

F PRINCIPAL FINANCIAL STATEMENTS



Financial Statement

Movement in Reserves Statement

Movement in Reserves Statement for the years Ending 31 March 2012 and 31 March 2013

Comprehensive Income and Expenditure Statement

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce council tax) 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 and dwellings rent setting purposes, respectively. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

A summary of the purpose of each reserve is as follows:

General Fund Balance – This is the 'working balance' of the Council and acts as a contingency to fund unforeseen eventualities.

General Reserve – This is the available, non-earmarked reserve of the Council and can be utilised to support revenue or capital expenditure at the Council's discretion.

Schools Balances – Schools are allowed to carry forward, from one year to the next, any shortfall in expenditure relative to the school's budget share for the year, plus or minus any balance brought forward from previous years. These surpluses can only be used for purposes that benefit pupils under delegated powers.

Earmarked General Fund Reserves – These are reserves created to fund specific revenue or capital expenditure.

Housing Revenue Account – This contains any surplus or deficit arising from the provision of council housing by the Council and earmarked Housing Revenue Account reserves. It can only be used for local authority housing provision. As at 31 March 2013, the Housing Revenue Account working balance stood at £4.346m and earmarked reserves (IT Reserve) £0.037m.

Capital Receipts Reserve – Proceeds from the sale of Council assets are paid into this reserve which can be used to finance capital expenditure or repay debt.

Major Repairs Reserve – This reserve receives a transfer from the Capital Financing Account equivalent to the total depreciation charged to the Housing Revenue Account and can only be used to fund major Housing Revenue Account repairs.

Insurance Fund – This reserve includes sums held to meet potential and contingent liabilities in respect of insurance claims.

Capital Grants Receipts in Advance – This reserve contains Government grants and other contributions which are held to finance future capital expenditure.

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As approved at Full Council held on the 21 February 2013, three new earmarked reserves have been created in 2012/13, these being, The Severance Payment Reserve, South Medway Development Reserve and The Transformation Reserve. These new reserves have been funded from the General Fund Balance and the General Reserve.

Movement in Reserves Statement for the years Ending 31 March 2012 and 31 March 2013

	Notes	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Schools Balances	General Reserve	Insurance Fund	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total reserves
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2011		10,000	10,623	6,156	7,202	6,129	2,095	78	1,017	33,216	76,516	510,186	586,702
Movement in Reserves 2011/12													
Surplus/(Deficit) on provision of services		(25,044)	0	(18,471)	0	0	0	0	0	0	(43,515)	0	(43,515)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	0	0	(75,473)	(75,473)
Total Comprehensive Income and Expenditure		(25,044)	0	(18,471)	0	0	0	0	0	0	(43,515)	(75,473)	(118,988)
Adjustments between accounting & funding bases under regulations	1	25,702	0	17,157	0	0	0	(513)	(670)	(2,306)	39,370	(37,893)	1,477
Net Increase/decrease before transfer to Earmarked Reserves		658	0	(1,314)	0	0	0	(513)	(670)	(2,306)	(4,145)	(113,366)	(117,511)
Transfers to/from Earmarked Reserves	2	(658)	(841)	(6)	505	1,726	(28)	435	0	(1,133)	0	0	0
Increase/(Decrease) in Year		(0)	(841)	(1,320)	505	1,726	(28)	(78)	(670)	(3,439)	(4,145)	(113,366)	(117,511)
Balance at 31 March 2012		10,000	9,782	4,836	7,707	7,855	2,067	0	347	29,777	72,371	396,820	469,191

	Notes	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Schools Balances	General Reserve	Insurance Fund	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total reserves
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2012		10,000	9,782	4,836	7,707	7,855	2,067	0	347	29,777	72,371	396,820	469,191
Movement in Reserves 2012/13													
Surplus/(Deficit) on provision of services		(26,335)	0	1,103	0	0	0	0	0	0	(25,233)	0	(25,233)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	0	0	21,699	21,699
Total Comprehensive Income and Expenditure		(26,335)	0	1,103	0	0	0	0	0	0	(25,233)	21,699	(3,534)
Adjustments between accounting & funding bases under regulations	1	27,310	0	(1,723)	0	0	0	500	74	(5,439)	20,723	(20,723)	0
Net Increase/decrease before transfer to Earmarked Reserves		975	0	(621)	0	0	0	500	74	(5,439)	(4,509)	976	(3,534)
Transfers to/from Earmarked Reserves	2	(5,975)	11,079	131	(269)	(4,390)	127	(437)	(135)	(130)	0	0	0
Increase/(Decrease) in Year		(5,000)	11,079	(490)	(269)	(4,390)	127	64	(61)	(5,569)	(4,510)	976	(3,534)
Balance at 31 March 2013		5,000	20,861	4,346	7,438	3,465	2,194	64	286	24,208	67,861	397,796	465,657

Comprehensive Income and Expenditure Statement

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. The Council raises 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.

