

EAST CAMBRIDGESHIRE DISTRICT COUNCIL
EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS 2011/2012

As the Head of Finance and S151 Officer, I am pleased to present the Council's 2011/12 Statement of Accounts.

The purpose of this Foreword is to provide a guide to the most significant matters reported in the Council's accounts. The financial statements have been prepared in accordance with the standard format for local authority accounts as recommended by the Chartered Institute of Public Finance and Accountancy, (CIPFA) as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards (IFRS).

Prior to this financial year, the entire document was known as the Statement of Accounts. However, following clarifications from CIPFA's Local Authority Accounting Panel this document is now known as the Annual Financial Report. The reason for this change is that there are elements of the report that the auditors are not required to give a true and fair view upon and elements that they are; the latter are listed below the subheading of "Statement of Accounts" within the Contents page.

To aide the reader's interpretation of the Council's Statement of Accounts, the Foreword has been split into three sections:

- A review and commentary on the Council's performance during 2011/12.
- An explanation of the major changes in the presentation of the 2011/12 Statement of Accounts when compared to those presented in 2010/11.
- A commentary on the more significant items within the accounts that are worthy of note.

1.0

REVIEW AND COMMENTARY ON THE COUNCIL'S SERVICES AND PERFORMANCE DURING 2011/12

2011/12 marked the first year of the retraction in government funding that is expected to continue throughout the decade. During 2010/11, the Council had successfully identified a package of savings that produced a balanced budget across the 4 year period commencing 2011/12. This strategic and proactive approach has meant that no further savings have been necessary for 2011/12. The Council's financial position has been monitored on an ongoing basis during the financial year and variances to the approved budget have been reported to Members as they have been identified.

Collection rates on Council Tax and Business rates have remained high despite the continuing bleak economic outlook, while benefits processing rates have also remained high despite the recession.

The Council recognises that the economic challenges are likely to increase throughout the decade, while further significant risks will be assumed in respect of the government's business rates retention and localised support for Council Tax schemes.

The Council has remained debt free and has not been required to borrow during the year.

EXPLANATORY FOREWORD CONTINUED

The 2011/12 General Fund Revenue Outturn

The Council's net revenue expenditure for 2011/12 was originally estimated at £9,828,711, which was revised downwards during the year to £9,738,762. The Council's net revenue expenditure for 2011/12 was £9,388,343 which is an underspend compared to the original budget of £440,368 and an underspend of £350,419 compared to the revised budget.

The main variances attributable to the underspend of £350,419 are:

	£000	Note
Environmental Issues	(22)	Reduced income from recycling credits and increase in costs of maintenance /servicing of recycling sites.
Homelessness	(27)	Increased costs in housing the homeless in Bed & Breakfast accommodation.
Local Elections	68	Savings due to funding received for the Referendum from Central Government.
Planning	101	Increased income from planning fees.
Training	26	Underspend on staff training.
Revenues & Benefits	187	Savings due to anticipated changes for the treatment of court cost income by ARP not materialising together with the Housing Benefit subsidy received being higher than anticipated.
Other savings	17	
Total Underspend	350	

Sources of Income

	Original Budget £000	Revised Budget £000	Actual £000	Variance To Revised Budget £000
Government Grants	(27,187)	(29,521)	(30,423)	(902)
Other Grants/Reimbursements	(581)	(676)	(1,743)	(1,067)
Sales, Fees & Charges	(1,763)	(1,757)	(1,960)	(203)
Local Taxpayers	(5,573)	(5,573)	(5,573)	0
Other Income	(792)	(841)	(1,009)	(168)
Total Income	(35,896)	(38,368)	(40,708)	(2,340)

The Government grants were higher than estimated mainly as a result of additional housing benefit and council tax benefit subsidy from the DWP.

Other grants and reimbursements includes S106 contributions from developers and income from Capital receipts to fund revenue expenditure funded by capital.

Sales, fees and charges includes planning application fees which were higher than anticipated.

Other income actual includes non capital receipts

EXPLANATORY FOREWORD continued

The Council's main fees and charges income streams are monitored on a regular basis during the financial year. The actual income compared to the revised budget shows a favourable variance of £95,000 as set out in the table below:

	Original Budget £000	Revised Budget £000	Actual £000	Variance To Revised Budget £000
Planning Fees	(359)	(359)	(460)	(101)
Building Control Fees	(262)	(262)	(242)	20
Land Charges	(111)	(111)	(116)	(5)
Investment Interest	(101)	(130)	(142)	(12)
Licensing Income	(126)	(126)	(123)	3
	(959)	(988)	(1,083)	(95)

Reserves

The General Fund Reserve balance at 1 April 2011 stood at £1,623,847 and this was increased by £173,083 as approved by Members at the February 2012 Council meeting. At 31 March 2012, this reserve totalled £1,796,930.

