South Ribble Borough Council

STATEMENT OF ACCOUNTS

YEAR ENDING 31 MARCH 2015

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

We have audited the financial statements of South Ribble Borough Council for the year ended 31 March 2015 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, the 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 2014/15.

This report is made solely to the members of South Ribble Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 2014/15, 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 also 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 Executive 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 2015 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 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Foreword by the Chief Executive 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

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
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square,
Spinningfields,
Manchester
M3 3EB

30 September 2015

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 24th June 2015.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code), which is based on International Financial reporting Standards, and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCoP).

ACCOUNTING CHANGES

There have been no accounting changes implemented in this Statement of Accounts for 2014/15.

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 63 **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 2014/15

This financial year 2014/15 is the second year of implementation of some significant change that impacts on local authority financial performance. This therefore impacts on the information contained within the statements listed above. This is explained below:

Major Issues in 2014/15

Local authorities in general faced a number of continued financial challenges in 2014/15, in particular the impact of the recent Business Rates Retention (BRR) to replace national pooling, a change that increases significantly financial risk to the Council's budget over the medium term. Authorities can benefit from growth in rate income, but can also suffer financially if income achieved falls short of estimates. In 2014/15, this has led to an additional financial liability falling to the revenue budget in the sum of £0.250m despite the Council actually improving its performance and the amount of rates collected in year. This represents the unusual accounting characteristics of the regime where by in the immediate future Councils' are temporarily financially worse off for improving financial performance.

This year was also the final year for submitting appeals against the current ratings list. This cut off point caused a significant influx in appeals being submitted to the Valuation Office Agency in the final months of the year. It will be sometime before the authority will know the outcome of this tranche of appeals which could reduce the value of business rate tax base in the borough.

In the 2014/15 Local Government Finance Settlement, contained another reduction in Revenue Support Grant with further reductions to continue as part of Central Government's on going austerity measures. Since 2010/11 to 2015/16 core grant has reduced by £2.929m which equates to a 46% reduction. Currently Revenue Support Grant received totals £1.767m.

Reporting Cycle

The Council's 2014/15 revenue budget, capital programme, Medium Term Financial Strategy (MTFS), and Treasury Strategy were approved by the Council on 12th February 2014. Thereafter, monitoring reports were submitted at quarterly intervals for members' scrutiny. 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.

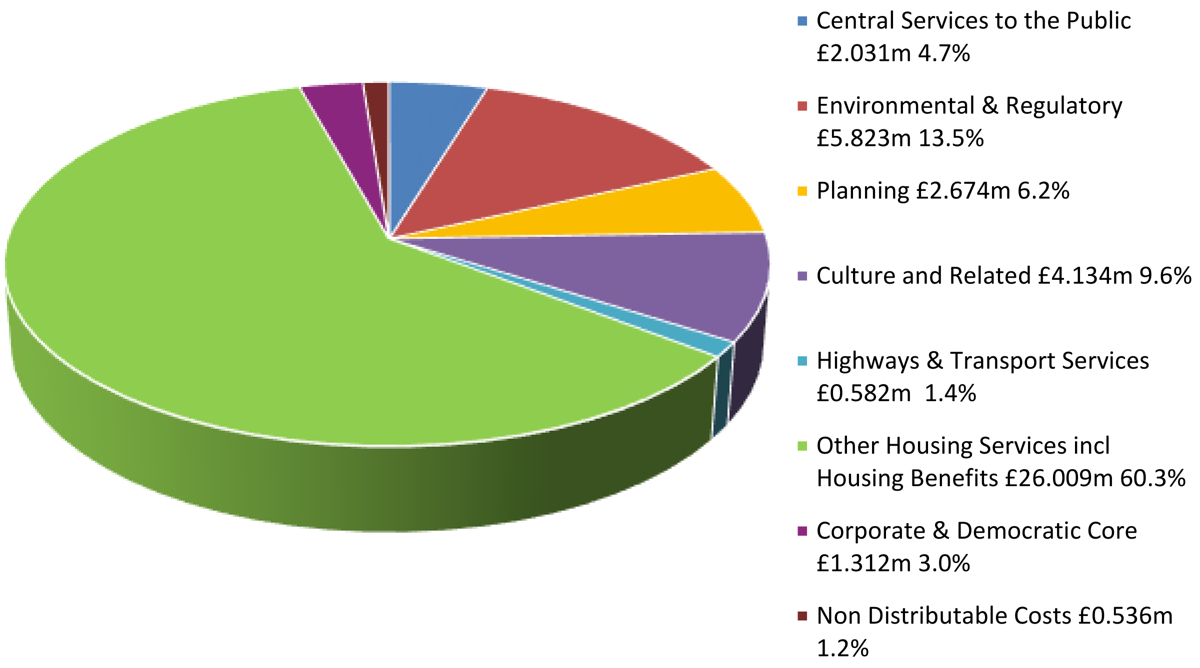
Actual Spend Compared to the Budget

The Movement in Reserves Statement (page 14) shows a deficit, after adjustments, of £0.643m for the year. This includes use of £1.159m of the general fund balance during the year to fund the Pension Fund Deficit Recovery contribution, discussed below, so when this is taken into account the revenue budget year end out-turn position resulted in a surplus to be transferred back to the general reserve of £0.516m compared to the planned contribution of £0.249m. This equates to an increased contribution of £0.267m. Budget variations are explained below:

