South Ribble Borough Council

STATEMENT OF ACCOUNTS

YEAR ENDING 31 MARCH 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH RIBBLE BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of South Ribble Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of South Ribble Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword by the Chief Financial Officer to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Ribble Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the Foreword by the Chief Financial Officer for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, South Ribble Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of South Ribble Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Fiona Blatcher
Associate Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP,
4 Hardman Square,
Spinningfields, Manchester M3 3EB

24th September 2014

Foreword by the Chief Executive

INTRODUCTION

As Chief Executive and the Section 151 Officer of the Council, I have the statutory responsibility for the proper administration of the Authority's financial affairs, and I am required to confirm that the Council's systems can be relied upon to produce an accurate statement of accounts.
A statement of assurance (The Annual Governance Statement) was reported to the Authority's Governance Committee on 25th June 2014.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code), which is based on International Financial reporting Standards, and the Service Reporting Code of Practice for Local Authorities (SERCOP).

ACCOUNTING CHANGES

The accounting standard IAS19 has changed. The effect is detailed in note 49.

CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:

Page 13 **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Chief Finance Officer in relation to the Statement of Accounts.

Page 14 **Movement in Reserves Statement –** Levels of reserves, and movements therein, are indicators of the financial strength of the organisation. This statement distinguishes usable from unusable reserves. The distinction is explained in the Balance Sheet comment below.

The Movement in Reserves Statement shows the surplus or deficit arising in the year on the Provision of Service. This is the true economic cost of providing the authority's services (as detailed in the Comprehensive Income and Expenditure Statement). For the purposes of council tax setting, however, a series of statutory adjustments are then made, resulting in a line entitled "Net Increase/Decrease before transfers to Earmarked Reserves." The final line shows any such discretionary transfers to or from earmarked reserves.

Page 15 **Comprehensive Income and Expenditure Statement –** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

This statement incorporates gains and losses which would have been shown in previous years in the Statement of Total Recognised Gains and Losses. The final line in the statement, "Total Comprehensive Income", reconciles to the movements in the year in Total Reserves of the Authority, as shown in the Balance Sheet.

Page 16 **The Balance Sheet –** this shows the value of the assets and liabilities recognised by the authority. The total of these, the Net Assets, is matched by the authority's reserves, as shown in the lower part of the Balance Sheet.
Reserves are categorised into "Usable", i.e. available to fund expenditure or reduce local taxation, and "Unusable". The latter includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and statutory basis prescribed for taxation purposes.

Page 17 **Cash Flow Statement –** this shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

Page 18 **Notes to the Main Financial Statements –** these add to and interpret the individual statements.

Page 65 **Collection Fund Statement –** this is an agents statement that reflects the statutory obligation for billing authorities to record transactions relating to the collection of Council Tax and Non-Domestic Rates, and their distribution to precepting authorities, the Government, and the Council itself.

FINANCIAL PERFORMANCE IN 2013/14

This financial year 2013/14 has incorporated some significant change with regard to new systems and processes which have impacted on the information contained within the statements listed above. These changes are explained below.

Major Issues in 2013/14

Local authorities in general faced a number of financial challenges in 2013/14, in particular the implementation of Business Rates Retention (BRR) to replace pooling; and the implementation of local Council Tax Support schemes, which replaced Council Tax Benefit with discounts set locally. Both of these changes increased the financial risks to the Council.

Previously the Council received an allocation of Business Rates from a Central Pool, having paid over all the rates it collected to the Government. Under BRR, the Council retains a local share of net rates income, less a tariff paid to Government, and a levy is payable or a safety net payment receivable depending on performance. Authorities can benefit from growth in rate income, but can also suffer financially if income achieved falls short of estimates. In 2013/14, the element of the Collection Fund in respect of Business Rates made a deficit of £3.649m, of which the Council's share was £1.460m. This was mainly as a result of cost of appeals by businesses, and the impact of dealing with this deficit will affect the Council's revenue budget in 2014/15 and 2015/16.

In the 2013/14 Local Government Finance Settlement, the Council received a cash limited resource allocation to fund Council Tax Support, which was 10% less than the previous Council Tax Subsidy would have been. The Council agreed a Council Tax Support scheme and technical changes to other discounts which were intended to balance expenditure and the funding available. However, the risk that expenditure could exceed resources was passed to the Council.

Reporting Cycle

The Council's 2013/14 revenue budget, capital programme, Medium Term Financial Strategy (MTFS), and Treasury Strategy were approved by the Council on 6th February 2013. Thereafter, monitoring reports were submitted at quarterly intervals to the Executive Cabinet. The reports are available on the Council's web site.

The monitoring reports set out the Revenue Account's anticipated out-turn against the budget and also reported progress in achieving the planned budget efficiencies. With regard to the Capital Account, progress on individual capital schemes was reported along with the relevant changes in the programme.

Actual Spend Compared to the Budget

The Movement in Reserves Statement (page 14) shows a deficit, after adjustments, of £0.799m for the year compared against a revised budget which assumed a £0.956m deficit. The main reasons for this reduced deficit of £0.157m are:

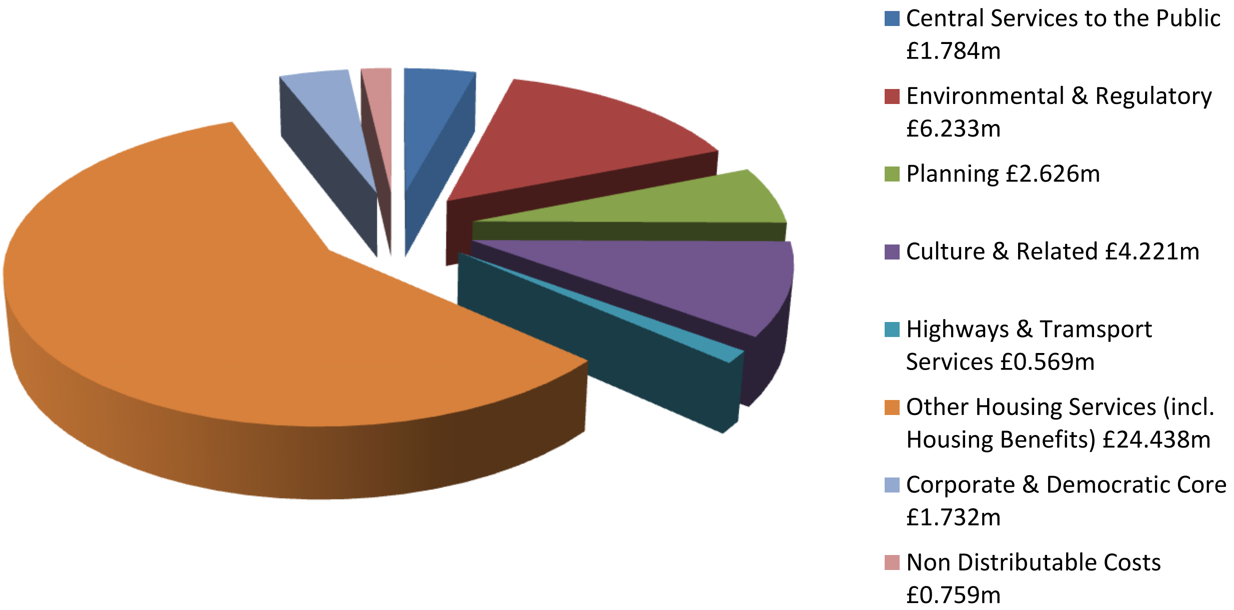
- Underspends occurring in a number of revenue service non-employee related budget heads that are under review as part of the Council's on-going budget efficiency programme.
- Increase in investment income brought about by the write back of Icelandic Bank impairment.

These items were partly offset by:

- Increase in bad debt position.
- increase in money set aside in Business Rate Retention Reserve to deal with the BRR collection fund deficit position as referred to above.

Where the money was spent

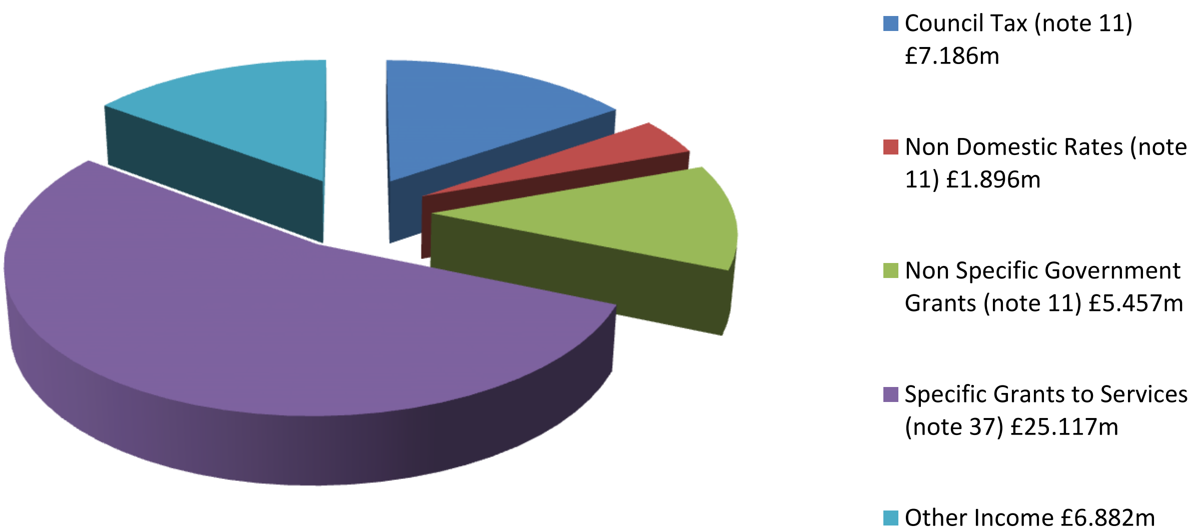
The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2013/14 it consisted of the following:



Where the money came from

The Gross Income for the Council is detailed in the Comprehensive Income and Expenditure Statement. It consists of the following:-

- Council Tax.
- Non Domestic Rates from Businesses.
- Non specific government grants, including Revenue Support Grant.
- Grants Specific to Services, for example, Housing Benefits.
- Other income.



Treasury Management

The treasury operations of the Council are conducted in accordance with its annual Treasury Strategy. This document identifies the investment and borrowing policies of the Council over a three year period specifying, amongst other things, the criteria for investment counterparties, the maximum duration, and amount, of investments, and also the need for borrowings.

The key facts for 2013/14 were:

- Investments are of a short term nature, the maximum period being one year.
- During the year investments peaked at £23m, averaged £17.4m per day, and together with cash, amounted to £15.3m at the year end. The return on investments achieved was 0.83%.
- The Council has no external borrowings but it does owe £1.13m under a finance lease arrangement for leisure buildings.
- In determining council tax charges authorities have to make a specific provision for the financing of capital expenditure (this replaces a charge for depreciation). The outstanding amount for which provision has to be made is known as the Capital Financing Requirement (CFR). During the year the CFR reduced from £6.3m to £5.7m (Note 39 gives details). This will generate a charge to Council Tax in future years.

Note 46 to the Statement provides more details of treasury operations and the management of risk. It also reports on the on-going recovery of impaired debt in Icelandic banks. This risk was substantially reduced as the Council took part in an auction of local authority claims in respect of Landsbanki.

Capital Spend and Financing Summary

The Council's Capital Programme includes income and expenditure on items such as the buying or selling of land and property, building new property and the improvement of our existing property. This section of the forward will include the following:-

- Show where capital expenditure has been incurred.
- Explain how this expenditure has been financed.

Capital Expenditure in 2013/14

Service	Actual Capital Expenditure £'000
Playgrounds, Recreation Areas & Open Spaces	36
Housing Grants	415
Asset Management	603
Vehicles, Plant and Equipment	270
Information Technology and Communications	254
Regeneration	115
Community grants	39
Total Capital Expenditure	**1,732**

Capital Financing in 2013/14

Financing	Actual Capital Financing £'000
Government Grants	454
Developers' Contributions	66
Fund Balances and Reserves	890
Capital receipts	56
Revenue Contributions	12
Borrowing	254
Total Capital Financing	**1,732**

Reserves and Balances Summary

The Medium Term Financial Strategy (MTFS) sets out the general fund balance for the Authority with consideration given to the budgetary pressures and subsequent financial risks the Council is exposed to over the short, medium and long term.

