
EAST CAMBRIDGESHIRE DISTRICT COUNCIL
EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS 2012/2013

As the Head of Finance and S151 Officer, I am pleased to present the Council's 2012/13 Annual Financial Report which outlines the Council's performance for the year ended 31 March 2013.

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 2012/13 based on International Financial Reporting Standards (IFRS). They have also been produced in accordance with the Accounts and Audit Regulations 2011.

To aid 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 2012/13.
- An explanation of the major changes in the presentation of the 2012/13 Statement of Accounts when compared to those presented in 2011/12.
- 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 2012/13**

REVIEW OF 2012/13

In 2012/13, the Council agreed a suite of key corporate priorities and indicators for the financial year. These priorities are set out below together with a commentary on their progress as at the end of the financial year:

- To facilitate the commencement of the Southern Link Road by 2015.

Options have been investigated and following an initial consultation, an option was agreed. The preparation of the planning application is underway and the funding package which is yet to be confirmed will include contributions from Network Rail, Cambridgeshire County Council and East Cambridgeshire District Council. This priority will be retained in 2013/14

- To facilitate the introduction of superfast broadband to the District by 2015.

Connecting Cambridgeshire signed a contract with BT in March 2013 which means businesses and communities across Cambridgeshire and Peterborough will have some of the best fibre broadband coverage in the country by the end of 2015.

Overall 98% of homes and businesses across the county can expect to have access to fibre-based broadband by the end of the contract. Our targets are for more than 90% of homes and businesses to be able to get broadband speeds of 24 Mbps and higher, with a minimum of 2 Mbps to very nearly 100% of premises.

Over 24,000 people across the county have registered their demand for better broadband since May 2012 making it one of the fastest growing and biggest broadband campaigns in the country. Every registration counts to show suppliers the level of demand for better broadband across the county.

The Connecting Cambridgeshire Team are now working with Openreach on planning and detailed surveys for the roll-out, which will require a substantial re-design of the network.

The first phase of the roll-out is scheduled to deliver connectivity from December 2013 through to June 2014, with the first cabinets going 'live with fibre' by the end of 2013. Broadband services from a range of internet service providers will be available to premises on a rolling basis during this period as infrastructure is built and completed.

EXPLANATORY FOREWORD CONTINUED

- To meet with the District's top employers to support job creation.

In April 2012, 30 businesses attended a Breakfast Briefing hosted by the Council. This was followed up by visits to the 9 largest employers in the District. 261 jobs were created and 78 were safeguarded through business engagement and marketing activities. The Council identified additional financial resources towards the costs of apprenticeship places in other organisations and economic development marketing funding for the Council itself. This priority was fully achieved during 2012/13 and has been discharged for 2013/14.

- By 2013 to implement a policy to prioritise people who work in the district for affordable housing in order to provide a sustainable relationship between homes and jobs.

The Council's Housing Allocations policy, which sets out its scheme for allocating social housing in the district, was revised in December 2012. The new policy now states that an applicant will be considered to have a local connection with the area if they work in the local authority area for 16 hours or more per week.

- To deliver one Community Land Trust (CLT) in East Cambridgeshire by the end of 2013.

The Stretham and Wilburton CLT was established in October 2012. The Council's CLT support programme was approved by Full Council in 2013. This priority has been revised in year and amended to **To deliver 2 more Community Land Trusts by the end of 2013/14.**

- To test the market for a catering operator to manage the restaurant at the Maltings.

The procurement process was undertaken in late summer / early autumn and 3 bids were received. The selected preferred operator will be confirmed during 2013/14.

- By March 2013, to approve a costed plan for a District leisure facility.

The pre - procurement market testing of the operation management options with the private sector was completed during 2012/13. The heads of terms with the preferred cinema developer have also been completed. This Corporate Priority has now been amended to **To provide a detailed costed plan for the development and construction of a new leisure facility by the end of 2014.**

- To submit a bid for funding to the Department for Communities and Local Government (DCLG) by August 2012 to retain weekly collections of waste and enhance recycling rates.