2011/12			Service	Notes	2012/13		
Gross Exp	Gross Inc	Net Exp			Gross Exp	Gross Inc	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
3,121	(1,836)	1,285	Central services to the public		2,275	(1,372)	903
31,909	(7,908)	24,001	Cultural and related services		35,212	(8,699)	26,513
30,719	(8,831)	21,888	Environmental & regulatory services		32,487	(9,010)	23,477
10,179	(7,127)	3,052	Planning services		15,714	(7,562)	8,152
253,830	(179,069)	74,761	Education and children's services		229,469	(157,624)	71,843
67,460	(10,332)	57,128	Highways and transport services		47,189	(11,093)	36,096
11,282	(12,509)	(1,227)	Local authority housing (HRA)		10,227	(13,292)	(3,065)
131,474	(120,771)	10,703	Other housing services		134,555	(125,655)	8,900
90,181	(21,825)	68,356	Adult social care		90,140	(22,063)	68,077
7,048	(1,820)	5,228	Corporate and Democratic core		7,559	(1,610)	5,949
21,121	(25,499)	(4,378)	Non-distributed costs		33,706	(32,386)	1,320
19,144	0	19,144	Local authority housing - settlement payment to Government for HRA self-financing		0	0	0
677,467	(397,527)	279,940	Net Cost of Services		638,534	(390,366)	248,168
16,265	0	16,265	Other operating expenditure	3	22,197	0	22,197
14,127	(2,896)	11,231	Financing and investment income and expenditure	4	18,458	(4,698)	13,760
0	(263,922)	(263,922)	Taxation and non-specific grant income	5	0	(258,892)	(258,892)
707,859	(664,345)	43,514	(Surplus)/Deficit on Provision of Services		679,188	(653,956)	25,233
		(9,184)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	16			(9,058)
		0	Impairment losses on non-current assets charged to the Revaluation Reserve				0
		0	(Surplus)/Deficit on revaluation of available for sale financial assets				0
		84,657	Actuarial (gains)/losses on pension assets/liabilities	33			(12,642)
		75,473	Other Comprehensive Income and Expenditure				(21,700)
		118,987	Total Comprehensive Income and Expenditure				3,533

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council 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 Council 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.

31 March 2012 (Restated) £'000	Balance Sheet Summary	Notes	31 March 2013 £'000
855,632	Property Plant and Equipment	6	844,024
13,444	Heritage Assets	7	15,738
5,735	Investment Property	8	5,837
505	Intangible Assets	8a	713
5	Long Term Investments	9	5
740	Long Term Debtors	9	279
876,061	Long Term Assets		866,595
48,095	Short Term Investments	9	53,310
1,209	Assets Held for Sale	12	625
166	Inventories		187
35,895	Short Term Debtors	10	31,684
15,009	Cash and Cash Equivalents	11	5,197
100,374	Current Assets		91,003
(11,680)	Short Term Borrowing	9	(11,543)
(45,518)	Short Term Creditors	13	(52,180)
(300)	Provisions		(473)
(57,498)	Current Liabilities		(64,196)
(44,046)	Long Term Creditors	9	(41,901)
(3,583)	Provisions	14	(2,387)
(174,171)	Long Term Borrowing	9	(164,138)
(220,617)	Other Long Term Liabilities		(213,988)
(7,329)	Grants Receipts in Advance - Capital	26	(5,331)
(449,746)	Long Term Liabilities		(427,745)
469,191	Net Assets		465,657
72,371	Usable Reserves	15	67,861
396,820	Unusable Reserves	16	397,795
469,191	Total Reserves		465,657

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority 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 authority. 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 (ie borrowing) to the Council.