In the short term the Council may encounter unplanned/unforeseen expenditure or losses in year, therefore, the general fund balance is required to protect the Authority's financial standing. In the medium term, and particularly during this period of Local Government funding reductions, the current budget contains substantial efficiency and additional income targets to cover the budget deficit and reach a balanced budget position. As any underachievement of budget savings target or subsequent one-off transitional costs need to be funded by the Council, it is important to maintain reserves at appropriate levels to mitigate risk.

Also with regard to medium term financial planning, core funding received from Central Government has entered into a new era of uncertainty and year on year fluctuation on a permanent basis and into the foreseeable future. This clearly has a detrimental impact on our ability to accurately forecast the totality of the budget pressures facing the Council. As a result the MTFS, a key document which sets us on a course to achieve a balanced budget, contains assumptions and estimates in respect of a number of high value income and funding streams. The next Government Comprehensive Spending Review is on the horizon with further funding reductions already reported, however, in the absence of any supporting detail the Council has not been able to assess its impact accurately. In the event that further funding reductions are published, but not already included in the current estimates and therefore not budgeted for, then the General Reserve will be called upon to protect the Council from having to make immediate and reactionary changes to its service provision in order to deliver a balanced budget. The ability to call on reserves in this way enables due consideration to be applied to decision making so the Council is able to achieve a reduction in costs whilst mitigating risk to the delivery of front line services.

With regard to reserves set aside for a specific purpose, there is an opportunity for the Authority to make prudent additional reserves to protect itself by covering immediate fluctuations in funding, such as the possible significant reduction in the commercial tax base in the borough, the BRR collection fund deficit and exposure to VAT liabilities both of which can occur in year with little notice. To this end, transfers have been made to the Business Rates Retention Reserve in the sum of £1.139m.

After taking into account all of the above, the General Fund Balances as at 31 March 2014 stands at £4.092m. This is reflected in the Movement in Reserves Statement.

The following extract from the MIRS reconciles the deficit on the CI&ES prepared on the accounting basis with the surplus or deficit prepared on the funding basis:

Extract from Movement in Reserves Statement (page 14)	**2013/14 £'000**
Deficit on provision of service (CI&ES)	793
Adjustments between accounting basis & funding basis under regulation (note 7)	(1,660)
Transfers to/(from) earmarked reserves (note 8)	1,666
(Increase)/Decrease in General Fund balance	**799**

Pension Fund Liability

The pension fund deficit has reduced from £31.6m to £27.0m, this £4.6m decrease compares to an increase of £5.2m in 2012/13. This figure is the actuary's assessment of the present value of the liabilities to be met by the fund over a long period less its current assets and anticipated future receipts. Note 43 presents detailed information about the Pension Scheme. Changes in the pension fund were announced in 2011/12 that should restrict future liabilities, but these will not affect past liabilities.

The statutory provisions require that the deficit be made good by increased contributions over the remaining working life of employees. These contributions are reviewed every three years as part of the comprehensive actuarial review of the pension fund. The next review will become effective in 2017, and was flagged in the Medium Term Financial Strategy as being a factor that had the potential to significantly affect the budget forecasts in future years.

In 2014/15 the Council decided to pay its pension fund deficit for the three years to 2016/17 covering this triennial review period in one payment upfront in April 2014. This action was taken to secure a discount and therefore make a budgetary efficiency saving of £115k.

Looking Ahead – The Overall Financial Position of the Authority

As above, local authorities are experiencing notable change and uncertainty with regard to its core funding. This includes significant reductions in funding and budgetary challenges as a result of the Government's Comprehensive Spending Review programme and austerity measures coupled with the impact of new, annually variable, funding regimes. The MTFS for the period 2014/15 to 2017/18 currently forecasts the following budget gap:

Year	**Budget Gap £000**	**Cumulative Budget Gap £000**
2014/15	0	**0**
2015/16	514	**514**
2016/17	305	**819**
2017/18	1,102	**1,921**

The Council has managed, in a very difficult environment, to maintain a healthy financial position. The Medium Term Financial Strategy envisages no relaxing of the pressures, however, the Authority has a successful proven track record in identifying future financial risks and subsequent budget pressures and delivering sustainable efficiency savings to address budgetary shortfalls. In this respect the Council's MTFS sets out a realistic but challenging efficiency savings plan which seeks to balance the budget position whilst also minimising the impact on frontline services.

The main threats to the MTFS forecasts are perceived to be:

- Further reductions to the public sector budget and therefore core funding reductions in the Comprehensive Spending Review 2014.
- The introduction of shorter-term Central Government settlement announcements and new variable arrangements for calculating fundamental grants exacerbates the increasingly uncertain nature of the Council's core funding streams.
- The new Business Rates Retention regime passes the risk of fluctuations in income from Central Government to Local Government, and therefore changes in the tax base will have a direct and immediate impact on the Council's core funding. The new regime was implemented from 1 April 2013 but aspects of the system were changed by Central Government during 2013/14, and further changes may occur in 2014/15. Combined with the uncertainty about the level of successful appeals by businesses against their rates, these issues pose more risks for the Council's finances for 2014/15 onwards than originally anticipated.
- Annually variable data is now used each year to determine high value grants. For example, the New Homes Bonus grant based on number of new homes built.

All of the above exacerbates uncertainty and has a detrimental effect on the ability of the Council to forecast its budget requirement and undertake accurate medium term financial planning. All the above have the potential to increase the budget deficit without much notice and therefore this serves to increase the need to maintain a level of general balances to mitigate the resulting financial risks.

Income Recovery

Note 18 analyses debtors by type, and note 46 further analyses the risk of default by debtors included within financial instruments. The following table shows the in year collection rates of local taxes. The reduction in rate of recovery of Council tax in 2013/14 coincided with the implementation of the local Council Tax Support Scheme to replace Council Tax Benefit. This required more residents to pay a share of Council Tax for the first time. Despite this large scale change the collection rate has held up well and remained high.

	2011/12	**2012/13**	**2013/14**
Council Tax	97.48%	97.60%	97.42%
Business Rates (NNDR)	97.17%	97.79%	97.62%

STATEMENT OF RESPONSIBILITIES

This statement defines the responsibilities of the Council and the Responsible Financial Officer in respect of the Council's financial affairs.

The Council's Responsibilities

The Council shall:

- make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code)

In preparing this Statement of Accounts, He has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Complied with the local authority Code

He has also:

- kept proper accounting records which are up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Further Information

Because of statutory requirements, this Statement of Accounts deals mainly with the financial aspects of the Council's activities. Further details of services provided by the various departments of the Council are to be found on the Council's Performance Out-turn Report.

Further information about the accounts is available from the Shared Financial Services Team, Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31 March 2014 and its Income and Expenditure for the year ended 31 March 2014.

M Nuttall BA (Hons) CPFA
Chief Financial Officer
Date 24 September 2014

I confirm that these Statement of Accounts were approved by Governance Committee on 24 September 2014.

Councillor Warren Bennett
Chair, Governance Committee

Movement in Reserves Statement

This statement shows the movements in the year on the different reserves held by the Council, analysed between those that are “usable” (available to fund expenditure or reduce local taxation), and other reserves.

The line “surplus on provision of service” shows the true economic cost of providing the authority’s services, as detailed in the Comprehensive Income and Expenditure Statement. For the purposes of council tax setting however, a series of statutory adjustments are then made. These adjustments are shown in total below, and are also detailed in note 7.

	General Fund £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants & Contributions £'000	Total Usable Reserves £'000	Unusable Reserves Note 24 £'000	Total Reserves £'000
Restated Balance 31 March 2012	**(4,170)**	**(7,875)**	**(2,413)**	**(2,622)**	**(17,080)**	**(9,413)**	**(26,493)**
Movement in 2012/13 Restated							
(Surplus)/deficit on provision of service	1,000	0	0	0	**1,000**	0	**1,000**
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	4,051	**4,051**
Total Comprehensive Income & expenditure	**1,000**	**0**	**0**	**0**	**1,000**	**4,051**	**5,051**
Adjustments between accounting basis & funding basis (note 7)	(2,366)	0	510	226	**(1,630)**	1,630	**0**
Net change before transfers to/(from) earmarked reserves	**(1,366)**	**0**	**510**	**226**	**(630)**	**5,681**	**5,051**
Transfers to/(from) earmarked reserves	645	(645)	0	0	**0**	0	**0**
(Increase)/Decrease in year	**(721)**	**(645)**	**510**	**226**	**(630)**	**5,681**	**5,051**
Restated Balance 31 March 2013	**(4,891)**	**(8,520)**	**(1,903)**	**(2,396)**	**(17,710)**	**(3,732)**	**(21,442)**
Movement in 2013/14							
(Surplus)/deficit on provision of service	793	0	0	0	**793**	0	**793**
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	(6,027)	**(6,027)**
Total Comprehensive Income & expenditure	**793**	**0**	**0**	**0**	**793**	**(6,027)**	**(5,234)**
Adjustments between accounting basis & funding basis under regulation (note 7)	(1,660)	0	(134)	(999)	**(2,793)**	2,793	**0**
Net change before transfers to/(from) earmarked reserves	**(867)**	**0**	**(134)**	**(999)**	**(2,000)**	**(3,234)**	**(5,234)**
Transfers to/(from) earmarked reserves	1,666	(1,666)	0	0	**0**	0	**0**
(Increase)/Decrease in year	**799**	**(1,666)**	**(134)**	**(999)**	**(2,000)**	**(3,234)**	**(5,234)**
Balance 31 March 2014	**(4,092)**	**(10,186)**	**(2,037)**	**(3,395)**	**(19,710)**	**(6,966)**	**(26,676)**

The 2012/13 figures have been restated. For details see note 49.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement in Reserves Statement

2012/13 Restated				2013/14		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
8,187	(7,110)	1,077	Central services to the public	1,784	(737)	1,047
6,257	(1,912)	4,345	Environmental & Regulatory Services	6,233	(1,942)	4,291
2,571	(1,212)	1,359	Planning Services	2,626	(772)	1,854
4,398	(781)	3,617	Culture & Related Services	4,221	(379)	3,842
1,154	(993)	161	Highways and transport services.	569	(374)	195
23,729	(22,660)	1,069	Other housing services	24,438	(23,304)	1,134
1,578	(199)	1,379	Corporate and democratic core	1,732	(6)	1,726
1,079	(618)	461	Non distributed costs	759	(406)	353
48,953	**(35,485)**	**13,468**	**Cost of Services.**	**42,362**	**(27,920)**	**14,442**
229	0	229	Other operating expenditure (note 9)	402	0	402
5,018	(4,146)	872	Financing and investment income and expenditure (note 10)	4,567	(4,079)	488
0	0	0	(Surplus) or deficit of discontinued operations	0	0	0
0	(13,569)	(13,569)	Taxation and non-specific grant income (note 11)	11,478	(26,017)	(14,539)
		1,000	(Surplus)/deficit on provision of services			**793**
		(79)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(124)
		4,130	Remeasurements of the net defined benefit liability (note 43d)			(5,903)
		4,051	**Other Comprehensive (Income) and Expenditure**			**(6,027)**
		5,051	**Total Comprehensive (Income) and Expenditure**			**(5,234)**

The 2012/13 figures have been restated. For details see note 49.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. It shows the net assets of the authority which are matched by the reserves held. Reserves are reported in two categories. 'Usable Reserves' includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt. 'Unusable Reserves' fall into two categories. The first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement.

