Movement in Reserves for the Year Ended 31 March 2013	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
Balance at 1 April 2012	5,039	22,947	13,555	18,684	60,225	293,297	353,522
transferred to the General Fund (accounting basis).	(38,697)	-	-	-	(38,697)	-	(38,697)
Other Comprehensive Income and Expenditure	-	-	-	-	0	(36,609)	(36,609)
Total Comprehensive Income and Expenditure	(38,697)	0	0	0	(38,697)	(36,609)	(75,306)
& funding basis under regulations (note 15).	42,080	-	1,733	(2,254)	41,559	(41,559)	0
Increase / (Decrease) before transfer to Earmarked Reserves	3,383	0	1,733	(2,254)	2,862	(78,168)	(75,306)
Transfer (to) / from Earmarked Reserves (note 16).	(3,192)	3,192	-	-	0	-	0
Increase / (Decrease) in the year ended 31 March 2013	191	3,192	1,733	(2,254)	2,862	(78,168)	(75,306)
Balance at 31 March 2013	5,230	26,139	15,288	16,430	63,087	215,129	278,216

Cash Flow Statement for the Year ended 31 March 2013			
Year to 31 March 2012			Year to 31 March 2013
£000		Note	£000
(98,938)	Deficit on provision of services transferred to the General Fund		(38,697)
	Adjustment for items not affecting cash flow		
16,938	Depreciation of Property Plant and Equipment	5	17,140
366	Amortisation of Intangible Assets		676
85,520	Impairments to Property Plant and Equipment	5	16,318
-	Impairments to Assets held for sale		-
952	Fair Value losses on Investment Properties	7	(2,982)
(2,771)	Donated Property Plant and Equipment	5	(1,034)
(1,065)	Donated Investment Properties	7	-
1	Impairment on Long Term Intangibles		-
364	Write down of Long Term Investments		-
12,782	Deficit on Disposal of non current assets		22,306
(323)	Difference between Current Service Cost and Contributions made to the Pension Scheme	14	230
(183)	Impact of Changes to Actuarial Assumptions applied to the Pension Scheme Deficit	14	3,601
(1,826)	Release of Revenue and Grants Received in Advance (net)		(174)
385	Movement in Provisions		(531)
12,202	Surplus on provision of services after non cash adjustments		16,853
	Other operating Cashflows		
(2,059)	Cash absorbed by the reduction in creditors		(3,084)
985	Cash absorbed by the increase in debtors		(429)
178	Cash absorbed by the increase in inventory		(11)
11,306	Net cash flow from operating activities		13,329
(26,244)	Investing Activities	17	(26,123)
11,685	Financing Activities	18	7,232
(3,253)	Net decrease in cash and cash equivalents		(5,562)
20,848	Cash and Cash Equivalents at the start of the period	10	17,595
17,595	Cash and Cash Equivalents at the end of the period	10	12,033