2011/12 £'000		2012/13 £'000
43,514	Net (Surplus) or deficit on the provision of services	25,233
(116,049)	Adjustments to net Surplus or deficit on the provision of service for non-cash movements (Note 17)	(127,950)
59,333	Adjustments for items included in the net Surplus or deficit on the provision of service that are investing or financing activities (Note 17)	55,739
(13,203)	Net cash flows from Operating Activities	(46,978)
15,117	Investing Activities (Note 18)	31,805
3,696	Financing Activities (Note 19)	24,986
5,610	Net (increase) or decrease in cash and cash equivalents	9,813
20,620	Cash and cash equivalents at the beginning of the reporting period	15,010
15,010	Cash and cash equivalents at the end of the reporting period (Note 11)	5,197

Changes to: G Notes to the Principal Financial Statements

Note 1 - Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustments for 2012/13	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s	£000s	
Charges for depreciation and impairment of non-current assets	39,664	3,351	0	0	0	(43,016)
Revaluation losses on Property, Plant and Equipment	16,851	571	0	0	0	(17,422)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT:						
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	(19,059)	19,059
Total Adjustments 2012/13	27,310	(1,723)	500	75	(5,439)	(20,723)

Note 3 - Other Operating Expenditure

	2011/12	2012/13
	£'000	£'000
Levies	1,005	841

Note 4 - Financing and Investment Income and Expenditure

	2011/12	2012/13
	£'000	£'000
Interest payable and similar charges	10,392	11,593
Other investment expenditure	0	687

Note 6 - Property, Plant and Equipment

Movement on Balances 2012/13	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community assets	Surplus Assets	Assets Under Construction	Total Tangible Assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2012	107,668	597,179	9,188	240,000	10,898	4,477	30,519	999,929
Additions	5,077	6,305	214	6,737	267	0	45,780	64,379
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(6,662)	3	0	2,769	2,230	0	(1,661)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,800)	(25,478)	0	0	(15)	(1,867)	0	(31,160)
Derecognition – disposals	(252)	(26,812)	(789)	0	(501)	(808)	0	(29,162)
Derecognition - Surplus Assets	0	(1,720)	0	(1,697)	0	3,417	0	0
Assets reclassified (to)/from Held for Sale	0	(748)	0	0	0	(47)	0	(795)
Other movements in cost or valuation	0	28,906	(505)	31,467	(4,681)	0	(55,746)	(559)
As at 31 March 2013	108,693	570,969	8,111	276,506	8,737	7,402	20,553	1,000,971
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
As at 1 April 2012	(3,229)	(49,066)	(4,069)	(87,350)	0	(79)	0	(143,791)
Depreciation charge	(3,351)	(16,070)	(1,100)	(22,403)	0	(91)	0	(43,016)
Depreciation written out to the Revaluation Reserve	0	9,626	0	0	0	166	0	9,792
Depreciation written out to the Surplus//Deficit on the Provision of Services	3,229	9,492	0	0	0	1,081	0	13,801
Derecognition – disposals	8	5,468	789	0	0	1	0	6,266
Derecognition - Surplus Assets	0	927	0	153	0	(1,080)	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	1	0	1
At 31 March 2013	(3,344)	(39,624)	(4,380)	(109,599)	0	(0)	0	(156,947)
Net Book Value								
At 31 March 2013	105,349	531,345	3,731	166,907	8,737	7,402	20,553	844,024

Note 8a - Intangible Assets

	2012/13		
	Internally Generated Assets	Other Assets	Total
	£'000	£'000	£'000
Other changes	0	505	505
Net carrying amount at end of year	0	713	713
Comprising:			
Gross carrying amounts	0	839	839

Note 10 - Debtors

	31 March 2013 £'000
Bodies external to general government	19,705
Total Debtors	31,684

Note 12 - Assets Held for Sale

	Current	
	2011/12 £'000	2012/13 £'000
	Revaluation Losses	(156)
Balance Outstanding at year end	1,209	625

Note 13 - Creditors

	31 March 2013 £'000
Bodies external to general government	30,136
Total Creditors	52,180

Note 16 - Unusable Reserves

	31 March 2013 £'000
Revaluation Reserve	106,007
Capital Adjustment Account	505,894
Total Unusable Reserves	397,795

Revaluation Reserve

Revaluation Reserve		
	2012/13	
	£'000	£'000
Balance as at 1 April		107,180
Upward revaluation of assets	32,510	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(23,452)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		9,058
Difference between fair value depreciation and historical cost depreciation	(1,694)	
Accumulated gains on assets sold or scrapped	(8,537)	
Amount written off to the Capital Adjustment Account		(10,230)
Balance as at 31 March		106,007