31 March 2013 £'000 Restated		Notes	31 March 2014 £'000
29,278	Property, Plant & Equipment	12	28,185
12,391	Investment Property	13	12,481
299	Intangible Assets	14	248
85	Long Term Debtors		88
42,053	**Long Term Assets**		**41,002**
7,586	Short Term Investments		2,012
122	Inventories	16	103
4,615	Short Term Debtors	18	3,217
4,802	Cash and Cash Equivalents	19	14,102
17,125	**Current Assets**		**19,434**
0	Bank overdraft	19	(772)
(4,303)	Short Term Creditors	21	(3,417)
0	Provisions	22	(1,000)
(4,303)	**Current Liabilities**		**(5,189)**
(278)	Long Term Creditors		(254)
(1,448)	Other Long Term Liabilities		(1,125)
(31,623)	Net Pension Liability	43	(27,033)
(84)	Grant Receipts in Advance - Capital	37	(159)
(33,433)	**Long Term Liabilities**		**(28,571)**
21,442	**Net Assets**		**26,676**
(17,710)	Usable Reserves	Page 14	(19,710)
(3,732)	Unusable Reserves	24	(6,966)
(21,442)	**Total Reserves**		**(26,676)**

The unaudited accounts were issued on 30 June 2014, and the audited accounts were authorised for issue on the 24 September 2014.

Cash Flow Statement

This shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

2012/13 £'000 Restated		2013/14 £'000
(1,000)	Net surplus or (deficit) on the provision of services	(793)
3,217	Adjustments to net surplus or deficit on the provision of services for non cash movements	5,478
(475)	Adjustments for items reported separately on the cash flow statement	(1,770)
1,742	Net cash flows from Operating Activities (Note 25)	2,915
(3,713)	Investing Activities (Note 26)	6,476
898	Financing Activities (Note 27)	(863)
(1,073)	Net increase or (decrease) in cash and cash equivalents	8,528
5,875	Cash and cash equivalents at the beginning of the reporting period	4,802
4,802	**Cash and cash equivalents at the end of the reporting period (note 19)**	**13,330**

The 2012/13 figures have been restated. For details see note 49.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code). These notes explain the policies used to ensure the Council's financial position is fairly presented. There has been a significant change to IAS 19 Employee Benefits for accounting periods starting on or after 1st January 2013 which has required a change in accounting policy. Details and restatements are provided in note 49.

Accruals of Income and Expenditure

The Income and Costs of the Council are accounted for in the period to which they relate, regardless of when the cash is paid or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash consists of cash in hand and deposits repayable without penalty on notice of not more than 24 hours. Cash Equivalents consist of investments which mature in less than three months. In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

Longer term investments are not reclassified if the outstanding period falls below three months at the date of account.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with depreciation charges, revaluation and impairment losses in excess of accumulated revaluation gains, and amortisation charges in respect of intangible assets.

The Authority is not required to raise council tax to meet these charges. Instead it has to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is achieved by means of an adjustment between the General Fund balance and the Capital Adjustment Account (in the Movement in Reserves Statement).

Contingent Assets and Liabilities
These are assets and liabilities arising from past events the existence of which will only be confirmed by future events not wholly within the Council's control. They are disclosed in notes to the accounts. See notes 44 and 45.

Exceptional Items

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts, depending on their significance.

Employee Benefits

Benefits payable during employment
These are charges to the Surplus or Deficit on the Provision of Service. The charge includes an accrual for any untaken leave and holiday entitlement. This accrual does not affect council tax since it is reversed by transfer from the General Fund Balance to the Accumulating Compensated Absences Account (in the Movement in Reserves Statement).

Termination benefits
These are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date, or a decision to accept voluntary redundancy. The costs are recognised when the Council commits itself to terminate the employment of an officer or group of officers, or makes an offer to encourage voluntary redundancy. The charge is made to the relevant service line in the Comprehensive Income and Expenditure.

Post Employment Benefits
Employees are members of the Local Government Pension Scheme which provides defined benefits to members. Full details of transactions are given in Note 43. The following notes explain the methodology

- The liabilities of the fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds)

- The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

- The change in net pension liability is analysed into seven components:

Current service cost	The increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income & Expenditure Statement to the services for which employees worked.
Past service cost	The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are charged to the Comprehensive Income & Expenditure Account as part of Non Distributed Costs.
Interest cost	The expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is charged to Comprehensive Income & Expenditure Account within the Financing & Investment Income and Expenditure line.
Expected return on assets	The annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return. This is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Account
Gains or losses on settlements and curtailments	The result of actions to relieve the Authority of liabilities, or events that reduce the expected future service or accrual of benefits of employees. These are charged to Non Distributed Costs within the comprehensive Income and Expenditure Account.
Remeasurements of net defined benefit liabilities (including actuarial gains and losses)	Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Pension Reserve
Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense

Statutory provisions require the General Fund balance to be charged with the amount payable to the pension fund, not the amount calculated according to the relevant accounting standards. This is achieved by transfers between the Pensions Reserve and the General Fund to remove the actuarial debits and credits and replace them with amounts actually paid and those accrued at the year end. The negative balance on the Pension Reserve thus measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities thus arising are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme

Events after the Balance Sheet date

Where an event occurs after the Balance Sheet date and it provides evidence of conditions that existed at the Balance Sheet date, the amounts recognised in the Statement of Accounts is adjusted.

Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted. The "non adjusting event", and an estimate of the financial effect, is however disclosed in the notes to the accounts.

Financial Liabilities

Borrowings are initially measured at fair value and carried at their amortised cost. The annual charge to the Comprehensive Income & Expenditure Statement (CI&E) is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March.

Gains or losses on premature redemption are charged to the Comprehensive Income & Expenditure Statement unless they are the result of a restructure in which case they are added to the amortised cost and charged over the life of the modified loan. However, Regulations require discounts to be amortised over the shorter of the life of the original loan or ten years. Greater discretion applies to premia, they can be amortised over the life of the original or replacement loan, or a shorter period. A transfer is done from the General Fund Balance to the Financial Instruments Adjustment Account to give effect to these regulations.

Financial Assets

Loans and receivables
These are initially measured at fair value and carried at amortised cost. The annual credit to the Financing and Investment income line in the Comprehensive Income and Expenditure Statement is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal receivable plus interest accrued at 31 March.

Where assets are identified as impaired because of a likelihood from a past event that payments will not be received, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Government Grants and Other Contributions

Government grants and other contributions for both revenue and capital purposes are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with. If compliance has not been achieved, cash received is held on the Balance Sheet as a long term creditor.

The postings in the Comprehensive Income and Expenditure account relating to capital grants and contributions are reversed out of the General Fund balance in the Movement in Reserves Statement. If the monies have not been used they are credited to the Grants Unapplied Reserve. If they have been applied to fund capital expenditure they are credited to the Capital Adjustment Account.

Heritage Assets

Heritage assets are assets held principally for their contribution to culture and knowledge. The Council has only a small collection of items displayed at its museum. Their value is nominal and has not been included in the Statement of Accounts.

Intangible assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences), is capitalised at cost if it will bring benefits to the Council for more than one financial year. Internally generated assets are capitalised where it is demonstrable that the Council will generate future economic benefits.

The cost is amortised over the economic life to reflect the pattern of consumption. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

The postings in the Comprehensive Income and Expenditure Statement are reversed from the General Fund balance in the Movement in Reserves Statement and charged to the Capital Adjustment Account.

Inventories and long term contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of the works and services received under the contract during the financial year.

Investment Properties

Investment properties are those held solely to earn rentals or for capital appreciation. They are measured initially at cost and subsequently at fair value. They are not depreciated but are re-valued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Gains and losses on revaluation and disposal are not permitted by statute to impact on the council tax. A reversal is therefore done between the General Fund Balance and the Capital Adjustment Account (or, in the case of sale proceeds exceeding £10,000 to the Capital Receipts Reserve.

Income and expenditure from investment properties are charged to the Financing and Investment income line in the Comprehensive Income and Expenditure Statement.

Leasing

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. If the lease covers both land and buildings, then the land and building elements are considered separately for classification.

Assets that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Authority as lessee</u>

<u>Finance leases</u>
An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset is matched by a liability, being the obligation to the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are split between a finance charge, charged to the Comprehensive Income and Expenditure Statement, and the principal element, applied to write down the lease liability. Assets held under a finance lease will be subject to depreciation and revaluation in the same way as any other asset.

<u>Operating leases</u>
Rentals are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the asset.

<u>The Authority as lessor</u>

<u>Finance leases</u>
Where the Authority grants a finance lease over an asset, it is written out of the Balance Sheet and charged to the “gain or loss on disposals” line in Other Operating Expenses in the Comprehensive Income and Expenditure Statement. The Authority’s net investment in the lease is credited to the same line, matched by a Long Term Debtor in the balance Sheet. Lease rental

receipts are split between finance income (credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement), and the principal element applied to write down the Long Term Debtor.

Operating leases
Where the Authority grant an operating lease over an asset it remains on the Balance Sheet, and the income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
See note 40.

Non-Current Assets Held for Sale

Accounting treatment is detailed in the Property Plant and Equipment, Disposal and Non Current assets Held for Sale, policy.

Overheads

The Service Reporting Code of Practice (SeRCoP) requires that all Central Support and Administrative costs, with the exception of those mentioned below, be allocated to services.
The exceptions are:

- The costs of Democratic Representation and Management.
- A narrow range of costs defined as Corporate management.
- Non Distributed costs. These consist of certain costs relating to retirement benefits (past service, curtailment and settlement costs), and costs associated with unused IT facilities and surplus assets.

Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors

Changes in estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practice or if the change provides more reliable or relevant information about the effect of transactions on the Council's financial performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts from prior periods. Material errors will also require a prior period adjustment.

Property Plant and Equipment (PPE)

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on an accruals basis in the accounts provided it exceeds the 'de minimis' threshold of £5,000 and provides benefits to the Council for a period of more than one year. Assets are initially held at cost and then re-valued. Valuations are provided by qualified Valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. Property assets are re-valued, at a minimum, every 5 years.

Measurement
PPE is accounted for in accordance with IAS 16. As adapted for the public sector this provides that:

- Infrastructure, Community Assets, Assets under Construction, and equipment, are measured at historical cost. Some Land & Buildings are measured at historical cost for initial recognition but only until revaluation, or where the amount relates to an asset for which fair value cannot be reliably measured for which historic cost is used as a proxy for fair value.
- All other assets are measured at fair value. In respect of specialised assets, if there is an absence of market based evidence of value, fair value will be assessed using the depreciated replacement cost approach.

A gain on revaluation is credited to the Revaluation Reserve unless it reverses a previous loss charged to the Comprehensive Income and Expenditure Statement, in which case the gain shall be credited to that account. A fall in value will be charged firstly against any balance held in the

Revaluation Reserve. If this is insufficient or non existent, the charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

Depreciation
Non current assets held for sale are not depreciated.
Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the closing value of assets. Components are separately depreciated if

- The total value of the host asset (excluding land) exceeds £500k and
- The value of the component exceeds 20% of the asset value (excluding land)

Depreciation periods are as follows:

	years
Property (excluding components separately identified)	5-70
Property components - mechanical	25
Portable office facilities	10-15
Vehicles	3-10
IT equipment	3-5
Other equipment	5-15

Revaluation gains are also depreciated by transfer of the difference between the current valuation depreciation charge and the historic cost depreciation charge, from the Revaluation Reserve to the Capital Adjustment Account.

Impairment
All assets are reviewed annually for impairment. Impairment losses are charged against revaluations held in the Revaluation Reserve. If these are inadequate the loss is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. If an impairment loss is subsequently reversed, the reversal, up to the amount of the original loss adjusted for depreciation, is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposal and Non-Current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continuing use, it is reclassified as an Asset Held for Sale and shown within current assets. The asset is re-valued immediately and carried at the lower of this amount and fair value less costs to sell. If assets subsequently fail to meet the criteria to be classified as Assets Held for Sale, they revert to their Non Current Asset classification, and are re-valued at their original value adjusted for any depreciation, impairment or revaluation that would have applied.

On disposal the carrying amount of an asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal. Receipts exceeding £10,000 from disposal are credited to the same line. Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital Charges and Council Tax
The postings in the Comprehensive Income and Expenditure Statement in respect of depreciation, impairment, disposal and revaluation are reversed in the Movement in Reserves Statement to avoid impacting on council tax. Capital Receipts exceeding £10,000 are reversed to the Capital Receipts Reserve. Other reversals are to the Capital Adjustment Account.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing is uncertain.

