

# MIDDLESBROUGH COUNCIL

AGENDA ITEM 4

## COMMITTEE REPORT

### CORPORATE AFFAIRS COMMITTEE

25<sup>TH</sup> SEPTEMBER 2013

### 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 Statement of Accounts 2012/2013.

#### 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 2012/2013 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 2013. There is no impact on the outturn for the year or the Councils overall financial standing.

CORPORATE AFFAIRS COMMITTEE

	<b>Issue</b>	<b>Alteration</b>
1	<b>LACSEG grant income</b>	
	Local Authority Central Spending Equivalent Grant relating to 2012/13 was received and initially recognised in 2013/14. This has now been accrued into 2012/13..	Additional income of £803k has been included in the Comprehensive Income and Expenditure Statement. The Balance Sheet, Explanatory Forward and the Review of the Year have also been amended to reflect the revised outturn position.
2	<b>Weekly Refuse Collection grant</b>	
	The weekly refuse collection grant has been reclassified from a capital grant to a revenue grant.	A transfer of £2,162k has been made between two lines on the Comprehensive Income & Expenditure Statement. No overall impact.
3	<b>Investment Property Capital Receipts</b>	
	Capital receipts from the sale of Investment Properties had been shown on the wrong line on the Comprehensive and Income Expenditure Statement.	A transfer of £2,276k has been made between two lines on the Comprehensive Income & Expenditure Statement. No overall impact.
4	<b>Capital Receipt</b>	
	The final income receipt for the sale of an investment property was received in 2013/14. It has been accrued back into the 2012/13 accounts.	Increase in income of £1,060k on the Comprehensive Income & Expenditure Statement. Usable Reserves on the Balance Sheet have increased by the same amount.
5	<b>MMI Provision</b>	
	Resources set a-side to cover the cost of potential payments to Municipal Mutual Insurance (MMI) have been reclassified as a provision and transferred from the Insurance reserves.	Increase in expenditure of £1,020k on the Comprehensive Income & Expenditure Statement. Usable Reserves on the Balance Sheet have decreased by the same amount.
6	<b>Investment Properties</b>	
	Three assets have been reclassified from Property, Plant and Equipment to Investment Properties prior to demolition.	Transfer of £1,371k between two lines on the Comprehensive Income & Expenditure Statement. No overall impact

CORPORATE AFFAIRS COMMITTEE

7	<b>Heritage Assets Donation</b>	
	The council received a donated Heritage Asset during 2012/13. This has now been reflected in the 2012/13 accounts.	Increase in income of £617k on the Comprehensive Income & Expenditure Statement. Unusable Reserves on the Balance Sheet have increased by the same amount
8	<b>Officers' Remuneration</b>	
	Details of a number of exit packages had been omitted from the Officer's Remuneration note in error.	The note has been amended to include the additional details.
9	<b>Asset Valuations</b>	
a	A number of additional property valuations have been carried out since the draft accounts were published due to the relatively high value of the assets concerned and the time since they were last revalued. The 2012/13 accounts have been amended to reflect a net downward revaluation for three properties.	The Comprehensive Income & Expenditure Statement and Balance Sheet have been amended to reflect the net downward revaluation of £176k.
b	As part of the revaluations referred to above, prior year adjustments have been made to the accounts to reflect the fact that four properties had been overvalued.	The 2010/11 Balance Sheet has been restated to reflect the net downward revaluation of £13.6m.
c	On examining the reasons for a significant downward revaluation in the Bus Station in 2012/13, it has been discovered that the previous valuation of the Bus Station had been overstated.	The 2010/11 Balance Sheet has been restated to reflect a downward revaluation of £16.9m
d	The 2012/13 valuation for Levick House was incorrectly calculated.	Increase in expenditure on the Comprehensive Income & Expenditure Statement of £203k. Unusable Reserves on the Balance Sheet have increased by the same amount.

5. Attached to this report are extracts from the audited Statement of Accounts 2012/2013:

- **Appendix A - Foreword**

This provides information on the format the Statement of Accounts as well as a review of the financial position of the Council for the financial year 2012/2013.

- **Appendix B - 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 Code of Practice on Local Authority Reporting Standards 2012/2013 (The Code) classification, a statutory requirement.

- **Appendix C - Balance Sheet.**

This statement is important to the understanding of the local authority's financial position as at the 31<sup>st</sup> March 2013. 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.