The bid was submitted in August 2012. In November 2012, the DCLG announced that we had successfully been awarded funding of £4.99m. During 2013/14, the Council will implement the changes to the recycling service and also work in partnership with the County Council and other District Councils in Cambridgeshire for their waste collection service provision.

The Council successfully carried out an EU tender for a paper, glass and can bank collections contract

- To open a shared front of house in the Council's reception area, providing a one stop shop for the customers of the Council, Anglia Revenues Partnership and Sanctuary Housing.

This was completed early in the financial year and the reception was re-opened in May 2012.

- To reduce the average number of working days lost to sickness per full time equivalent (fte)

During 2012/13, Stress management Risk Assessments were introduced alongside the continued implementation of the Council's revised Attendance and Stress Management Policy. This priority will be retained for 2013/14.

- To 'talk up' / promote Littleport as a place to live, work and play.

This priority has been articulated through three separate projects and supported by ongoing PR campaigns. The three projects are:

1. Increase the number of car parking spaces for the users of Littleport Railway Station.
2. Increase the number of car parking spaces at E Space North to offer enhanced conference facilities

EXPLANATORY FOREWORD CONTINUED

3. Transfer the public open space known as The Paddock to Littleport Parish Council for the provision of public open space and community use.

These projects will be ongoing during 2013/14.

- To deliver the Council's Medium Term Financial Strategy (MTFS) 2011/12 - 2014/15.

The updated MTFS was approved by the Finance and Governance Committee in January 2013. The timeframe of the Strategy was extended to 2016/17 and includes a range of Key Performance Indicators against which, the Council's financial health will be monitored. These Indicators include the collection rates of both Council tax and Business Rates and a tolerance level has been set against which to measure the Council's outturn position at the end of the year. These are discussed further in this report. This Corporate Priority will be retained in 2013/14.

In 2013/14, there are five new Corporate Priorities. These are:

- To facilitate the opening of a cinema at Downham Road / A10 by 2015.

- To reduce the number of families with children in bed and breakfast and those in residence for more than 6 weeks

- To agree proposals and project plan for the development of the Station Gateway by the end of March 2014.

- To agree a project plan with relevant partners to implement the Soham Eastern Gateway by the end of 2013

- To submit a full business case to the Department of Transport for the re-opening of Soham Rail Station by the end of 2013.

During 2012/13 98% (568) food premises due for inspection were completed by the Environmental Health Commercial Team, resulting in 277 written warnings, the service of improvement notices and a prosecution for continual poor food hygiene standards. 76% of food businesses within East Cambridgeshire District are rated as being 'good' or 'very good' under the Food Standards Agency Food Hygiene Rating Scheme. The number of food businesses within the district continues to rise, with over 137 food businesses registering with the Council during 2012/13

In addition to food safety and health and safety inspection and enforcement, the Commercial Team received, processed and issued over 980 licence applications during 2012/13, including applications for street trading, private hire and hackney carriage vehicles, driver and operator, animal and premises licensing and temporary event notices. House to house and street collection licences processed and granted by the team during 2012 resulted in £37,642.29 being collected by charitable organisations within the district.

Despite a further reduction in Government funding of £0.654m (11.7%) in 2012/13, the Council successfully balanced its 2012/13 budget which was approved by Full Council on 23 February 2012. This financial position was achieved by the actions taken during 2011/12 when the Council identified a 4 year savings package which meant that a balanced budget position for 2012/13 was achieved without the need to identify any further savings. 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.

The Council, however, does recognise that there will be continuing economic challenges during the years ahead and in addition, it has assumed further significant risks to the Council's financial position due to the introduction of the Business Rates Retention Scheme and the Localised Support for Council Tax Scheme in 2013/14.

The collection rates on Council Tax and Business Rates last year were slightly below the target rates as set out in the Council's Medium Term Financial Strategy.

The collection target for Council Tax was 98.8% and the actual rate of collection in 2012/13 was 98.7%. For Business Rates, the target and actual collection rates were 99% and 98.7% respectively.