Provisions are charged to the appropriate revenue account, Expenditure, when incurred, is charged direct to the provision.

Reserves

Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement, and the reserve is appropriated back into the General Fund Balance through the Movement in Reserves Statement.

Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

If the Authority has determined to use capital resources to meet the cost (as opposed to funding from revenue) a transfer is done in the Movement in Reserves Statement, from the General Fund Balance to the Capital Adjustment Account, so that there is no impact on the council tax.

Value Added Tax

VAT is included in the accounts only to the extent that it is irrecoverable.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Changes in the following accounting standards have not been included in this statement:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009 – 2011 Cycle.

Had these standards been adopted for financial year 2013/14 there would have been no material changes to the Council’s financial position. CIPFA has indicated that the 2014/15 Code of Practice will provide details of the disclosures required.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4 ASSUMPTIONS ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains figures estimated on the basis of historical experience, current trends and other relevant factors. The following table notes items for which there is a significant risk of material future adjustment:

Item	Uncertainty	Effect if actual results differ
Pensions liability	The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions.	The accounts show the pension liability fell during 2013/14 to £27m. Sensitivity to the factors contributing to this estimate are shown in Note 43i.
Debtors	The most significant debtor issue for the Council is its responsibility for collecting £86m in business rates and council tax. It is however mainly as agent for government and major preceptors. The major recovery risk resulting from shortfalls in collection falls to these bodies. Various notes present debtor information. Note 46 shows that financial instrument debtors total £2.3m against which a bad debt provision of £0.9m has been made. The figures include Housing benefit debtors of £0.878m (i.e. recovery of overpayments). Changes in the administration of benefits are pending which may affect recovery in future years. The provision made for these debts has therefore been increased to 90% to reflect this.	Any additional impairment will be a charge to the Income & expenditure account.
Asset valuations	Note 12 shows that fixed assets valued at £28m are carried at either fair value or depreciated replacement cost value. The valuations have been carried out by qualified valuers in accordance with RICS Guidance	The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.
Provisions	Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2012-13 and earlier financial years in their proportionate share. Therefore, a provision of £1.0m has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2014.	Successful appeals in excess of the estimate will be a charge to the collection fund. Any successful appeals below the estimate would result in a credit to the Collection Fund. These additional credits or debits would be shared between precepting bodies in their proportionate share.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

All material items have been disclosed in the statement or in the notes to the accounts.

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 24 September 2014. Subsequent events are not reflected in the financial statements or in the notes.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The surplus or deficit on the provision of service is subject to adjustment in order to calculate the amount to be met from taxation. This statement details those adjustments and agrees to the Movement in Reserves Statement.

	2013/14			
	General Fund Balance £'000	**Capital Receipts Account £'000**	**Capital Grants £'000**	**Total Unusable Reserves £'000 Note 24**
Adjustments involving the Capital Adjustment Account (CAA)				
Reversal of debits and credits to CI&E				
Charges for depreciation of non current assets	(1,891)			1,891
Charges for impairment of non current assets	(416)			416
Revaluation losses on Property, Plant and Equipment				
Movements in the market value of Investment Property	198			(198)
Amortisation of intangible assets	(195)			195
Revenue expenditure funded from capital under statute	(454)			454
Non-current assets charged to CI&E on disposal	(152)			152
Insertion of items not posted to the CI&E				
Statutory & voluntary provision for the repayment of debt	847			(847)
Capital expenditure charged against the General Fund Balance	902			(902)
Adjustments primarily involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&E	1,519		(1,519)	
Grants applied to fund capital expenditure transferred to CAA			520	(520)
Adjustments primarily involving the Capital Receipts Reserve				
Capital receipts credited to CI&E on non current asset disposals	191	(191)		
Capital receipts used to finance new capital expenditure		57		(57)
Capital receipts credited to CI&E to finance the payment to the Government's capital receipt pool	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
Adjustments involving Financial Instruments Adjustment A/c				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	(2)			2
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in the CI&E	(2,841)			2,841
Employer's contributions and payments made to pensioners	1,528			(1,528)
Adjustments involving the Collection Fund Adjustment A/c				
Difference between credit to CI&E and precepted amount of council tax	67			(67)
Difference between credit to CI&E and local share of business rates	(971)			971
Adjustments involving the Accumulated Absences A/c				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	11			(11)
TOTAL ADJUSTMENTS	**(1,660)**	**(134)**	**(999)**	**2,793**

2012/13 Comparative figures Restated	2012/13 Restated General Fund Balance £'000	Capital Receipts Account £'000	Capital Grants £'000	Total Unusable Reserves £'000 Note 24
<u>Adjustments involving the Capital Adjustment Account (CAA)</u>				
<u>Reversal of debits and credits to CI&E</u>				
Charges for depreciation of non current assets	(2,018)			2,018
Charges for impairment of non current assets	(570)			570
Revaluation losses on Property, Plant and Equipment				
Movements in the market value of Investment Property	(91)			91
Amortisation of intangible assets	(218)			218
Revenue expenditure funded from capital under statute	(374)			374
Non-current assets charged to CI&E on disposal	(46)			46
<u>Insertion of items not posted to the CI&E</u>				
Statutory & voluntary provision for the repayment of debt	687			(687)
Capital expenditure charged against the General Fund Balance	937			(937)
<u>Adjustments primarily involving Capital Grants Unapplied</u>				
Capital grants and contributions unapplied credited to CI&E	357		(357)	
Grants applied to fund capital expenditure transferred to CAA			583	(583)
<u>Adjustments primarily involving the Capital Receipts Reserve</u>				
Capital receipts credited to CI&E on non current asset disposals	55	(55)		
Capital receipts used to finance new capital expenditure		566		(566)
Capital receipts credited to CI&E to finance the payment to the Government's capital receipt pool	(1)	1		
Transfer from Deferred Capital Receipts		(2)		2
<u>Adjustments involving Financial Instruments Adjustment A/c</u>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	(2)			2
<u>Adjustments involving the Pensions Reserve</u>				
Reversal of pension charges made in the CI&E	(2,540)			2,540
Employer's contributions and payments made to pensioners	1,475			(1,475)
<u>Adjustments involving the Collection Fund Adjustment A/c</u>				
Difference between credit to CI&E and precepted amount of council tax	(18)			18
<u>Adjustments involving the Accumulated Absences A/c</u>				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	1			(1)
TOTAL ADJUSTMENTS	**(2,366)**	**510**	**226**	**1,630**

8 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows:-

	Balance 31 March 2012 £'000	Transfers In £'000	Transfers Out £'000	Balance 31 March 2013 £'000	Transfers In £'000	Transfers Out £'000	Balance 31 March 2014 £'000
My Neighbourhoods	**(14)**	(28)	3	**(39)**		1	**(38)**
Asset Management	**(2,036)**	(500)	552	**(1,984)**	(1,000)	619	**(2,365)**
Borough Council Elections	**(44)**	(30)		**(74)**	(30)		**(104)**
Housing Needs Survey	**(21)**	(50)		**(71)**	(16)	42	**(45)**
ICT Strategy Reserve	**(1,715)**	(300)	218	**(1,797)**	(600)	271	**(2,126)**
Local Development Framework	**(232)**			**(232)**		14	**(218)**
Performance Reward Grant	**(307)**		46	**(261)**		54	**(207)**
Public Open Space Funds	**(1,830)**	(96)	155	**(1,771)**	(96)	155	**(1,712)**
Organisation Restructure Costs	**(523)**			**(523)**			**(523)**
Vehicle and Plant replacement	**(112)**			**(112)**			**(112)**
Leisure sites repair and maintenance	**(197)**	(45)		**(242)**	(17)		**(259)**
Icelandic impairment	**(120)**			**(120)**		120	**0**
Business Rates Retention	**0**	(150)		**(150)**	(1,139)		**(1,289)**
VAT Reserve	**0**	(105)	0	**(105)**			**(105)**
Other Earmarked Reserves	**(724)**	(465)	150	**(1,039)**	(180)	136	**(1,083)**
Total	**(7,875)**	**(1,769)**	**1,124**	**(8,520)**	**(3,078)**	**1,412**	**(10,186)**

9 OTHER OPERATING EXPENDITURE

2012/13 £'000		2013/14 £'000
237	Parish council precepts	249
1	Payments to the Governments Capital Receipt Pool	1
(9)	(Gains) and losses on the disposal of non current assets	152
229	**Total**	**402**

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 Restated £'000		2013/14 £'000
126	Interest payable and similar charges	120
1,258	Pensions interest cost net of expected return on pension assets	1,294
(396)	Interest receivable and similar income	(438)
91	Income and Expenditure in relation to investment properties and changes in their fair value	(198)
(207)	Losses or (surplus) on trading accounts (note 30)	(290)
872	**Total**	**488**

11 TAXATION AND NON SPECIFIC GRANT INCOME & EXPENDITURE

2012/13 £'000		2013/14 £'000
(7,953)	Council tax income	(7,186)
(4,555)	Non domestic rates	(1,896)
(674)	Non ring fenced government grants	(3,747)
(389)	Capital grants and contributions	(1,710)
(13,571)	**Total**	**(14,539)**

12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<u>Cost or valuation</u>						
At 1 April 2013	**29,412**	**9,928**	**0**	**28**		**39,368**
Additions	561	449	83			1,093
Revaluations recognised in the Revaluation Reserve (RR)	25			37		62
Revaluations recognised in CI&E	(527)					(527)
De-recognition - disposals	(3)	(240)				(243)
De-recognition - other						
Assets reclassified	(271)	10	261			0
Other movements						
At 31 March 2014	**29,197**	**10,147**	**344**	**65**		**39,753**
<u>Depreciation and Impairment</u>						
At 1 April 2013	**(4,672)**	**(5,418)**	**0**	**0**	**0**	**(10,090)**
Depreciation charge	(711)	(1,128)	(52)			(1,891)
Depreciation written out of RR	61					61
Depreciation written out of CI&E	128					128
Impairment losses recognised in RR						
Impairment losses recognised in CI&E	(16)					(16)
De-recognition - disposals		240				240
De-recognition – other						
Assets reclassified	35	(2)	(33)			
Other movements						
At 31 March 2014	**(5,175)**	**(6,308)**	**(85)**	**0**	**0**	**(11,568)**
<u>Net Book Value</u>						
At 31 March 2014	**24,022**	**3,839**	**259**	**65**	**0**	**28,185**

At 31 March 2014, the Council had entered into contracts for the construction or enhancement of Property, Plant and Equipment with outstanding contractual commitments of £0.185m. The only major contractual commitment was £0.160m in relation to Civic Centre Improvement works. There were no significant contractual commitments in 2012/13.

Comparative movements in 2012/13	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2012	**29,109**	**9,578**	**0**	**28**	**0**	**38,715**
Additions	1,128	1,356				2,484
Revaluations recognised in the Revaluation Reserve (RR)	61					61
Revaluations recognised in CI&E	(923)					(923)
De-recognition - disposals	(14)	(1,006)				(1,020)
De-recognition - other						
Assets reclassified	51					51
Other movements						
At 31 March 2013	**29,412**	**9,928**		**28**		**39,368**
Depreciation and Impairment						
At 1 April 2012	**(4,238)**	**(5,213)**	**0**	**0**	**0**	**(9,451)**
Depreciation charge	(806)	(1,212)				(2,018)
Depreciation written out of RR	18					18
Depreciation written out of CI&E	353					353
Impairment losses recognised in RR						
Impairment losses recognised in CI&E						
De-recognition - disposals	1	1,007				1,008
De-recognition - other						
Other movements						
At 31 March 2013	**(4,672)**	**(5,418)**	**0**	**0**	**0**	**(10,090)**
Net Book Value						
At 31 March 2013	**24,740**	**4,510**	**0**	**28**	**0**	**29,278**

Fixed Assets Valuations

During 2013/14 the valuations were carried out by K.J. Property Consultancy and the Council's Estates Surveyor R. Handscombe FRICS. The basis of valuation is set out in the Statement of Accounting Policies.