The underspend of £350,419 at the end of 2011/12 has enabled the following 2 earmarked reserves to be set up. The £150,000 which had been set aside in the Revenues and Benefits Reserve a year ago has been transferred into the Localisation of Council Tax Support Reserve in addition to the £300,000 below:

Earmarked reserve	£	Explanation
Homelessness Reserve	(50,419)	Monies set aside to cover the additional anticipated expenditure in dealing with homelessness in the current climate.
Localisation of Council Tax Support Reserve	(300,000)	Monies set aside to fund estimated costs of introducing Localisation of Council Tax Support scheme.
	(350,419)	

EXPLANATORY FOREWORD continued

The 2011/12 Capital Outturn

The capital programme expenditure during 2011/12 totalled £1,289,274 which was an underspend of £193,684 compared to the revised budget of £1,482,958.

The capital programme was financed from Government Grants, External Contributions, sums set aside from revenue of £672,826, and useable capital receipts of £616,448.

Capital Schemes	2011/12 Original £000	2011/12 Revised £000	2011/12 Actual £000	2011/12 (under)/over £000
<u>Development & Transport Committee</u>				
Infrastructure Investment Strategy	0	7	7	0
Conservation Area Schemes - 2nd round	0	38	8	(30)
Transport Initiatives Fund	40	0	33	33
Southern Link Road	0	100	100	0
Fisherman's Car Park Infrastructure Ely	13	13	0	(13)
Ely Car Parking Scheme	20	0	0	0
Mandatory Disabled Facilities Grants	386	435	427	(8)
Empty Property, Minor Work, Home Repair, Disc. DFGs	193	193	98	(95)
Empty Properties Littleport	0	189	109	(80)
Travellers' Sites (excluding Wentworth)	0	22	0	(22)
Total Development & Transport Sub-Committee	652	997	782	(215)
<u>Community & Environment Sub-Committee</u>				
Ely Visitor Management Project	0	0	(2)	(2)
CCTV - Ely & Soham	0	0	4	4
West of Ely Cycleway	0	0	91	91
Leisure Facility	0	0	(1)	(1)
Total Community & Environment Sub-Committee	0	0	92	92

Minus figures in the actual spend column are due to prior period adjustments

EXPLANATORY FOREWORD continued

Capital Schemes Continued	2011/12 Original £000	2011/12 Revised £000	2011/12 Actual £000	2011/12 (under)/over £000
<u>Personnel & Corporate Services Sub-Committee</u>				
Maltings Cottages	100	0	(5)	(5)
Reception Refurbishment The Grange Ely	0	25	4	(21)
Maltings Hall	0	278	278	0
Vehicle Etc Replacements	29	0	0	0
Grounds Maintenance Vehicles/Equipment	0	10	0	(10)
Agresso Finance System Upgrade	0	0	(3)	(3)
Virtualisation of Servers	0	8	7	(1)
Northgate/Paris new APACS security Module	0	3	0	(3)
Replacement IT Back-up System	0	28	51	23
Electronic Document Management (DMS) & e-Forms	100	51	0	(51)
CRM (Customer Relationship Management) Integration	68	83	83	0
Total Personnel & Corporate Services Sub-Committee	297	486	415	(71)
Total Capital Schemes	949	1,483	1,289	(194)

EXPLANATORY FOREWORD continued

Sources Of Financing	2011/12 Original £000	2011/12 Revised £000	2011/12 Actual £000	2011/12 Variance £000
Government Grants:				
Disabled Facility Grants	(200)	(205)	(235)	30
Littleport Empty Property Grant	0	(189)	(109)	(80)
Gypsy & Travellers' Sites Grant	0	(22)	0	(22)
HPDG (Housing & Planning Development)	(107)	(137)	(7)	(130)
IEG (Implementing Electronic Government)	(60)	9	(55)	64
Other				
Section 106 Contributions	(2)	(2)	(87)	85
Improvement East	0	(43)	(83)	40
Cambridgeshire Horizons	0	(100)	(100)	0
Contribution to Grounds Maintenance equip.	(25)	(50)	(4)	(46)
Sanctuary Hereward Housing Association	0	0	12	(12)
Repaid Home Repair Assistance grants & minor receipts	0	0	(5)	5
Capital Receipts	(555)	(744)	(616)	(128)
Total Financing	(949)	(1,483)	(1,289)	(194)

Positive figures in the actual financing column are due to prior year adjustments.