During 2012/13, the Council experienced a substantial increased demand for its Homelessness service. The approved budget of £0.090m for providing temporary accommodation to the homeless was increased during the year to £0.358m net of housing benefit contributions. The actual expenditure incurred was £0.362m. A revised Homelessness Strategy has been approved during 2013/14 and its emphasis is now on proactive work to prevent people from becoming homeless by focusing on early flexible intervention, housing advice and mediation, and less on taking homelessness applications and crisis management. Consequently, the projected expenditure on Homelessness accommodation has fallen to £0.110m for 2013/14.

EXPLANATORY FOREWORD CONTINUED

Revenue Expenditure and Income 2012/13

The Council approved a net revenue budget for 2012/13 of £9,060,234, which was revised upwards during the year to £9,882,945. The Council's net revenue expenditure for 2012/13 was £9,733,024 which is an overspend compared to the original budget of £672,790 and an underspend of £149,921 compared to the revised budget. A summary of the Council's Revised Budget and outturn are set out in the table below:

	2012/13 Revised Budget £000	Outturn £000
Service Expenditure by Committee:		
Development & Transport	2,849	1,823
Community & Environment	5,294	5,444
Personnel & Corporate Services	2,958	2,314
Reversal of Capital Charges	(617)	(560)
Investment Income	(140)	(141)
Council Tax Freeze Grant	(100)	(100)
New Homes bonus	(690)	(690)
Weekly Refuse Grant	(26)	(26)
Internal Drainage Board Levies	355	355
Net Operating Expenditure	9,883	8,419
Contributions To / From Earmarked Reserves	(855)	609
Net Expenditure	9,028	9,028
Financed by:		
Government Funding	(4,937)	(4,937)
Council Tax	(4,091)	(4,091)
	(9,028)	(9,028)

An analysis of the main variances causing the underspend are set out below:

	£000 (Over)/Under Spend	Note
Angel Drove Car Park	12	Increased income from car park
Employee costs	70	Overall underspend on employee costs
Asset Management	(121)	Overspend due to additional repair work required on the Council's reception area.
Car Parks	(21)	Planned reduction in Business Rates due to appeal on Rateable value not yet received.
Revenues & Benefits	186	Recovery of Rent Allowance Overpayments by Anglia Revenues Partnership were higher than anticipated together with the Housing Benefit subsidy received being higher than forecast.
Other savings	23	
Total Underspend	149	

EXPLANATORY FOREWORD CONTINUED

The revised Medium Term Financial Strategy included a number of performance indicators; one of these is "To deliver a year on year net revenue budget outturn with a tolerance of up to 2.5% maximum underspend and a maximum 1.5% overspend.

The underspend of £149,921 represents 1.5% of the revised net revenue budget and is therefore within the approved tolerance levels.

Sources of Income

	Original Budget £000	Revised Budget £000	Actual £000	Variance To Revised Budget £000
Government Grants	(29,112)	(30,633)	(31,032)	(399)
Other Grants/Reimbursements	(380)	(432)	(2,267)	(1,835)
Sales, Fees & Charges	(1,799)	(1,913)	(1,853)	60
Local Taxpayers	(5,738)	(5,738)	(5,738)	0
Other Income	(785)	(875)	(1,055)	(180)
Total Income	(37,814)	(39,591)	(41,945)	(2,354)

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, licenses and building control fee income.

Other income includes non capital receipts.

The Council's main fees and charges income streams are monitored on a regular basis during the financial year.

The total income was £62,000 below the revised budget, largely as a result of lower than anticipated Building Control fees as set out in the table below:

	Original Budget £000	Revised Budget £000	Actual £000	Variance To Revised Budget £000
Planning Fees	(416)	(437)	(439)	(2)
Building Control Fees	(262)	(262)	(213)	49
Land Charges	(111)	(111)	(103)	8
Investment Interest	(90)	(140)	(141)	(1)
Licensing Income	(126)	(123)	(115)	8
	(1,005)	(1,073)	(1,011)	62

EXPLANATORY FOREWORD CONTINUED

Reserves

The General Fund Reserve balance at 1 April 2012 stood at £1,796,930 and this remained unchanged as approved by Members at the February 2013 Council meeting. At 31 March 2013, this reserve totalled £1,796,930.