- **Appendix D – 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 E - 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 F - 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 G – Teesside Pension Fund Statement.**

The Pension Fund Accounts show the contributions to the Council's Pension Fund, for employees employed by the contributing bodies during 2012/2013, 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 2013.

## **CORPORATE AFFAIRS COMMITTEE**

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 2013 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 1st July and 26<sup>th</sup> July 2012. There was one interested person this year.

## **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.

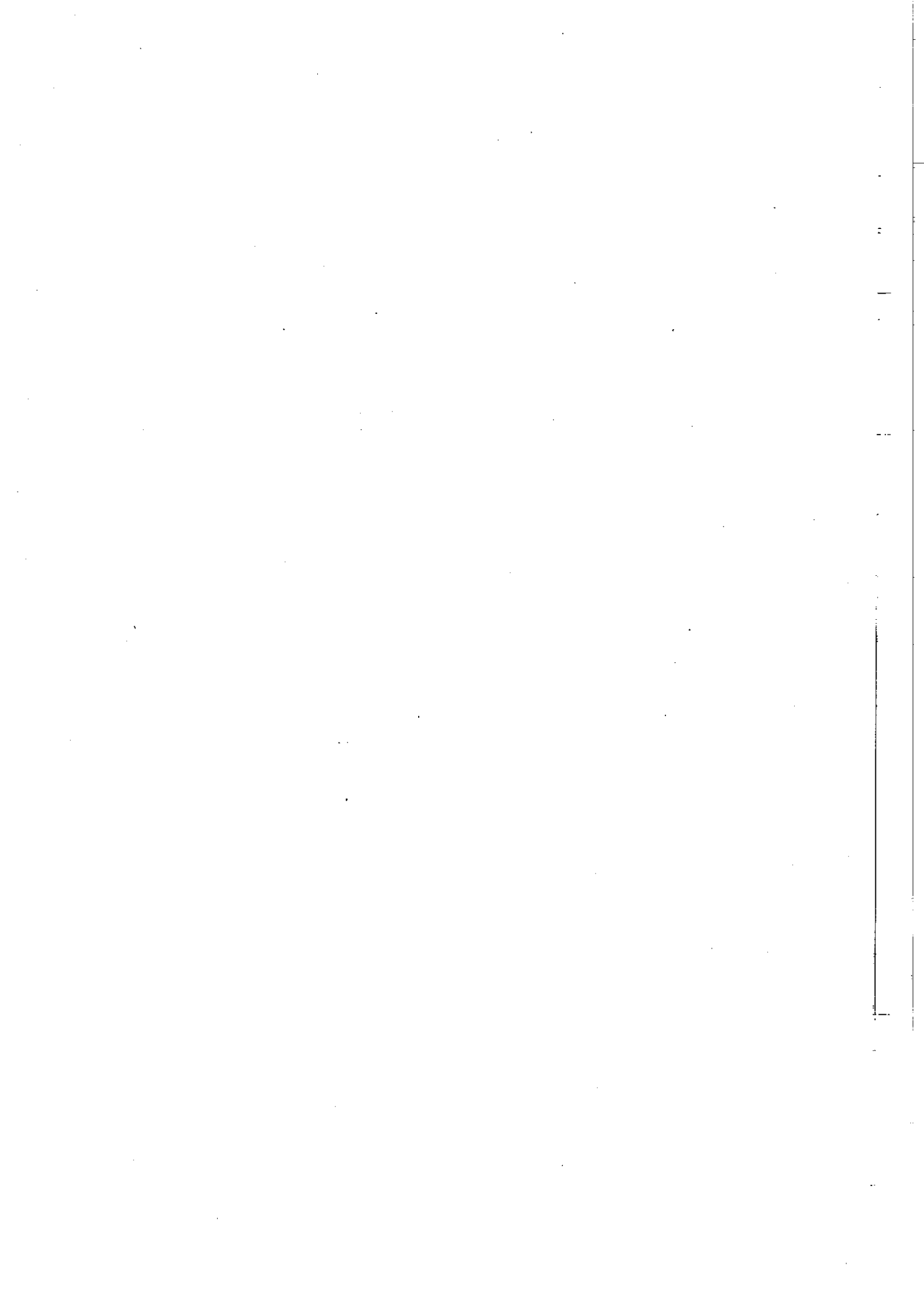
## **RECOMMENDATIONS**

10. It is recommended that members approve the final 2012/2013 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 2013.