	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	**986**	**10,147**	**344**	**0**	**0**	**11,477**
Valued at fair value as at:						
31 March 2014	1,265	0	0	37	0	1,302
31 March 2013	2,434	0	0	0	0	2,434
31 March 2012	3,271	0	0	28	0	3,299
31 March 2011	20,996	0	0	0	0	20,996
31 March 2010	245	0	0	0	0	245
Total cost or valuation	**29,197**	**10,147**	**344**	**65**	**0**	**39,753**

13 INVESTMENT PROPERTIES

Details of rental income and operational expenditure are given in note 30.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or its right to receipt of income or the proceeds of disposal. The assets are comprehensively re-valued every five years, and annually reviewed for any indications that changes in yields or void levels warrant a review of fair values.

The following table summarises the movement in the fair value of investment properties over the year.

	2012/13 £'000	2013/14 £'000
Fair Value 1 April	12,015	12,391
Additions – Subsequent expenditure	552	42
Disposals	(34)	(150)
Net gains/(losses) from fair value adjustments	(91)	198
Transfers (to)/from Property Plant and Equipment	(51)	0
Other changes	0	0
TOTAL	**12,391**	**12,481**

At 31 March 2014, the Council had no contractual obligations to purchase, construct or develop investment property.

14 INTANGIBLE ASSETS

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The following periods have been used in amortising the Authority's significant intangible assets.

Asset Description	Amortisation Period
Benefit fraud case system	5 years
Document management System	5 years
IT work programme	5 years
Customer Contact Centre	5 years
Revenues and Benefits System	5 years
Financial System	5 years

Amortisation is on a straight line basis. In 2013/14 the amortisation charge of £0.195m was charged principally to IT £0.152m, Revenues/Cashiers £0.022m and Finance £0.021m. These cost centres are absorbed as overheads across all services. It is not possible therefore to simply indicate the amount charged to each heading in the Comprehensive Income and Expenditure Account.

The movements on Intangible Asset balances during the year are as follows:-

	2012/13 £'000	2013/14 £'000
Cost at start of year	708	900
Derecognised in year	0	0
Additions in year	192	144
Gross cost at end of year	**900**	**1,044**
Accumulated amortisation at start of year	(383)	(601)
Derecognised in year	0	0
Amortised in year	(218)	(195)
Accumulated amortisation	**(601)**	**(796)**
Net Carrying amount at the year end	**299**	**248**

At 31 March 2014, there were no significant contractual commitments, and no individual intangible assets the amortisation of which is materially significant to the Council.

15 FINANCIAL INSTRUMENTS

15a Categories of Financial Instrument

The following categories of Financial Instruments are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
<u>Investments</u> Loans and receivables	0	0	7,586	2,012
<u>Debtors</u> Loans and receivables	85	88	1,558	1,400
<u>Borrowings</u> Financial liabilities at amortised cost	0	0	0	0
<u>Other Long Term Liabilities</u> Finance lease liabilities	(1,448)	(1,125)	0	0
<u>Creditors</u> Financial liabilities carried at contract amount	(278)	(254)	(2,355)	(2,236)

There has been no reclassification of assets and no pledges of collateral have been made in the periods reported in these statements.

15b Income, Expense, Gains and Losses

The amounts charged in the Comprehensive Income and Expenditure Account are as follows:-

	2012/13			2013/14		
	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expenses	126	0	126	120	0	120
Impairment	0	(112)	(112)	0	(227)	(227)
Total Expense	**126**	**(112)**	**14**	**120**	**(227)**	**(107)**
Interest income	0	(194)	(194)	0	(145)	(145)
Interest income accrued on impaired assets	0	(90)	(90)	0	(67)	(67)
Total income	**0**	**(284)**	**(284)**	**0**	**(212)**	**(212)**
Net (gain)/loss for the year			**(270)**			**(319)**

15c Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables, and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- any borrowings or investments with a remaining life exceeding twelve months are discounted at the rates applying to equivalent transactions at the Balance Sheet date.
- where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of long term financial assets and liabilities are as follows:-

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
Finance Lease	(1,448)	(1,448)	(1,125)	(1,125)

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Long Term Debtors	85	85	88	88

16 INVENTORIES

	2012/13			2013/14		
	Consumable stores £'000	Maintenance materials £'000	Total £'000	Consumable stores £'000	Maintenance materials £'000	Total £'000
Balance at 1 April	95	32	127	90	32	122
Purchases	584	270	854	537	172	709
Issued in year	(594)	(270)	(864)	(553)	(173)	(726)
Written off in year	5	0	5	(3)	1	(2)
Balance at year end	**90**	**32**	**122**	**71**	**32**	**103**

17 CONSTRUCTION CONTRACTS

The Council is not involved as a contractor in any construction contracts.

18 SHORT TERM DEBTORS

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	1,487	585
Other local authorities	1,725	1,092
NHS bodies	1	0
Other entities and individuals	2,121	2,861
Net carrying amount at the year end	5,334	4,538
Less provision for bad debts	(719)	(1,321)
TOTAL DEBTORS	**4,615**	**3,217**

The bad debt provision has been made against debtors classified as "other entities and individuals".

19 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2013 £'000	31 March 2014 £'000
Cash held by the Authority	126	8
Bank current and call accounts	3,647	10,082
Short term deposits	1,029	4,012
Bank Overdraft	0	(772)
Total cash and cash equivalents	**4,802**	**13,330**

20 ASSETS HELD FOR SALE

There were no assets categorised as, or movements relating to, 'Assets Held for Sale' during the current or previous financial year.

21 SHORT TERM CREDITORS

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	(1,611)	(529)
Other local authorities	(386)	(396)
NHS bodies	(1)	(1)
Other entities and individuals	(2,305)	(2,491)
Net carrying amount at the year end	**(4,303)**	**(3,417)**

22 PROVISIONS

The movements in provisions during the year were as follows:-

	Balance 1 April 2012	Movements		Balance 31 March 2013	Movements		Balance 31 March 2014
		Used	Added		Used	Added	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates Appeals	**0**	0	0	0	0	(1,000)	**(1,000)**
Total	**0**	**0**	**0**	**0**	**0**	**(1,000)**	**(1,000)**

23 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 14).

24 UNUSABLE RESERVES

	31 March 2013 £'000	31 March 2014 £'000
Revaluation Reserve	(3,263)	(3,330)
Capital Adjustment Account	(32,412)	(31,884)
Financial Instruments Adjustment Account	(16)	(13)
Deferred Capital Receipts Reserve	(22)	(21)
Pensions Reserve	31,624	27,033
Collection Fund Adjustment Account	76	980
Accumulated Absences Account	281	269
Total Unusable Reserves	**(3,732)**	**(6,966)**

24a Revaluation Reserve

The Revaluation Reserve holds the gains arising from increases in the valuation of Property, Plant and Equipment. The balance is reduced by any subsequent reductions in value, by impairment, by depreciation, and by disposal. The reserve holds only gains accumulated since 1 April 2007. Gains prior to that date were consolidated in the Capital Adjustment Account.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(3,233)**	**(3,263)**
Upward revaluation of assets	(79)	(123)
Downward revaluation & impairment not charged to the Comprehensive Income and Expenditure Account	0	0
Difference between fair value and historic cost depreciation	49	56
Accumulated gains on assets de-recognised	0	0
Balance at 31 March	**(3,263)**	**(3,330)**

24b Capital Adjustment Account

This account contains the following:

- Sums set aside to finance capital expenditure.
- Accumulated gains and losses on Investment Properties.
- Revaluation gains on Property, Plant and Equipment accumulating prior to 1 April 2007.
- The difference between the charges required by accounting practice for the amortisation of assets (depreciation and impairment) and the de-recognition of assets, and the capital charges required by statute.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(32,907)**	**(32,412)**
Adj. between accounting and regulatory funding bases (see note 7)		
Items relating to capital charges		
Charges for depreciation of non current assets	2,018	1,891
Charges for impairment of non current assets	570	416
Amortisation of intangible assets	218	195
Revenue expenditure funded from capital under statute	374	454
Net cost disposal of assets	46	152
Movements in the market value of Investment Properties	91	(198)
Capital financing applied in the year		
Capital receipts used to finance new capital expenditure	(566)	(57)
Capital expenditure charged to the General Fund Balance	(937)	(902)
Statutory & voluntary provision for the repayment of debt	(687)	(847)
Grants used in the year to fund capital expenditure	(583)	(520)
Adjustments with the Revaluation Reserve (see note 24a)		
Downward revaluation & impairment not charged to CI&E	0	0
Difference between fair value and historic cost depreciation	(49)	(56)
Balance at 31 March	**(32,412)**	**(31,884)**

24c Financial Instruments Adjustment Account

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of certain financial instruments.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(18)**	**(16)**
Premia on early debt redemption – amortisation deferred as per statutory requirement	(5)	(5)
Discounts on early debt redemption – amortisation deferred as per statutory requirement	7	8
Balance at 31 March	**(16)**	**(13)**

24d Deferred Capital Receipts Reserve

This account shows the sums recognised on the disposal of non-current assets but for which cash settlement has yet to take place

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(24)**	**(22)**
Transfer to Capital Receipts Reserve on receipt of cash	2	1
Balance at 31 March	**(22)**	**(21)**

24e Pensions Reserve

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of pensions. The costs of benefits are charged to the Comprehensive Income and Expenditure Account when they are earned rather than when they are paid. Statutory arrangements however require that benefits be financed only when the Authority makes contributions to the pension fund. The debit balance on the Pension Reserve therefore shows that benefits earned by employees exceeds the payments made by the authority to fund them. Statutory arrangements require that adequate funding will ultimately be set aside.

	Restated 2012/13 £'000	2013/14 £'000
Balance at 1 April	**26,428**	**31,623**
Remeasurements of the net defined benefit liability.	4,130	(5,903)
Reversal of charges posted to the Comprehensive Income & Expenditure Account.	2,540	2,841
Employers contributions and direct payments to pensioners payable in the year.	(1,475)	(1,528)
Balance at 31 March	**31,623**	**27,033**

2012/13 comparative figures restated. See Note 49.

24f Collection Fund Adjustment Account

This account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**58**	**76**
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income & Expenditure Statement differs from the amount required by statute.	18	904
Balance at 31 March	**76**	**980**

24g Accumulated Absences Account

The cost of compensated absences (e.g. leave entitlement) not taken by employees during the year of account, is charged to the Comprehensive Income and Expenditure Account. Statutory arrangements require however that the impact on the General Fund Balance is neutralised by transfers to or from this account.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**282**	**281**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	(1)	(12)
Balance at 31 March	**281**	**269**

25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2012/13 £'000	2013/14 £'000
Interest received	333	544
Interest paid	(126)	(120)
Net	**207**	**424**

26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

The following items have been included within investing activities in the cash flow statement:

	2012/13 £'000	2013/14 £'000
Purchase of property, plant & equipment, investment property & intangible assets.	(2,847)	(869)
Purchase of short and long term investments.	(21,779)	(4,562)
Proceeds from the sale of assets.	117	141
Proceeds from short and long term investments.	20,406	10,148
Other receipts relating to investing activity (government grants)	392	1,618
Total cash flows from investing activities	**(3,711)**	**6,476**

27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The following have been included within financing activities in the cash flow statement:

	2012/13 £'000	2013/14 £'000
Cash paid to reduce lease liabilities.	(322)	(323)
Repayments of borrowings.	0	0
Change in indebtedness relating to NNDR (due from Government and Preceptors) and Council Tax (due from Preceptors).	1,220	(540)
Total cash flows from financing activities	**898**	**(863)**

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (SEGMENTS)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- They exclude capital charges (depreciation, impairment and revaluation losses)
- Retirement benefits are included on the basis of cash flows rather than current service costs
- Expenditure on some support services is budgeted for centrally