- Reduction in employee costs due to vacancies; utility costs brought about by energy saving measures offset by increased surface water charges; refunds received for Business Rates and reduced waste contract costs.
- Additional Planning Fee income.
- Additional income from costs recovered as a result of an increase in Council Tax summons cases issued in 2014/15.
- There is a net surplus in Benefit costs and offsetting grant income as a result of both the reduction in overpayments to claimants and also improvements in the recovery of overpayments from previous claimants. A one-off increase in the provision for bad debts has also been made.
- An increase in Central Government Levy liability due to the in-year impact of the Business Rates Retention scheme.
- A one-off refund of VAT in respect of Trade Waste charges.
- The achievement of additional budgetary savings.

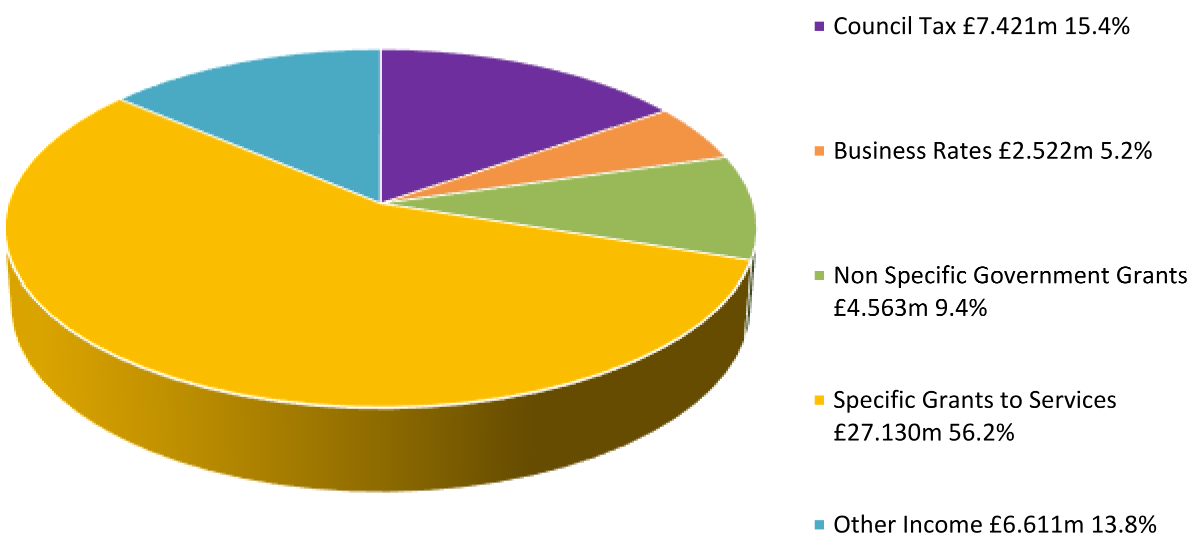
Where the money was spent

The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2014/15 it consisted of the following:-



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 2014/15 were:

- Investments are of a short term nature, the maximum period being one year.
- During the year investments peaked at £28m, averaged £20.1m per day, and together with cash, amounted to £20.1m at the year end. The return on investments achieved was 0.50%.
- The Council has no external borrowings but it does owe £1.01m 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 £5.7m to £5.2m (Note 34 gives details). This will be reflected in the charge to Council Tax in future years.

Note 41 to the Statement provides more details of treasury operations and the management of risk.

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 2014/15

Service	**Actual Capital Expenditure £'000**
Playgrounds, Recreation Areas & Open Spaces	279
Housing Grants	563
Asset Management	124
Vehicles, Plant and Equipment	120
Information Technology and Communications	263
Regeneration	225
Community Grants	29
Total Capital Expenditure	**1,603**

Capital Financing in 2014/15

Financing	Actual Capital Financing £'000
Government Grants	592
Developers' Contributions	115
Other Contributions	8
Fund Balances and Reserves	650
Capital receipts	86
Revenue Contributions	32
Borrowing	120
Total Capital Financing	**1,603**

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 is now inherently uncertain containing year to year fluctuations. 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 key 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 earmarked reserves are maintained.