**AUTHOR:** Bryan Baldam, Deputy Director of Resources  
**TEL NO:** (01642) 729021



## THE 2012/13 REVENUE BUDGET - OUTTURN REPORT

Service Area	Budget £ ' 000s	Outturn £ ' 000s	Variance £ ' 000s
Wellbeing, Care & Learning	68,386	67,360	(1026)
Neighbourhoods and Communities	33,478	31,774	(1704)
Central Services	25,692	24,882	(810)
Corporate Costs	6,032	8,577	2,545
<b>Net Service Expenditure as reported in note 37</b>	<b>133,588</b>	<b>132,593</b>	<b>(995)</b>

The government top-sliced an amount from every local authority's formula grant budget in 2011/12 for the costs of the LACSEG paid to Academies (the Local Authority Central Spend Equivalent Grant). This grant covers the central education services for which local authorities receive funding through formula grant but which Academies are responsible for securing independently

The Government decided to refund any local authority where the amount deducted was greater than it would have been had the deduction been based on the number of pupils in Academies throughout the financial year. Middlesbrough Council received a refund of £422,000 in 2012/2013 relating to 2011/2102 and a further £803,000 in 2013/2014 relating to 2012/2013

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
<b>Total Early Savings in 2012/13</b>	<b>2,689</b>

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:

**APPENDIX A**

<b>Wellbeing, Care &amp; Learning</b>	<b>Variance</b>
	<b>£ ' 000s</b>
Increased demand for agency fostering services	1,443
Increased demand for agency residential care for children	631
Increased requirement for in house fostering	121
Increase in Demand Led Pressures on Social Care services	1,156
Savings on Staff and Running Costs - Integrated Working	(1,340)
Review of contracts and commissioning	(991)
Implementation of the Fairer Charging Policy	(297)
Net savings on running expenses	(557)
Staff Vacancy Management and restructures	(163)
Increased Income	(1,421)
Increase in Bad Debt Provision	392
<b>Total</b>	<b>(1,026)</b>

<b>Neighbourhoods and Communities</b>	<b>Variance</b>
	<b>£ ' 000s</b>
Car parking income shortfall	256
Savings on Staff and Running Costs - Strategic Management	(71)
Savings on Staff and Running Costs - Environment Services	(275)
Increased Income - Environment Services	(103)
Savings on Staff and Running Costs - Community Protection	(627)
Increased Income - Crematorium	(127)
Increased Income - Sports and Leisure	(53)
Saving on Staff and Running Costs - Economic Development, Culture and Communities	(107)
Saving on Staff and Running Costs - Development Division	(383)
New Homes Bonus Scheme funding	(207)
Other amounts	(7)
<b>Total</b>	<b>(1,704)</b>

<b>Central Services</b>	<b>Variance</b>
	<b>£ ' 000s</b>
Saving on Staff and Running Costs - Members & Legal Services	(251)
Increase in Land searches reserve	66
Increased Housing Benefits Income	(170)
Saving on Staff and Running Costs - Strategic Resources	(434)
Savings on Carbon Reduction Commitment	(129)
Saving on Staff and Running Costs - Chief Executives Office	(318)
Reduced income on Council owned Property	127
Shortfall on Strategic Partnership Efficiency Savings	299
<b>Total</b>	<b>(810)</b>

<b>Corporate Costs</b>	<b>Variance</b>
	<b>£ ' 000s</b>
Funding of NNDR discretionary hardship relief	255
Increase in Miscellaneous Bad Debt Provision	433
Allocation to Election and Change Programme Reserve	3,860



**APPENDIX A**

Savings on Pay and Prices Inflation	(217)
Additional Interest Received	(763)
Reduced Pension Payments	(77)
LACSEG (the Local Authority Central Spend Equivalent Grant) income	(803)
Other amounts	(143)
<b>Total</b>	<b>2,545</b>

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 (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 (IAS19) 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.