The variances are mainly due to slippage in some of the schemes commencing and additional schemes added during the year.

During 2011/12, the Council remained debt free.

2.0 COMMENTARY ON THE MAJOR CHANGES IN THE 2011/12 ACCOUNTS COMPARED TO THE 2010/11 STATEMENTS

2.1 International Financial Reporting Standards

The Council is required to report its financial position based on the requirements of International Financial Reporting Standards (IFRS) and is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

2.2 Statement of Accounting Policies

The accounting policies applicable to the 2011/12 statement of accounts are much the same as those that were applied to the 2010/11 accounts. The only changes to this year's accounting policies are in respect of Heritage Assets.

The purpose of now reporting Heritage Assets is so that the Council's balance sheet can reflect those assets that are held and maintained by the Council principally for their contribution to knowledge and culture. Such assets can have historical, artistic, scientific, geophysical or environmental qualities.

As a result of the introduction of IFRS, the Council's accounting policies that were previously UK GAAP compliant, have been comprehensively reviewed and a new set of IFRS compliant accounting policies have been produced.

EXPLANATORY FOREWORD continued

2.3 True And Fair View Override

As required by the Accounts and Audit Regulations 2011, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the council. However, as a consequence of IFRS, this has introduced the principle of the "true and fair view over-ride". This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the Council to provide misleading information ie to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the 'true and fair view' is appropriately acknowledged in the notes to the accounts. For 2011/12 the Head of Finance has not had to use the 'true and fair view' override.

2.4 Changes To The Statement of Accounts

In the main, the 2011/12 Statement of Accounts is very similar to those of 2010/11. However, there have been some minor changes and these are noted below:

Balance Sheet

Heritage Assets

As noted at paragraph 2.2, the Council is now required to report any Heritage Assets that it holds. The assets that it has classified as Heritage include some artefacts held in Oliver Cromwell House. These assets are held at either valuation or insurance cost. As at the 31st March 2012, the value of Heritage Assets is £0.105m

Disclosure Notes

Where necessary, new or revised disclosure notes will be included with the Statement of Accounts to reflect the reporting of heritage assets in the Balance Sheet. However, there is a further disclosure required in respect of Exit Packages. This note will detail, in bands of £20,000 up to £100,000 and then bands of £50,000 thereafter, the number of packages given to employees who have had their employment terminated.

EXPLANATORY FOREWORD continued

3.0 COMMENTARY ON THE SIGNIFICANT ITEMS IN THE 2011/12 ACCOUNTS

3.1 EXPLANATION OF THE CORE AND SUPPLEMENTARY STATEMENTS

The Core Statements are:

i Movement In Reserves Statement - Page 14

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

ii The Comprehensive Income & Expenditure Statement - Page 15

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

iii The Balance Sheet - Page 16

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

iv The Cash Flow Statement - Page 18

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

v The Supplementary Statement for this Council is:

The Collection Fund - Page 86

The Collection fund shows the transactions of the Council as the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of the council tax and non-domestic rates. There is no need for a Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e. Cambridgeshire County Council, Cambridgeshire Police Authority, Cambridgeshire Fire and Rescue, East Cambridgeshire District Council and the Government) on behalf of which the Council collects these taxes.

EXPLANATORY FOREWORD continued

3.2 Material and Unusual Charges or Credits in the Accounts

There are no such amounts reported in the 2011/12 Statement of Accounts.

3.3 Pensions

The pension scheme liability within the Balance Sheet has significantly increased from £12.75m in 2010/11 to £15.92m as at 31/3/12. This increase is mainly due to:

- The deficit has increased due to falling bond yields
- The deficit has further increased due to poor asset returns
- The projected pension expense for next year has also risen for the same reasons, and reduced expected asset rates of return.

3.4 Significant Provisions, Contingencies and Write Offs

The Council has no significant provisions or contingencies to report as at 31 March 2012. The Council has written off £18,000 council tax arrears and £21,000 of National Non Domestic Rates during 2011/12 that it considers are bad debts and no longer collectible.

3.5 Material Events After The Balance Sheet Date

There have not been any material events after the reporting date.

Linda Grinnell

Head of Finance