Capital Adjustment Account

Capital Adjustment Account		
	2012/13	
	£'000	£'000
Balance as at 1 April		511,652
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(42,191)	
Revaluation gains/(losses) on Property, Plant and Equipment	(18,146)	
Amortisation of Intangible Assets	(126)	
Revenue Expenditure funded from Capital Under Statute *	(8,902)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(22,897)	
		(92,262)
Adjusting amounts written out of the Revaluation Reserve	10,230	
HRA Self Financing Settlement	0	
Other adjustments	0	
Net written out amount of the cost of non-current assets consumed in the year		10,230
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	1,842	
Use of the Major Repairs Reserve to finance new capital expenditure	5,077	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	39,496	
Application of grants to capital financing from the Capital Grants Unapplied Account	19,059	
Provision for the financing of capital investment charged against the General Fund and HRA balances	7,715	
Capital expenditure charged against the General Fund and HRA balances	3,085	
		76,274
Balance as at 31 March		505,894

Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2011/12 £'000	2012/13 £'000
Interest received	(2,184)	(4,670)
Interest paid	10,513	9,057

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2012/13 £'000
Depreciation and amortisation	(43,142)
Impairment and downward valuations	(17,192)
Carrying amount of PPE, Investment Property and Intangible assets sold	(22,897)
Pensions Reserve	(37,314)
Financial Instrument Adjustments	0
Other adjustments	740
Contributions to / (from) provisions	1,023
Increase / decrease in inventories	21
Increase / (decrease) in debtors/payments in advance	(4,672)
(Increase) / decrease in creditors/income in advance	(4,517)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(127,950)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2012/13 £'000
Capital grants & contributions credited to surplus/deficit on the provision of services	53,200
Proceeds from the sale of PPE, Investment Property and Intangible Assets	2,539
Other adjustments for items included in the net Surplus or Deficit on the provision of service that are investing or financing activities	0
Adjustments to net surplus or deficit on the provision of services for items that are Investing or Financing Activities	55,739

Note 18 - Cash Flow – Investing Activities

	2012/13 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	77,493
Purchase of short-term and long-term investments	30,000
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,335)
Proceeds from the sale of short-term and long-term investments	(25,000)
Other receipts from investing activities	(48,381)
Net cash flows from investing activities	31,805

Note 19 - Cash Flow – Financing Activities

	2012/13
	£'000
Cash receipts of short- and long-term borrowing	0
Other receipts from financing activities	(3,078)
Repayments of short- and long-term borrowing	9,877
Other payments for financing activities	18,187
Net cash flows from financing activities	24,986

Note 20 - Amounts Reported for Resource Allocation Decisions

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2012/13
	£'000
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(108,811)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(110,122)
Cost of Services in Comprehensive Income and Expenditure Statement	244,847

Reconciliation to Subjective Analysis

2012/13	Directorate Analysis	Services not in Analysis- HRA	Amounts not Reported to Management	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(100,246)	(13,292)	5,407	(108,131)	(375)	(108,506)
Interest and investment income	0	(93)	93	0	(4,212)	(4212)
Income from Council tax	0	0	0	0	(99,468)	(99,468)
Government grants and contributions	(151,997)	0	(130,239)	(282,236)	(159,424)	(441,660)
Total Income	(252,243)	(13,385)	(124,739)	(390,367)	(263,479)	(653,846)
Employee Expenses	185,847	1,398	(794)	186,451	6,057	192,508
Other service expenses	361,386	6,739	(301)	367,824	12,393	380,217
Support service recharge	23,685	586	0	24,271	0	24,271
Depreciation, amortisation and impairment	36,294	3,351	20,344	59,989	(102)	59,887
Precepts and levies	0	0	0	0	1,200	1,200
Payments to Housing Capital Receipts Pool	0	0	0	0	185	185
Gain or loss on disposal of fixed assets	0	0	0	0	20,811	20,811
Total Expenditure	607,212	12,074	19,249	638,535	40,544	679,079
(Surplus)/Deficit on the provision of services	354,969	(1,311)	(105,490)	248,168	(222,935)	25,233

Note 29 - Leases

Council as Lessee

Finance Leases

The Council holds the Luton library building under a finance lease. The asset is carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012	31 March 2013
	£'000	£'000
Other Land & Buildings	315	447

The Council is committed to making minimum payments under the lease of £1 per annum.

Note 31 Termination Benefits

During the year the Council terminated the contracts of a number of employees across a range of services. The Council incurred liabilities of £700,050 (2011/12 £2,781,135) in respect of redundancy, payment in lieu of notice and added years pension costs - see note 23 for the number of exit packages and total cost per band. Of this, £71,791.22 relates to the Head of 14-19 Strategy and Commissioning and £49,815.99 to the Centre Manager Finance and H&S in the form of compensation for loss of office and enhanced pension benefits as disclosed in Note 25. The remaining £585,230.43 was payable on 33 redundancies owing to school reorganisation and a further 36 local authority based staff who were made redundant as part of the Authority's rationalisation.