**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 are 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 - (1.)	8.2%	4.1%	8.1%	4.4%	Better	Worse
Youth unemployment - (1.)	13.3%	8.3%	11.7%	6.6%	Better	Better
Vacancies per '000 of population - (1.)	9.0	8.9	11.7	16.1	Better	Better
Unemployed people per vacancy - (1.)	8.5	3.4	6.9	2.4	Better	Better
Empty commercial properties - (2.)	710		616		Better	
Occupancy of Council commercial premises - (2.)	88.0%		94.1%		Better	

1. Government Office of National Statistics - NOMIS Official labour market statistics
2. Proportion of commercial units let compared to the number available. The unit lettings have increased but on a lower rent basis so income has reduced.

**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	36.88%	80.1	14.1
Revenue Support Grant	9.2%	20.4	5.88%	1.6	(18.8)
Council Tax	22.5%	50.1	23.90%	51.9	1.8
Sales Fees and Charges	16.5%	36.7	14.46%	31.4	(5.3)
Specific Grants	10.6%	23.5	12.52%	27.2	3.7
Other LA and Health	8.8%	19.5	8.93%	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
<b>Total</b>	<b>100.0%</b>	<b>222.2</b>	<b>100.0%</b>	<b>217.2</b>	<b>(5.0)</b>

**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.

## WHERE THE MONEY GOES

	2011/12		2012/13		More / (Less)
	%	£m	%	£m	£m
Social Care	31.7%	70.4	32.5%	70.6	0.2
Environment & Transport	17.4%	38.6	17.9%	38.8	0.2
Children Families & Learning	23.4%	52.1	22.3%	48.5	(3.6)
Regeneration	5.9%	13.1	5.6%	12.2	(0.9)
Partnership	10.4%	23.2	6.1%	13.3	(9.9)
Accommodation, ICT & Central Administration	6.0%	13.4	10.3%	22.3	8.9
Capital Financing	4.1%	9.1	4.0%	8.7	(0.4)
Net Change in Reserves	1.0%	2.3	1.3%	2.8	0.5
<b>Total</b>	<b>100.0%</b>	<b>222.2</b>	<b>100.0%</b>	<b>217.2</b>	<b>(5.0)</b>