The underspend of £149,921 at the end of 2012/13 has enabled the balance on the Surplus Savings Reserve to be increased to £0.815m. This reserve will be used in future years to offset any pressures to the Council's budget.

In addition, the Council also has a number of earmarked reserves, which are monies set aside for specific purposes. An analysis of the Council's earmarked reserves and the movements in these reserves as at 31 March 2013 are shown below:

	Opening Balance	Original Transfer (To) / From	Revised Transfer (To) / From	Actual Transfer (To) / From	Actual Closing Balance
	£000	£000	£000	£000	£000
District Elections	0	(22)	(22)	(22)	(22)
HPDG	(685)	211	351	195	(490)
Asset Management	(222)	0	0	0	(222)
Pension	(100)	0	0	0	(100)
Vehicle Replacements	(70)	(29)	(29)	26	(44)
Building Control	(6)	(17)	(17)	4	(2)
Change Management	(350)	0	87	120	(230)
Virtual Storage Solution	(26)	(13)	(13)	(13)	(39)
Housing Conditions Survey	(20)	(10)	(10)	(10)	(30)
Surplus Savings Reserve	(665)	(178)	3	(150)	(815)
Land Charges New Burdens Reserve	(34)	0	0	0	(34)
Grounds Maintenance Reserve	(73)	(7)	(7)	(9)	(82)
Cultural & Related - Sport	(7)	0	7	3	(4)
Environment - Community Safety	(165)	0	165	7	(158)
Planning & Development - Econ Dev	(14)	0	14	(16)	(30)
Transport	(63)	0	63	(7)	(70)
Housing	(13)	0	13	0	(13)
Corporate	(8)	0	8	(28)	(36)
Revenues & Benefits	(450)	90	90	90	(360)
Reception Refurbishment	(90)	102	90	90	0
S106	(1,743)	0	0	(797)	(2,540)
New Homes Bonus	(61)	0	61	61	0
Homelessness	(80)	0	0	0	(80)
Weekly Refuse Reserve	0	0	0	(24)	(24)
	(4,945)	127	854	(480)	(5,425)
General Fund Balance	(1,797)	0	0	0	(1,797)
Total Reserves	(6,742)				(7,222)

EXPLANATORY FOREWORD CONTINUED

The 2012/13 Capital Outturn

The capital programme expenditure during 2012/13 totalled £834,896 which was an underspend of £758,043 compared to the revised budget of £1,592,939.

The capital programme was financed from Government Grants, External Contributions, sums set aside from revenue of £144,258, and useable capital receipts of £322,530.

The Council has not taken out any long term borrowing during 2012/13 to finance the capital programme and the Council remains debt free as at 31 March 2013.

Capital Schemes	2012/13 Original £000	2012/13 Revised £000	2012/13 Actual £000	2012/13 (under)/over £000
<u>Development & Transport Committee</u>				
Conservation Area Schemes - 2nd round	0	30	0	(30)
Transport Initiatives Fund	50	17	0	(17)
Station Gateway Development	100	100	0	(100)
Southern Link Road	42	42	0	(42)
Fisherman's Car Park Infrastructure Ely	0	16	15	(1)
Ely Car Parking Scheme	112	0	0	0
Acquisition of Part of Barton Road Car Park	0	55	55	0
Mandatory Disabled Facilities Grants	386	478	368	(110)
Empty Property, Minor Work, Home Repair, Disc. DFGs	193	292	110	(182)
Empty Properties Littleport	0	80	25	(55)
Travellers' Sites (Wentworth)	0	1	1	0
Travellers' Sites (excluding Wentworth)	0	21	16	(5)
Total Development & Transport Sub-Committee	883	1,132	590	(542)
<u>Community & Environment Sub-Committee</u>				
Ely Country Park	0	0	0	0
West of Ely Cycleway	0	6	8	2
Leisure Facility	0	0	25	25
Total Community & Environment Sub-Committee	0	6	33	27