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

2013/14 DIRECTORATE INCOME AND EXPENDITURE	Chief Executives £'000	Corporate Governance £'000	Customer Contact & Business Improvement £'000	Planning & Housing £'000	Regeneration & Healthy Communities £'000	Shared Services £'000	Neighbour-hoods £'000	Total Directorate £'000
Fees & Charges & Other Service Income	(4)	(141)	(509)	(1,853)	(735)	(663)	(2,316)	**(6,221)**
Government Grants			(23,362)	(10)				**(23,372)**
Total Income	**(4)**	**(141)**	**(23,871)**	**(1,863)**	**(735)**	**(663)**	**(2,316)**	**(29,593)**
Employee Expenses	486	839	2,103	1,343	1,864	709	2,251	**9,595**
Other Service Expense.	90	196	23,284	1,226	1,061	1,152	3,740	**30,749**
Expenditure	**576**	**1,035**	**25,387**	**2,569**	**2,925**	**1,861**	**5,991**	**40,344**
Net Expenditure	**572**	**894**	**1,516**	**706**	**2,190**	**1,198**	**3,675**	**10,751**

2012/13 DIRECTORATE INCOME AND EXPENDITURE (Restated)	Chief Executives £'000	Corporate Governance £'000	Customer Contact & Business Improvement £'000	Planning & Housing £'000	Regeneration & Healthy Communities £'000	Shared Financial Services £'000	Neighbour-hoods £'000	Total Directorate £'000
Fees & Charges & Other Service Income	(5)	(344)	(295)	(2,266)	(954)	(855)	(3,017)	**(7,736)**
Government Grants			(29,280)	(186)				**(29,466)**
Total Income	**(5)**	**(344)**	**(29,575)**	**(2,452)**	**(954)**	**(855)**	**(3,017)**	**(37,202)**
Employee Expenses	471	890	2,059	1,498	1,690	786	2,376	**9,770**
Other Service Expense	62	211	29,103	1,306	1,154	1,009	4,513	**37,358**
Expenditure	**533**	**1,101**	**31,162**	**2,804**	**2,844**	**1,795**	**6,889**	**47,128**
Net Expenditure	**528**	**757**	**1,587**	**352**	**1,890**	**940**	**3,872**	**9,926**

2012/13 comparative figures restated. See Note 49.

RECONCILIATION OF DIRECTORATE INCOME & EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

	2012/13 £'000	2013/14 £'000
Net Expenditure in Directorate Analysis	**9,926**	**10,751**
Net Expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	3,014	3,083
	12,940	**13,834**
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	528	608
Cost of Services in Comprehensive Income & Expenditure Statement	**13,468**	**14,442**

RECONCILIATION TO SUBJECTIVE ANALYSIS 2013/14	Director Analysis £'000	Services & Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I & E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income.	(6,221)			1,672	(13,528)	(18,077)	(2,943)	**(21,020)**
Interest and investment income.							(3,044)	**(3,044)**
Income from council tax.							(7,186)	**(7,186)**
Local share of business rates							(13,307)	**(13,307)**
Government grants and contributions.	(23,372)					(23.372)	(3,747)	**(27,119)**
Total Income	**(29,593)**	**0**	**0**	**1,672**	**(13,528)**	**(41,449)**	**(30,227)**	**(71,676)**
Employee expenses.	9,595		7	(213)		9,389	213	**9,602**
Other service expenses.	30,749			(851)		29,898	731	**30,629**
Support Service recharges.					13,528	13,528		**13,528**
Depreciation, amortisation and impairment.			3,076			3,076		**3,076**
Interest Payments.							3,821	**3,821**
Precepts & Levies.							249	**249**
Business rates tariff, levy and deficit							11,411	**11,411**
Payments to Housing Capital Receipts Pool.							1	**1**
Gain or Loss on Disposal of Fixed Assets.							152	**152**
Total Expenditure	**40,344**	**0**	**3.083**	**(1,064)**	**13,528**	**55,891**	**16,578**	**72,469**
Surplus or deficit on the provision of services	**10,751**	**0**	**3,083**	**608**	**0**	**14,442**	**(13,649)**	**793**

RECONCILIATION TO SUBJECTIVE ANALYSIS 2012/13 (Restated)	Director Analysis £'000	Services & Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I & E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income.	(7,736)			1,717	(13,340)	(19,359)	(1,657)	**(21,016)**
Interest and investment income.							(2,877)	**(2,877)**
Income from council tax.							(7,953)	**(7,953)**
Government grants and contributions.	(29,466)					(29,466)	(5,229)	**(34,695)**
Total Income	**(37,202)**	**0**	**0**	**1,717**	**(13,340)**	**(48,825)**	**(17,716)**	**(66,541)**
Employee expenses.	9,770		(291)	(198)		9,281	198	**9,479**
Other service expenses.	37,358			(991)		36,367	865	**37,232**
Support Service recharges.					13,340	13,340		**13,340**
Depreciation, amortisation and impairment.			3,305			3,305		**3,305**
Interest Payments.							3,956	**3,956**
Precepts & Levies.							237	**237**
Payments to Housing Capital Receipts Pool.							1	**1**
Gain or Loss on Disposal of Fixed Assets.							(9)	**(9)**
Total Expenditure	**47,128**	**0**	**3,014**	**(1,189)**	**13,340**	**62,293**	**5,248**	**67.541**
Surplus or deficit on the provision of services	**9,926**	**0**	**3,014**	**528**	**0**	**13,468**	**(12,468)**	**1,000**

2012/13 comparative figures restated. See Note 49.

29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no operations acquired or discontinued during the year.

30 TRADING OPERATIONS

The Authority ran two trading operations.

Firstly an in-house Catering Service, which provided catering for both the Council's own operations, and also for private functions run at Council premises. This trading account reflects a part year position as the in-house catering function was significantly changed during the year as part of the Council's efficiency programme.

The second concerns the management of investment property. The Council has an investment portfolio consisting of 28 industrial units, 43 other properties (shops, offices and residential), 23 plots of leased land, and a small number of other plots used for agriculture and car parking etc.

The performance of these two operations is set out below:

2012/13	Catering £'000	Investment Properties £'000	Total £'000
Turnover	(301)	(969)	(1,270)
Direct costs	304	301	605
Overheads	207	217	424
capital charges	0	34	34
Net (surplus) or deficit	**210**	**(417)**	**(207)**
2013/14			
Turnover	(216)	(1,018)	(1,234)
Direct costs	286	262	548
Overheads	127	235	362
capital charges	0	34	34
Net (surplus) or deficit	**197**	**(487)**	**(290)**

31 AGENCY SERVICES

The Council acts as agent for central government, County Council and Fire Authority in the collection of National Non-domestic Rates; and as agent for major preceptors in the collection of council tax. Further details are given in the notes to the collection fund.

32 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

The Council does not operate a road charging or workplace charging scheme.

33 POOLED BUDGETS

The Council has no material pooled budget arrangements.

34 MEMBERS ALLOWANCES

The Council paid the following amounts to its members during the year:

	2012/13 £'000	2013/14 £'000
Allowances	168	170
Expenses	0	2
Total	**168**	**172**

35 OFFICERS REMUNERATION

As required by the Accounts and Audit Regulations, in the following table those senior employees whose salary exceeds £50,000 in the year are identified.

Post Title	Salary £	Expense Allowances £	Sub Total £	Pensions Contributions £	Total Remuneration £
2013/14 Remuneration					
Chief Executive	104,985	1,239	106,224	22,362	128,586
Director of Planning and Housing *	35,306	723	36,029	7,098	43,127
Director of Neighbourhoods	64,567	1,239	65,806	13,753	79,559
Director of Business Transformation	64,567	1,239	65,806	13,753	79,559
Director of Corporate Governance	67,291	1,239	68,530	13,753	82,283
Director of Regeneration and Healthy Communities	64,567	1,239	65,806	13,753	79,559
Head of Shared Assurance	50,856	1,534	52,390	10,832	63,222
Head of Human Resources	50,856	1,239	52,095	10,832	62,927

** Part year cost due to retirement during year*

The comparative information for the preceding year is as follows:

Post Title	**Salary** **£**	**Expense Allowances** **£**	**Sub Total** **£**	**Pensions Contributions** **£**	**Total Remuneration** **£**
2012/13 Remuneration					
Chief Executive	103,308	1,239	104,547	20,013	124,560
Director of Planning and Housing	63,953	1,239	65,192	12,977	78,169
Director of Neighbourhoods	63,928	1,239	65,167	12,977	78,144
Director of Business Transformation	63,928	1,239	65,167	12,977	78,144
Director of Corporate Governance	63,928	1,239	65,167	12,977	78,144
Director of Regeneration and Healthy Communities	63,928	1,239	65,167	12,977	78,144
Head of Shared Assurance	50,352	944	51,296	10,222	61,518

Authorities are also required to disclose the number of other employees receiving more than £50,000 remuneration, excluding pension contributions. There was one such employee in 2012/13 and no such employees 2013/14.

Remuneration band	**2012/13 Number of employees**	**2013/14 Number of employees**
£50,000 - £54,999	1	-
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-

The following table gives details of employee exit packages in the current and preceding years.

Packages banded by cost	**Number of compulsory redundancies**		**Number of other agreed departures**		**Total number of exit packages**		**Total cost of exit packages**	
	2012/13	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**
£0 -£20,000	0	2	2	0	2	2	19,162	22,101
£20,001 - £40,000	0	4	0	0	0	4	0	124,684
£40,001 - £60,000	0	1	0	0	0	1	0	50,180
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total	0	7	2	0	2	7	19,162	196,965

36 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit:

	2012/13 £'000	2013/14 £'000
Fees for statutory inspection and audit	51	50
Fees for the certification of grant claims and returns	12	12
Total	**63**	**62**

37 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and expenditure Statement.

	2012/13 £'000	2013/14 £'000
Credited to Taxation and Non Specific		
National non domestic rates	(4,555)	(407)
Revenue support grant	(92)	(3,097)
Grants – New Homes Bonus	(334)	(529)
Grants & Contributions - Other	(447)	(1,563)
Grants – Council Tax freeze	(190)	(77)
Total	**(5,618)**	**(5,673)**
Credited to Services		
Grants – benefits related	(29,156)	(23,362)
Grants & Contributions – other	(885)	(696)
Contribution – County Council waste recycling	(1,023)	(1,059)
Total	**(31,064)**	**(25,117)**

Figures for NNDR and RSG are not directly comparable between 2012/13 and 2013/14 because of the implementation of Business Rates Retention and local Council Tax Support in 2013/14. In 2012/13 the Council received an allocation of NNDR from the Government's Central Pool; whereas in 2013/14 it received a local share directly from the Collection Fund. In 2013/14 Council Tax Benefit was replaced by discounts under the local Council Tax Support scheme; and the Subsidy previously received to finance the benefit expenditure was replaced by cash-limited funding within the RSG and local share allocations.

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that could require the monies to be returned to the giver. The balances at year end are as follows:-

Contributions	2012/13 £'000	2013/14 £'000
Various contributions	84	159
Total	**84**	**159**

38 RELATED PARTIES

In accordance with FRS8, the financial statements must disclose material transactions with related parties, to draw attention to the possible extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

- **Central Government**
  Central government has effective control over the operations of the council as it provides the statutory framework within which it operates and the majority of its funding in the form of grants. Details of government grants received are given in note 37.

- **Members of the Council**
  Councillors have direct control over the council's financial and operating policies. Elected members are required to complete a Notice of Registerable Interests and notify the council of any changes within 28 days. Declarations of interests in meetings, including the personal interest of partners, relatives or friends, are also recorded in the minutes of the meeting and in a register, both of which are open to public inspection.

  Note 34 refers to the allowances paid to members. A detailed breakdown of these figures can be found in the Council's newspaper – Forward, which is distributed to all residents.

  The Council has representation on various voluntary bodies. During 2013/14, the Council paid grants totalling £0.021m (2012/13 £0.021m) to some of these organisations.

- **Officers**
  If appropriate, Directors complete a voluntary declaration of transactions involving related parties. The declarations made during the year revealed no material transactions.

- **Partnerships, Companies and Trusts**
  Financial & Assurance Shared Services Partnership – In January 2009 this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. This provides for the provision of accountancy, exchequer, treasury management, procurement and assurance services across the administrative areas of the two Councils. A Shared Services Joint Committee has been established to discharge the Chorley and South Ribble Councils' functions of providing these services.