**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.

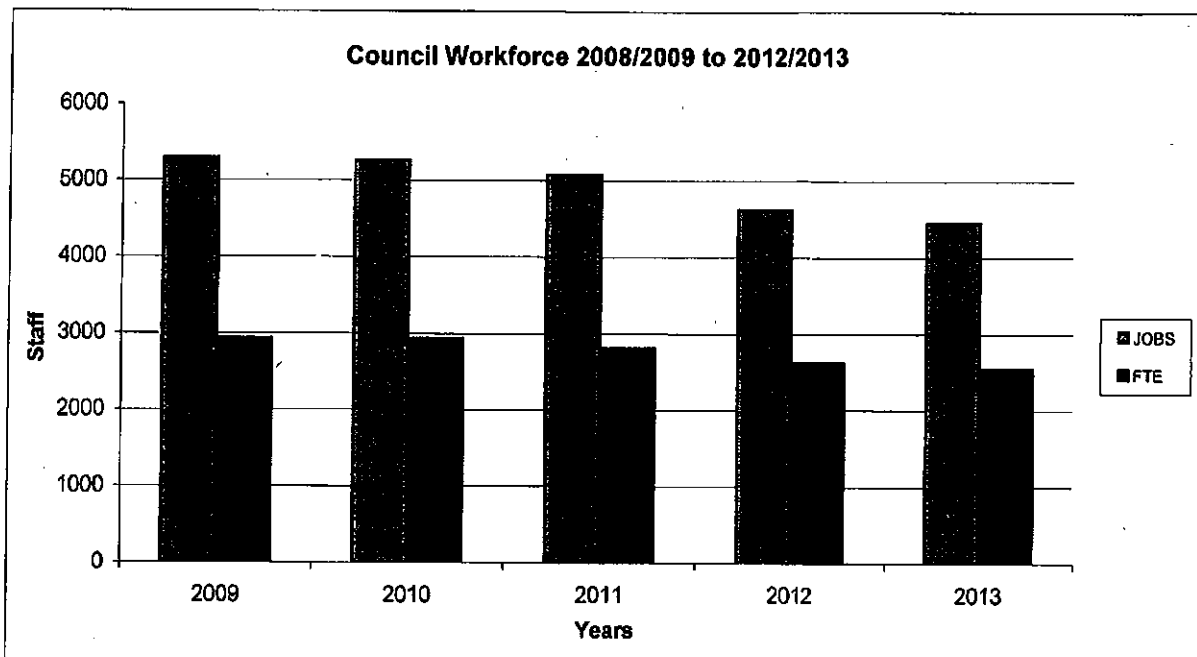
## WHAT THE MONEY IS SPENT ON

	2011/12		2012/13		More / (Less)
	%	£m	%	£m	£m
Employee Costs	37.4%	83.2	35.0%	76.0	(7.2)
Premises	2.3%	5.1	2.3%	5.0	(0.1)
Transport	2.1%	4.7	2.1%	4.6	(0.1)
Supplies and Services	18.3%	40.7	17.1%	37.2	(3.5)
Third Party Payments	33.8%	75.1	37.6%	81.6	6.5
Capital Financing Costs	4.1%	9.1	4.0%	8.7	(0.4)
Contributions to Capital	0.9%	2.0	0.6%	1.3	(0.7)
Contribution to Reserves & Provisions	1.0%	2.3	1.3%	2.8	0.5
<b>Total</b>	<b>100.0%</b>	<b>222.2</b>	<b>100.0%</b>	<b>217.2</b>	<b>(5.0)</b>

**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.

**APPENDIX A**

Reconciliation of Income to Service Analysis	2011/12	2012/13	More / (Less)
	£m	£m	£m
<b>Shown below as 'where the money comes from'.</b>	<b>222.2</b>	<b>217.2</b>	<b>(5.0)</b>
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
<b>Gross Income Value</b>	<b>425.7</b>	<b>430.4</b>	<b>4.7</b>
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.	<b>(136.5)</b>	<b>(133.6)</b>	<b>7.6</b>
<b>Income Reported by Services (note 37).</b>	<b>289.2</b>	<b>296.8</b>	<b>10.5</b>

**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
<b>Total Assets of the Council</b>	<b>628.6</b>	<b>580.8</b>	<b>(47.8)</b>
What the Council Owes	(275.0)	(302.6)	(27.6)
<b>Council Reserves</b>	<b>353.6</b>	<b>278.2</b>	<b>(75.4)</b>

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)
<b>Total</b>		<b>577.1</b>	<b>525.5</b>	<b>(51.6)</b>

- 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

<b>Types of Expenditure</b>	<b>Spending (£ m)</b>	<b>Percentage</b>
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%
	<b>24.2</b>	<b>63.9%</b>
Revenue Expenditure funded under capital	13.7	36.1%
	<b>37.9</b>	<b>100.0%</b>



**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%
<b>Total</b>	<b>37.9</b>	<b>100.0%</b>

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	2013	More / (Less)
		£m	£m	£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)
<b>Total</b>		<b>51.5</b>	<b>55.3</b>	<b>3.8</b>

**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.

## 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)
<b>Total</b>		<b>275.0</b>	<b>302.6</b>	<b>27.6</b>

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.

**2 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.

**3 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 were 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.

**4** 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).

**5 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	53.0	(0.2)
Unusable Reserves	293.3	217.8	(75.5)
<b>Total</b>	<b>353.5</b>	<b>278.2</b>	<b>(75.3)</b>

**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 53, Note 12 in the Accounting Statements. Current usable reserves total £60.4 million and the main earmarked reserves are:

- Capital Grants Unapplied Reserve (£16.4 million);
- Capital Receipts Reserve (£12.6 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.

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 (£54.0 million) and the Capital Adjustment Account (£324.2 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 £2,929 million, an increase over the year of £332million or 12.8%. 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 461 (2.4%) 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 started 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. The estimated cost for the Cleveland County Fund are £947,000. The Cleveland County fund balance is only £767,000 and Middlesbrough's Share (24.88%) of the likely shortfall of £179,000 is £44,600. The Council has set up provisions of £252,600 to cover the amounts owed by Middlesbrough and £767,000 for the Cleveland County Fund.