EXPLANATORY FOREWORD CONTINUED

Capital Schemes Continued	2012/13 Original £000	2012/13 Revised £000	2012/13 Actual £000	2012/13 (under)/over £000
<u>Personnel & Corporate Services Sub-Committee</u>				
Reception Refurbishment The Grange Ely	85	121	115	(6)
Vehicle Etc Replacements	96	83	31	(52)
G.I.S. (Geographical Information System)	70	70	0	(70)
Grounds Maintenance Vehicles/Equipment	0	10	35	25
Virtualisation of Servers	0	1	0	(1)
Northgate/Paris new APACS security Module	0	3	2	(1)
Replacement IT Back-up System	0	5	5	0
Environmental Health Public Licensing	0	15	10	(5)
Payment Card Industry Data Security Standard (PCI DSS)	0	13	0	(13)
Office Management System Legal System Replacement	0	14	0	(14)
CIL (Community Infrastructure Levy) System	0	14	14	0
Electronic Document Management (DMS) & e-Forms	0	51	0	(51)
CRM (Customer Relationship Management) Integration	0	55	0	(55)
Total Personnel & Corporate Services Sub-Committee	251	455	212	(243)
Total Capital Schemes	1,134	1,593	835	(758)

EXPLANATORY FOREWORD CONTINUED

Sources Of Financing	2012/13 Original £000	2012/13 Revised £000	2012/13 Actual £000	2012/13 Variance £000
Government Grants:				
Disabled Facility Grants	(200)	(255)	(255)	0
Littleport Empty Property Grant	0	(80)	(20)	(60)
Gypsy & Travellers' Sites Grant	0	(22)	(17)	(5)
HPDG (Housing & Planning Development)	(52)	(159)	(2)	(157)
CIL/HPDG	0	(14)	(14)	0
IEG (Implementing Electronic Government)	0	(48)	(15)	(33)
Other				
Section 106 Contributions	(112)	(10)	(12)	2
Improvement East	0	(1)	0	(1)
LPSA (Local Public Sector Agreement)	(42)	(42)	0	(42)
Contribution to Grounds Maintenance equip.	0	(10)	(62)	52
Contribution to Reception	0	(33)	(115)	82
Capital Receipts	(728)	(919)	(323)	(596)
Total Financing	(1,134)	(1,593)	(835)	(758)

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

Material Assets Acquired or Liabilities Incurred

There have not been any material assets acquired or liabilities incurred during the financial year.

2.0 COMMENTARY ON THE MAJOR CHANGES IN THE 2012/13 ACCOUNTS COMPARED TO THE 2011/12 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 2012/13.

2.2 Statement of Accounting Policies

The accounting policies applicable to the 2012/13 statement of accounts are much the same as those that were applied to the 2011/12 accounts.

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 2012/13 the Head of Finance has not had to use the 'true and fair view' override.

2.4 Changes To The Statement of Accounts

There have been no major changes to the format of the 2012/13 Statement of Accounts.

EXPLANATORY FOREWORD CONTINUED

3.0 COMMENTARY ON THE SIGNIFICANT ITEMS IN THE 2012/13 ACCOUNTS

3.1 EXPLANATION OF THE CORE AND SUPPLEMENTARY STATEMENTS

The Core Statements are:

i **Movement In Reserves Statement - Page 16**

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 17**

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 18**

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 20**

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 85

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 2012/13 Statement of Accounts.

3.3 **Pensions**

The pension scheme liability within the Balance Sheet has significantly increased from £15.92m in 2011/12 to £18.32m as at 31/3/13. This increase is mainly due to:

- The deficit has increased due to falling bond yields
- This has been partially offset by strong 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 2013. The Council has written off £171,000 council tax arrears and £133,000 of National Non Domestic Rates during 2012/13 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