  In 2013/14 gross expenditure of £1.862m (2012/13 £1.927m) was incurred on the shared services which was fully funded by recharges to the two Councils.

- **Simple Investment**
  In 2005/06 the Council's leisure centre operation transferred to South Ribble Community Leisure Limited (SRCLL), which is a company with charitable objectives. The Council pay SRCLL a Leisure Services Fee (LSF) for the running of its leisure centres. The contract with SRCLL is for a period of 15 years and 10 months which commenced on 1 June 2005.

Name of Undertaking	South Ribble Community Leisure Limited
Type of Organisation	Limited liability.
Nature of Business	Provision and Development of leisure facilities in South Ribble
SRBC share holding	14.2%
Grant Paid in the Year	£19,586
Leisure Services Fee	£345,473

39 CAPITAL EXPENDITURE AND FINANCING

The total capital expenditure in the year is shown below, together with the resources that have been used to finance it.

The statement incorporates details of the movements in the Capital Financing Requirement. This is a measure of the capital expenditure historically incurred by the Authority that has yet to be financed. This will be discharged by future charges to the revenue account.

	2012/13 £'000	2013/14 £'000
Opening Capital Financing Requirement	**5,456**	**6,284**
Capital investment		
Property, Plant and Equipment	3,036	1,135
Intangible Assets	191	143
Revenue Expenditure Funded from Capital under Statute	374	454
Sources of finance		
Capital Receipts	(566)	(57)
Government Grants and Other Contributions	(583)	(520)
Sums set aside from revenue		
Earmarked Reserves	(773)	(889)
Revenue Financing	(164)	(12)
Minimum Revenue provision	(420)	(601)
Voluntary Revenue Provision	(267)	(246)
Closing Capital Financing Requirement	**6,284**	**5,691**
Explanation of movements in year		
Assets financed by prudential borrowing	982	254
Assets acquired under deferred purchase arrangement	533	0
Provision made for debt repayment	(687)	(847)
Increase/(Decrease) in Capital Financing Requirement	**828**	**(593)**

40 LEASES

40a Authority as lessee

Finance leases

The Council has acquired vehicles under finance leases. The assets are carried as Property Plant and Equipment in the Balance Sheet at the net amounts shown in the following table. There are no renewal or purchase options, no escalation clauses, and no material restrictions.

In addition works have been done to leisure centres owned by the Authority, under a deferred purchase arrangement. It is not possible to state the Balance Sheet value of those works. The expenditure incurred, net of repayments made, is shown in the table below:

	31 March 2013 £'000	31 March 2014 £'000
Vehicles, Plant, Furniture and Equipment	0	0
Works to Leisure Centres	1,435	1,119

The Authority is committed to making minimum payments under these leases to discharge the outstanding liability plus finance costs that will accrue while the liability remains outstanding. Minimum lease payments due in respect of the plant and vehicles are as follows:

	31 March 2013 Vehicles etc. £'000	31 March 2014 Vehicles etc. £'000
Finance lease liabilities (net present value of minimum lease payments)		
Current liabilities	6	6
Long term liabilities	6	0
Finance costs payable in future years	2	1
Minimum lease payments	**14**	**7**

The agreement covering the leisure centres commits the lessor to invest £4.819m in their refurbishment in the years 2005/06 to 2020/21. As at 31 March 2014 £3.726m had been spent (£3.726m to 31 March 2013). The minimum payments under the lease total £6.638m of which. £3.049m is still to be paid. Payments in 2013/14 totalled £0.436m and the same amount is due in 2014/15.

The minimum lease payments for plant and vehicles will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Not later than 1 year.	7	7	6	6
Later than 1 yr, not later than 5.	7	0	6	0
Later than 5 years.	0	0	0	0
	14	**7**	**12**	**6**

The minimum lease payments in respect of the completed works to leisure centres are shown below. These minimum payments are different to the £3.049m still to be paid and identified above. This is because £3.049m is the amount still to be paid under the terms of the contract and takes into account capital expenditure yet to be incurred, whereas the minimum payments below relate to the actual capital expenditure incurred to date.

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31 March 2013 £'000	**31 March 2014 £'000**	**31 March 2013 £'000**	**31 March 2014 £'000**
Not later than 1 year.	436	436	316	316
Later than 1 yr, less than 5.	1,162	833	1,119	803
Later than 5 years.	0	0	0	0
	1,598	**1,269**	**1,435**	**1,119**

Operating leases

The Council currently has no assets provided under an operating lease.

40b Authority as lessor

Finance Leases

The Council has leased one property for 125 years. In the following table the gross investment in the lease is reconciled to the present value of the minimum lease payments:

	31 March 2013 £'000	**31 March 2014 £'000**
Finance lease debtor (present value of minimum lease payments	20	20
Unearned finance income	94	93
Total	**114**	**113**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		**Minimum lease payments**	
	31 March 2013 £'000	**31 March 2014 £'000**	**31 March 2013 £'000**	**31 March 2014 £'000**
Not later than 1 yr.	1	1	1	1
Later than 1 yr, not more than 5.	4	4	4	4
Later than 5 years.	109	108	109	108
Total	**114**	**113**	**114**	**113**

No contingent rents were receivable in the years of account.

Operating leases

The Council lets certain offices and industrial units. The future minimum lease payments receivable are:

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	765	666
Later than one and not later than five years	1,535	1,643
Later than five years	16,084	16,560
Total	**18,384**	**18,869**

41 IMPAIRMENT LOSSES

	2012/13 £'000	2013/14 £'000
Impairment loss recognised in cost of service	0	16
Impairment loss taken to the Revaluation Reserve	0	0
Total	**0**	**0**
Material individual impairments	0	16

Material individual impairments	Amount	Directorate	Valuation	Basis
Impairment loss recognised in cost of service: - The Bungalow Worden Park Leyland	£0.016m	Neighbourhoods	Fair Value	Cost to repair

42 TERMINATION BENEFITS

The Authority terminated the contracts of 7 employees in 2013/14 incurring liabilities of £0.197m (£0.019m in 2012/13). See note 35 for the number of exit packages and total cost.

43 DEFINED BENEFIT PENSION SCHEME

43a Governance

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through the Local Government Pension Scheme. This scheme is administered by Lancashire County Council who have appointed a Pension Fund Committee (comprising a mix of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises on investment strategy and risk management. The scheme is funded and pays defined benefits based on how long employees are active members, and their salary when they leave (a "final salary" scheme) for service up to 31 March 2014 and on revalued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

43b Funding the liabilities

Regulations require actuarial fund valuations to be carried out every 3 years. Contributions for each employer are set having regard to their individual circumstances. Contributions must be set with a view to targeting the Funds solvency (the detailed provisions are set out in the Fund's Funding Strategy Statement). The latest valuation, carried out as at 31 March 2013, showed a shortfall for all employers of £1.38bn or 22%. Employers are paying additional contributions over 19 years to meet the shortfall.

43c Risks

The primary risk is that the Fund's assets will, in the long-term, fall short of its liabilities to pay benefits to members.

Investment risk management seeks to balance the maximisation of the opportunity for gain and minimise the risk of loss, on the fund's investments. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk), by ensuring counterparties meet credit criteria, and that investments are within the limits set by the investment strategy.

Other risks - The fund managers have to ensure that the fund has adequate liquidity to meet its obligations as they arise. They must also be sensitive to any actions of government or changes in European legislation which might affect funding requirements.

Sensitivity to these risks is estimated in paragraph 43i.

43d Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the revenue account in the Cost of Services, when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable to the fund during the year. An adjustment is therefore made to the General Fund via the Movement in Reserves Statement. The following table shows the transactions made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Restated 2012/13 £'000	2013/14 £'000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services		
Administration	25	24
current service cost	1,213	1,477
Past service cost	44	9
Settlement and curtailment	0	37
Financing and investment Income and Expenditure		
Interest costs	3,739	3,701
Expected return on scheme assets	(2,481)	(2,407)
Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service	**2,540**	**2,841**
<u>Other post employment benefit charged to the Comprehensive Income & Expenditure Statement</u>		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(5,225)	50
Actuarial gains & losses from changes in demographic assumptions	846	371
Actuarial gains & losses from changes in financial assumptions	8,509	(6,324)
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	**4,130**	**(5,903)**
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	(2,540)	(2,841)
Actual employer contributions to the scheme	1,475	1,528

The 2012/13 figures in this and the following tables have been restated following changes in the accounting standard relating to pensions. Details are given in note 49.

43e Pension assets and liabilities recognised in the balance sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows

	Scheme Liabilities Local Government Pension Scheme	
	2012/13 £'000	**2013/14 £'000**
Present value of the defined benefit obligation	(89,543)	(85,395)
Fair value of plan assets	57,957	58,414
Sub-total	(31,586)	(26,981)
Other movements in the (liability) asset	0	0
Net liability arising from defined benefit obligation	**(31,586)**	**(26,981)**

43f Reconciliation of fair value of the scheme (plan) assets

	Scheme Assets Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000
1 April	**51,001**	**57,957**
Interest income	2,481	2,407
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	5,225	(634)
Employer contributions	1,521	1,543
Employee contributions	400	389
Benefits paid	(2,646)	(3,224)
Other	(25)	(24)
31 March	**57,957**	**58,414**

The actual return on the plan assets was £2,345k in 2013/14 (£7,682k 2012/13).

43g Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Scheme Liabilities Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000
1 April	**(77,438)**	**(89,543)**
Current service cost	(1,213)	(1,477)
Interest cost	(3,739)	(3,701)
Contributions by scheme participants	(400)	(389)
Re-measurement gains and (losses)		
changes in demographic assumptions	(846)	(371)
Changes in financial assumptions	(8,509)	6,324
Other	0	584
Benefits paid	2,646	3,224
Curtailment	0	(37)
Past service costs	(44)	(9)
31 March	**(89,543)**	**(85,395)**

43h Local Government Pension Scheme assets comprised

	Fair value of scheme assets	
	2012/13 £'000	2013/14 £'000
Cash and cash equivalents	2,024	1,014
Equity investments (by industry type)		
Consumer	7,068	7,514
Energy	620	1,188
Financial institutions	2,865	4,307
Health and care	2,267	2,633
Information technology	3,138	3,876
Industrials	2,682	3,558
Other	1,769	2,429
Sub total equity	20,409	25,505
Bonds		
UK corporate	2,626	2,287
Overseas corporate	3,777	3,092
Government	5,364	1,790
Sub total bonds	11,767	7,169
Property		
Retail	2,252	2,196
Commercial	2,822	2,580
Sub total property	5,074	4,776
Private equity		
UK	3,344	1,485
Overseas	6,120	6,703
Sub total private equity	9,464	8,188
Other		
Infrastructure	1,802	3,178
Property Funds	88	293
Credit funds	4,807	8,291
Emerging markets ETF	2,522	0
Sub total alternatives	9,219	11,762
	57,957	**58,414**

43i Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercers, an independent firm of actuaries. Estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31 March 2013.

The main assumptions used in their calculations have been as follows:-

	Local Government Pension Scheme	
	2012/13	2013/14
Long-term expected rate of return on assets in the scheme		
Equity investments	7.0%	7.0%
Government bonds	2.8%	3.4%
Other bonds	3.9%	4.3%
Property	5.7%	6.2%
Cash/liquidity	0.5%	0.5%
Other	7.0%	0.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.1 yrs.	22.8 yrs.
Women	24.8 yrs.	25.3 yrs.
Longevity at 65 for future pensioners		
Men	23.9 yrs.	25.0 yrs.
Women	26.7 yrs.	27.7 yrs.
Rate of inflation (CPI)	2.4%	2.4%
Rate of increase in salaries	4.4%	3.9%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	4.2%	4.5%
Take up option to convert pension into lump sum	50%	0.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period, and for each assumption assumes that other factors remain unchanged.