**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 estimated allocation 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	Cost of Services by Service Area	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure (Income) £000
21,828	(19,668)	2,160	Central Services to the Public		21,966	(20,282)	1,684
26,290	(8,327)	17,963	Cultural and Related Services		26,622	(7,742)	18,880
22,038	(5,783)	16,255	Environmental & Regulatory Services		22,082	(7,913)	14,169
15,855	(4,907)	10,948	Planning Services		11,457	(3,428)	8,029
219,880	(139,207)	80,673	Education and Children's Services		175,365	(126,191)	49,174
20,700	(4,374)	16,326	Highways and Transport Services		21,339	(4,494)	16,845
80,668	(77,229)	3,439	Other Housing Services		83,547	(82,497)	1,050
77,420	(26,547)	50,873	Adult Social Care		79,017	(28,168)	50,849
484,679	(286,042)	198,637	Total Cost of Direct Services		441,395		160,680
3,494	(23)	3,471	Corporate and Democratic Core		3,641	(152)	3,489
40,962	-	40,962	Non Distributed Costs	1	1,957	(207)	1,750
529,135	(286,065)	243,070	Total Cost of Services		446,993		165,919
0	0	12,794	Other Operating Income & Expenditure	2			16,127
0	0	1,836	Financing and Investment Activities	3			5,228
0	0	(159,768)	Taxation and Non - Specific Grants	4			(150,124)
		97,932	Deficit on the provision of services transferred to the General Fund				37,150
0	0	55,675	Actuarial (Gains) / Losses on Pension Fund charged to Pensions Reserve.	14			20,259
0	0	27,647	Revaluation (increases) / decreases to Land & Buildings recognised in the Revaluation Reserve.	7			(3,802)
0	0	(18,374)	Depreciation written out to the Revaluation Reserve.	5			4,824
0	0		Revaluation (increases) to Heritage Assets	6			0
		61,212	Total Other Comprehensive Income & Expenditure				21,281
		159,144	Total Comprehensive Income and Expenditure				58,431

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 main difference between the Council's management accounts and the published statutory accounts are as follows:

**Capital Depreciation Charges:**

In the I&E Statement 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).

**Revenue Expenditure Funded by Capital Under Statute (REFCUS) Charges.** Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the I&E in the year.

**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.

**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

**Employer's Pension Fund Contributions:**

Accounting for retirement benefits (IAS19) 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.

**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.

A reconciliation between the management accounts and the Income & Expenditure statement is shown in note 37.

## APPENDIX C

### Balance Sheet at 31 March 2013

At 31 March 2011 Restated £000	At 31 March 2012 £000		Note	At 31 March 2013 £000
		<b>Long Term Assets</b>		
541,522	441,129	Property, Plant & Equipment	5	404,935
21,844	25,580	Heritage Assets	6	26,373
43,745	55,461	Investment Properties	7	63,468
1,154	995	Intangible Assets	38	704
673	2,823	Long Term Investments	39	1,323
1,061	1,094	Long Term Debtors	40	682
<b>609,999</b>	<b>527,082</b>	<b>Total Long Term Assets</b>		<b>497,485</b>
		<b>Current Assets</b>		
25,580	14,133	Short Term Investments	8	17,510
1,458	1,813	Assets held for sale	41	1,000
2,278	2,100	Inventories	42	2,111
37,325	36,307	Short Term Debtors	9	39,011
1	0	Current Intangible Assets		0
20,848	17,595	Cash and Cash Equivalents	10	12,033
<b>87,490</b>	<b>71,948</b>	<b>Total Current Assets</b>		<b>71,665</b>
		<b>Current Liabilities</b>		
(5,000)	(7,852)	Short Term Borrowing	8	(13,436)
(45,294)	(43,245)	Short Term Creditors	11	(39,955)
(1,611)	(819)	Provisions	43	(1,957)
<b>(51,905)</b>	<b>(51,916)</b>	<b>Total Current Liabilities</b>		<b>(55,348)</b>
		<b>Long Term Liabilities</b>		
(2,734)	(3,911)	Provisions	43	(3,262)
(75,363)	(84,399)	Long Term Borrowing	8	(86,240)
(79,096)	(134,265)	Pension Liability	14	(158,355)
(582)	(369)	Other Long Term Liabilities		(380)
(2,000)	(174)	Capital Grants Receipts in Advance	28	0
<b>(159,775)</b>	<b>(223,118)</b>	<b>Total Long Term Liabilities</b>		<b>(248,237)</b>
<b>485,809</b>	<b>323,996</b>	<b>Net Assets</b>		<b>265,565</b>
		<b>Reserves</b>		
73,246	60,225	Usable Reserves	12	63,932
412,563	263,771	Unusable Reserves	13	201,633
<b>485,809</b>	<b>323,996</b>	<b>Total Reserves</b>		<b>265,565</b>



## Movement in Reserves Statement

	General Fund	Earmarked General Fund Reserve	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Useable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Movement in Reserves for the Year Ended 31 March 2013</b>	5,039	22,947	13,555	18,684	60,225	265,106	325,331
<b>Balance at 1 April 2012</b>							
Deficit on provision of services transferred to the General Fund (accounting basis).	(37,150)	0	0	0	(37,150)	0	(37,150)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(21,281)	(21,281)
<b>Total Comprehensive Income and Expenditure</b>	<b>(37,150)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(37,150)</b>	<b>(21,281)</b>	<b>(58,431)</b>
Adjustments between accounting basis & funding basis under regulations - note 15.	40,318	0	2,793	(2,254)	40,857	(40,857)	0
<b>Increase / (Decrease) before transfer to Earmarked Reserves</b>	<b>3,168</b>	<b>0</b>	<b>2,793</b>	<b>(2,254)</b>	<b>3,707</b>	<b>(62,138)</b>	<b>(58,431)</b>
Transfer (to) / from Earmarked Reserves (note 16)	(2,172)	2,172	0	0	0	0	0
<b>Increase / (Decrease) in the year ended 31 March 2013</b>	<b>996</b>	<b>2,172</b>	<b>2,793</b>	<b>(2,254)</b>	<b>3,707</b>	<b>(62,138)</b>	<b>(58,431)</b>
<b>Balance at 31 March 2013</b>	<b>6,035</b>	<b>25,119</b>	<b>16,348</b>	<b>16,430</b>	<b>63,932</b>	<b>202,968</b>	<b>266,900</b>

**APPENDIX D**

**Balance Sheet at 31 March 2013**

At 31 March 2011 Restated £000	At 31 March 2012 £000		Note	At 31 March 2013 £000
		<b>Long Term Assets</b>		
540,188	441,129	Property, Plant & Equipment	5	404,935
21,844	25,580	Heritage Assets	6	26,373
43,745	55,461	Investment Properties	7	63,468
1,154	995	Intangible Assets	38	704
673	2,823	Long Term Investments	39	1,323
1,061	1,094	Long Term Debtors	40	682
<b>608,665</b>	<b>527,082</b>	<b>Total Long Term Assets</b>		<b>497,485</b>
		<b>Current Assets</b>		
25,580	14,133	Short Term Investments	8	17,510
1,458	1,813	Assets held for sale	41	1,000
2,278	2,100	Inventories	42	2,111
37,325	36,307	Short Term Debtors	9	39,011
1	0	Current Intangible Assets		0
20,848	17,595	Cash and Cash Equivalents	10	12,033
<b>87,490</b>	<b>71,948</b>	<b>Total Current Assets</b>		<b>71,665</b>
		<b>Current Liabilities</b>		
(5,000)	(7,852)	Short Term Borrowing	8	(13,436)
(45,294)	(43,245)	Short Term Creditors	11	(39,955)
(1,611)	(819)	Provisions	43	(1,957)
<b>(51,905)</b>	<b>(51,916)</b>	<b>Total Current Liabilities</b>		<b>(55,348)</b>
		<b>Long Term Liabilities</b>		
(2,734)	(3,911)	Provisions	43	(3,262)
(75,363)	(84,399)	Long Term Borrowing	8	(86,240)
(79,096)	(134,265)	Pension Liability	14	(158,355)
(582)	(369)	Other Long Term Liabilities		(380)
(2,000)	(174)	Capital Grants Receipts in Advance	28	0
<b>(159,775)</b>	<b>(223,118)</b>	<b>Total Long Term Liabilities</b>		<b>(248,237)</b>
<b>484,475</b>	<b>323,996</b>	<b>Net Assets</b>		<b>265,565</b>
		<b>Reserves</b>		
73,246	60,225	Usable Reserves	12	63,932
411,229	263,771	Unusable Reserves	13	201,633
<b>484,475</b>	<b>323,996</b>	<b>Total Reserves</b>		<b>265,565</b>