	Impact on the defined benefit obligation in the scheme £'000
Longevity (increase 1 year)	1,688
Rate of inflation (increase of 0.1% p.a.)	1,489
Salary inflation (increase of 0.1% p.a.)	309
Rate for discounting scheme liabilities (increase of 0.1%)	(1,463)

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through the Local Government Pension Scheme. This scheme is administered by Lancashire County Council and is a funded, defined benefit scheme, meaning that the authority and employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets.

43 j Impact on the Authority's Future Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates paying £2,776k expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 17 years.

44 CONTINGENT LIABILITIES

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council understand that the value of these claims (including interest and costs) is likely to be in the region of £0.200m. It is possible that additional claimants may come forward to submit claims for refunds, but no further claimants are intimated at present.

The Collection Fund includes a £2.50m provision for appeals by businesses against overcharging of National Non-Domestic Rates up to 2013/14. The Council's £1.00m share of the provision is disclosed in Note 22. The provision was based on the appeals lodged with the Valuation Office Agency (VOA) at 31 March 2014, being an estimate of the percentage of appeals likely to be successful and the value of refunds. However, it is not possible to quantify appeals that had not been lodged with VOA at year-end, therefore there is a risk that the value of successful appeals could exceed the current provision

45 CONTINGENT ASSETS

The Council has submitted claims to HMRC regarding VAT overpaid over many years in relation to income at leisure centres and income from trade waste collections. In respect of leisure income, this amounts to £0.052m plus interest along with a claim for compound interest relating to a claim settled in 2009/10. In respect of trade waste income, the claim amounts to £0.649m plus interest. The outcome of these claims is still to be determined by HRMC.

46 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The authority's activities potentially expose it to a variety of financial risks:

- Credit risk – that other parties might fail to pay amounts due to the Council.
- Liquidity risk – that the Authority might not have liquid funds available to make payments when due.
- Market risk – the possibility of financial loss arising from movements in interest rates.

Overall procedures for managing risk

In managing investment risk the Council works within the legal framework set out in the Local Government Act 2003 and associated regulations. This requires compliance with the CIPFA Code of Practice, the Prudential Code, and investment guidance issued through the Act. A key requirement is that the council should annually consider its Treasury Management Strategy which incorporates the following:

Prudential indicators specifying:

1. Maximum and minimum exposure to fixed and variable rates;
2. Limits on the maturity structure of the debt portfolio;
3. Limits on total borrowing.

An Investment Strategy specifying:

1. The use that should be made of credit ratings and other indicators to determine the financial standing of counterparties;
2. The use of sovereign ratings to limit investments to specific countries;
3. The maximum amounts that might be deposited with any institution;
4. The lengths of time for which deposits can be made.

Credit risk

This exists in relation to debtors, and investments made as a result of the Council's treasury operations. The following paragraphs provide information on the risk attached to each of these.

Bank Loans

The Council's Investment Strategy restricts investments to a narrow range of counterparties. At 31 March 2014 it had short term deposits totalling £2.012m with two different institutions. There was no evidence to suggest a risk that any deposits might be irrecoverable.

Sundry Debtors

The sundry debtors (note 15a) are analysed by age and risk in the following table.

	Gross £'000	**Default risk £'000**	**Net £'000**
Not yet past due date	139	0	139
Up to three months past due date	730	(10)	720
Three to six months past due date	273	(6)	267
Six months to one year past due date	203	(155)	48
Beyond one year	979	(753)	226
Total	**2,324**	**(924)**	**1,400**

The default risk has fully been provided for. No collateral is held as security.

Liquidity risk

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments.

The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Council.

Market risk

Interest rate risk **–** The Council has limited exposure to interest rate movements on its investments. Short term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate investments do not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses.

To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.
If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been

	£'000
Gain - Increase in interest receivable on variable rate investments	(55)
Gain - Impact on Income and Expenditure Account	(55)
Loss - Decrease in fair value of fixed rate investments (no impact on Comprehensive Income & Expenditure Statement)	0

Price risk

The Council has no exposure to this risk.

Foreign Exchange Risk

The Council has no material exposure to this risk.

47 HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

Heritage assets are of nominal value only and are not included in this Statement

48 TRUST FUNDS

The Council does not act as sole trustee.

49 RESTATEMENT OF PRIOR YEARS

IAS 19 Pensions - Change to Accounting Standard

Revisions have been made to IAS 19 for accounting periods beginning on or after 1 January 2013. This necessitates a restatement of prior year's figures in line with general accounting principles.

Actuarial gains and losses, the effect of the asset ceiling and the actual return on plan assets (remeasurements) are recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income and Expenditure in the periods in which they occur.

Interest expense or income is now calculated by applying the discount rate to the net defined benefit liability (asset). This replaces the interest cost on the defined benefit obligation and the expected return on assets. For 2012/13 this increased the charge to the Comprehensive Income and Expenditure Statement by £423k.

A liability for a termination benefit will be recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit or when the entity recognises any related restructuring costs.

Effect on the 2012/13 Comprehensive Income & Expenditure Statement	**2012/13 As reported £'000**	**2012/13 Pension Restatement £'000**	**2012/13 Restated £'000**
Cost of Services	13,414	54	13,468
Financing &Investment Income & Expenditure	503	369	872
(Surplus)/deficit on provision of services	**577**	**423**	**1,000**
Remeasurements of the net defined benefit liability	4,553	(423)	4,130
Other Comprehensive Income & Expenditure	**4,474**	**(423)**	**4,051**
Total Comprehensive Income & Expenditure	**5,051**	**0**	**5,051**

Effect on the 2012/13 Movement in Reserves Statement	**2012/13 As reported £'000**	**2012/13 Pension Restatement £'000**	**2012/13 Restated £'000**
Balance at 31st March 2012	(26,493)		(26,493)
Deficit on the Provision of Service	577	423	1,000
Other Comprehensive Income & Expenditure	4,474	(423)	4,051
Adjustment between accounting basis and Funding under Regulations – usable reserves	(1,207)	(423)	(1,630)
Unusable reserves	1,207	423	1,630
Total Comprehensive Income & Expenditure	**21,442**	**0**	**21,442**

Effect on the 2012/13 Cash Flow Statement	2012/13 As reported £'000	2012/13 Pension Restatement £'000	2012/13 Restated £'000
Net surplus or (deficit) on the provision of services	(577)	(423)	(1,000)
Adjustments to net surplus or deficit on the provision of services for non cash movements	2,794	423	3,217
Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(475)		(475)
Net cash flows from Operating Activities	1,742		1,742
Investing Activities (Note 27)	(3,713)		(3,713)
Financing Activities (Note 28)	898		898
Net increase or (decrease) in cash and cash equivalents	(1,073)		(1,073)
Cash and cash equivalents at the beginning of the reporting period	5,875		5,875
Cash and cash equivalents at the end of the reporting period (note 19)	**4,802**		**4,802**

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of council tax and non-domestic rates (Business Rates).

2012/13 Business Rates £'000	2012/13 Council Tax £'000		2013/14 Business Rates £'000	2013/14 Council Tax £'000
		Income		
	57,189	Council Tax Receivable		51,050
34,508		Business Rates Receivable	35,215	
34,508	57,189		35,215	51,050
		Expenditure		
		Apportionment of Previous Year Surplus/(Deficit)		
		Central Government		
	(39)	South Ribble Borough Council (Note 11)		(67)
	(208)	Lancashire County Council		(345)
	(27)	Police & Crime Commissioner for Lancashire		(47)
	(12)	Lancashire Combined Fire Authority		(20)
		Precepts, Demands and Shares		
34,384		Central Government	17,340	
	8,011	South Ribble Borough Council (Note 11)	13,872	7,185
	41,346	Lancashire County Council	3,121	36,253
	5,593	Police & Crime Commissioner for Lancashire		5,104
	2,374	Lancashire Combined Fire Authority	347	2,124
34,384	57,038		34,680	50,187
		Charges to Collection Fund		
	65	Write offs of uncollectable amounts		62
	211	Increase/(Decrease) in Bad Debt Provision	106	326
		Increase/(Decrease) in Provision for Appeals	2,500	
124		Cost of Collection Allowance	124	
		Transitional Protection Payments	234	
124	276		2,964	388
0	(125)	Surplus/(deficit) arising during the year	(2,429)	475
	33	Surplus/(deficit) at 1 April	0	33
	18	Transfer (to)/from Collection Fund Adjustment Account (Note 24f)	971	(67)
	107	Net transfer to Major Precept Debtor	1,458	(408)
0	**33**	**Surplus/(deficit) at 31 March**	**0**	**33**

The surplus of £0.033m which is carried forward on the Collection Fund at 31 March 2014 is a surplus of Community Charge income available to the Council.

1. ACCOUNTING FOR COUNCIL TAX

The amount of Council Tax to be credited to the Comprehensive Income and Expenditure Statement for both billing authorities and major preceptors is their share of the accrued income. However, statute requires that the amount to be credited to the General Fund should be the authority's precept or demand for the year plus its share of the previous years Collection Fund surplus or deficit. The difference between this regulatory charge and the accrued income is taken to the Collection Fund Adjustment Account, as revealed in the Movement in Reserves Statement.

Since the collection of Council tax is an agency arrangement, debtor and creditor balances belong proportionately to the billing authority and the major preceptors. This results in a debtor/creditor position between the billing authority and each major preceptor.

2. COUNCIL TAX DETAILS OF CHARGE

For the purpose of calculating Council Tax residential properties are classified into eight valuation bands. Each valuation band is proportionate to the central Band D property. This enables calculation of the total tax base. The Council Tax Base for 2013/14 was calculated as follows: -

Band	No. of Dwellings	Total No. of Equivalent dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	11.75	5:9	6.50
A	9,926	8,160.00	6:9	5,440.00
B	12,681	11,136.75	7:9	8,661.90
C	11,840	10,610.00	8:9	9,431.10
D	7,498	6,885.50	9:9	6,885.50
E	3,871	3,604.00	11:9	4,404.90
F	1,504	1,417.00	13:9	2,046.80
G	490	448.75	15:9	747.90
H	29	20.75	18:9	41.50
Total	**47,839**	**42,294.50**		**37,666.10**
Less local Council Tax Support Scheme discounts				**(3564.14)**
Less adjustments for anticipated changes to the base and losses on collection and other technical changes				**(753.40)**
Addition for reduced discount on second homes				**29.12**
Band D Equivalent Number of Properties				**33,377.68**

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base. This results in a basic Band D charge (excluding Parish Precepts) of £1,511.08 for 2013/14 and £1,530.26 for 2012/13). The other valuation bands are proportionate to this. The full list of charges is as follows: -

Band	Proportion of Band D Charge	Council Tax Levied Excluding Parish Precepts	
		2012/13	2013/14
		£	£
A	0.67	1,020.17	1,007.39
B	0.78	1,190.20	1,175.29
C	0.89	1,360.24	1.343.19
D	1.00	1,530.26	1,511.08
E	1.22	1,870.32	1,846.87
F	1.44	2,210.38	2,182.66
G	1.67	2,550.43	2,518.47
H	2.00	3,060.52	3,022.16

3. ACCOUNTING FOR BUSINESS RATES

From 2009/10 to 2012/13, accounting arrangements for NNDR reflected the fact that it was in substance an agency arrangement, the Council being the agent of the Government in the collection of the charge. Consequently:

1. NNDR income did not belong to the billing authority and was not included in its CI&ES.
2. NNDR debtor and creditor balances with taxpayers were not recognised in the authority's balance sheet.
3. Cash collected belonged to the Government, and any amounts over or under paid were recognised in the balance sheet as a Government debtor or creditor.

From 2013/14, NNDR income, debtor and creditor balances, provisions, arrears and prepayments have been apportioned between the Council, Government, Lancashire County Council, and Lancashire Combined Fire Authority, as a result of the implementation of Business Rates Retention.

4. NNDR DETAILS OF CHARGE

Business Rates are organised on a national basis. In 2005/2006 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 46.2p in 2013/14 and one for larger businesses at 47.1p.

The Business Rates income, after reliefs and provisions, was £32.6m (£34.5m in 2012/13).

The rateable value for the Council's area at the end of the financial year 2013/14 was £88.9m (£86.4m in 2012/13).