**APPENDIX E**

**Cash Flow Statement for the Year ended 31 March 2013**

Year to 31 March 2012 £000		Note	Year to 31 March 2013 £000
(97,932)	<b>Deficit on provision of services transferred to the General Fund</b>		(37,150)
	<b>Adjustment for items not affecting cash flow</b>		
15,932	Depreciation of Property Plant and Equipment	5	16,732
366	Amortisation of Intangible Assets		676
85,520	Impairments to Property Plant and Equipment	5	16,641
0	Impairments to Assets held for sale		0
952	Fair Value losses on Investment Properties	7	(1,611)
(2,771)	Donated Property Plant and Equipment	5	(1,034)
(1,065)	Donated Investment Properties	7	0
1	Impairment on Long Term Intangibles		0
364	Write down of Long Term Investments		0
12,782	NBV on Disposal of non current assets		20,935
(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		489
12,202	<b>Surplus on provision of services after non cash adjustments</b>		19,335
0	<b>Adjustments for items that are Financing or Investing Activities</b>		(2,649)
	<b>Other operating Cashflows</b>		
(2,059)	Cash absorbed by the reduction in creditors		(4,415)
985	Cash absorbed by the increase in debtors		(2,292)
178	Cash absorbed by the increase in inventory		(11)
11,306	<b>Net cash flow from operating activities</b>		9,968
(26,244)	Investing Activities	17	(22,762)
11,685	Financing Activities	18	7,232
(3,253)	<b>Net decrease in cash and cash equivalents</b>		(5,562)
20,848	Cash and Cash Equivalents at the start of the period	10	17,595
17,595	<b>Cash and Cash Equivalents at the end of the period</b>	10	12,033





**APPENDIX F**

**Collection Fund Income and Expenditure Account**

2011/12 £000		2012/13 £000	Note
<b>Income</b>			
43,110	Council Tax	44,790	1
<b>Transfers from General Fund</b>			
17,806	Council Tax Benefits	18,357	
(2)	Transitional Relief	(1)	1
38,226	Income from Business Rate Payers	39,348	2,6
<b>Contributions towards previous years estimate</b>			
(46)	Collection Fund (Surplus) / Deficit	(25)	3,4
0	Bad Debts provision	0	
<b>99,094</b>	<b>Total Income</b>	<b>102,469</b>	
<b>Expenditure</b>			
<b>Precepts and Demands:</b>			
50,125	Middlesbrough Council	51,904	
7,461	Cleveland Police Authority	7,729	
2,541	Cleveland Fire Authority	2,644	
<b>Business Rates</b>			
38,045	Payments to National Pool	39,168	
181	Costs of Collection	180	
<b>Bad &amp; Doubtful Debts</b>			
44	Write Offs	38	
618	Provisions	509	
<b>99,015</b>	<b>Total Expenditure</b>	<b>102,172</b>	
<b>79</b>	<b>Movement on Fund Balance</b>	<b>297</b>	<b>5</b>



**APPENDIX G**

**Fund Accounts for the year ended 31st March 2013**

2011 / 2012 £000		Note	2012 / 2013 £000
	<b>Contributions and Benefits</b>		
91,358	Contributions	6	88,209
10,743	Transfers in	7	9,649
5,505	Other income	8	4,461
<b>107,606</b>			<b>102,319</b>
102,867	Benefits	9	104,421
4,155	Leavers	10	6,103
1,597	Administrative expenses	11	1,713
<b>108,619</b>			<b>112,237</b>
<b>(1,013)</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>(9,918)</b>
	<b>Returns on investment</b>		
77,382	Investment income	12	79,900
(64,978)	Change in market value of investments	13	264,322
(1,222)	Investment management expenses	14	(1,367)
<b>11,182</b>	<b>Net returns on investments</b>		<b>342,855</b>
<b>10,169</b>	<b>Net increase in the Fund during the year</b>		<b>332,937</b>
<b>2,586,495</b>	<b>Net assets of the scheme as at 1<sup>st</sup> April</b>		<b>2,596,664</b>
<b>2,596,664</b>	<b>Net assets of the scheme as at 31<sup>st</sup> March</b>		<b>2,929,601</b>

2012	Net Assets Statement as at 31st March		2013
2,579,973	Investments Assets	13	2,916,341
17,391	Current Assets	15	13,904
2,893	Receivables due over 1 year	16	1,918
(3,593)	Current liabilities	17	(2,562)
<b>2,596,664</b>	<b>Net assets of the scheme at 31<sup>st</sup> March</b>		<b>2,929,601</b>

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.