After taking into account all of the above, the General Fund Balances as at 31 March 2015 stands at £3.449m. 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)	**2014/15 £'000**
Deficit on provision of service (CI&ES)	35
Adjustments between accounting basis & funding basis under regulation (note 7)	1,966
Transfers to/(from) earmarked reserves (note 8)	(1,358)
(Increase)/Decrease in General Fund balance	**643**

<u>Pension Fund Liability</u>

The pension fund deficit has increased from £27.0m to £34.7m, this £7.7m increase compares to a decrease of £4.6m in 2013/14. 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 2015/16 to 2018/19 currently forecasts the following budget gap:

Year	**Cumulative Budget Gap £000**
2016/17	**400**
2017/18	**1,475**
2018/19	**1,661**

The Council has managed, in a very difficult environment, to maintain a sound financial position. The Medium Term Financial Strategy, however, envisages no relaxing of the pressures nevertheless 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 forthcoming Comprehensive Spending Review.
- 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 forthcoming national re-valuation of the Business Tax Base.
- 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.
- Pension Fund re-valuations and recovery of the deficit position.

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. The above key risks 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 17 analyses debtors by type, and note 41 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.

	2012/13	2013/14	2014/15
Council Tax	97.60%	97.42%	97.44%
Business Rates (NNDR)	97.79%	97.62%	98.18%

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 in the Council's Budget Out-turn Report which is available on the Council's website.

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 2014/15 (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

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

Certification

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31 March 2015 and its Income and Expenditure for the year ended 31 March 2015.

M Nuttall BA (Hons) CPFA
Chief Financial Officer
Date 29 September 2015

I confirm that these Statement of Accounts were approved by Governance Committee on 23 September 2015.

Councillor Alan Ogilvie
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 22 £'000**	**Total Reserves £'000**
Balance 31 March 2013	**(4,891)**	**(8,520)**	**(1,903)**	**(2,396)**	**(17,710)**	**(3,732)**	**(21,442)**
<u>Movement in 2013/14</u>							
(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 (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 (note 8)	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)**
<u>Movement in 2014/15</u>							
(Surplus)/deficit on provision of service	35	0	0	0	**35**	0	**35**
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	8,202	**8,202**
Total Comprehensive Income & expenditure	**35**	**0**	**0**	**0**	**35**	**8,202**	**8,237**
Adjustments between accounting basis & funding basis under regulation (note 7)	1,966	0	19	(185)	**1,800**	(1,800)	**0**
Net change before transfers to/(from) earmarked reserves	**2,001**	**0**	**19**	**(185)**	**1,835**	**6,402**	**8,237**
Transfers to/(from) earmarked reserves (note 8)	(1,358)	1,322	0	36	**0**	0	**0**
(Increase)/Decrease in year	**643**	**1,322**	**19**	**(149)**	**1,835**	**6,402**	**8,237**
Balance 31 March 2015	**(3,449)**	**(8,864)**	**(2,018)**	**(3,544)**	**(17,875)**	**(564)**	**(18,439)**

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.

2013/14				2014/15		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,784	(737)	1,047	Central services to the public	2,031	(701)	1,330
6,233	(1,942)	4,291	Environmental & Regulatory Services	5,823	(1,894)	3,929
2,626	(772)	1,854	Planning Services	2,364	(1,394)	970
4,221	(379)	3,842	Culture & Related Services	4,134	(495)	3,639
569	(374)	195	Highways and transport services.	582	(358)	224
24,438	(23,304)	1,134	Other housing services	26,009	(25,080)	929
1,732	(6)	1,726	Corporate and democratic core	1,524	(84)	1,441
759	(406)	353	Non distributed costs	536	(36)	500
42,362	**(27,920)**	**14,442**	**Cost of Services**	**43,003**	**(30,041)**	**12,962**
402	0	402	Other operating expenditure (note 9)	254	(46)	208
4,567	(4,079)	488	Financing and investment income and expenditure (note 10)	5,075	(3,704)	1,371
11,478	(26,017)	(14,539)	Taxation and non-specific grant income (note 11)	13,177	(27,683)	(14,506)
58,809	**(58,016)**	**793**	**(Surplus)/deficit on provision of services**	**61,509**	**(61,474)**	**35**
		(124)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			33
		(5,903)	Re-measurement of the net defined benefit liability (note 38d)			8,169
		(6,027)	**Other Comprehensive (Income) and Expenditure**			**8,202**
		(5,234)	**Total Comprehensive (Income) and Expenditure**			**8,237**

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 2014 £'000		Notes	31 March 2015 £'000
28,185	Property, Plant & Equipment	12	27,470
12,481	Investment Property	13	11,555
248	Intangible Assets	14	101
88	Long Term Debtors		84
41,002	**Long Term Assets**		**39,210**
2,012	Short Term Investments	15a	3,007
103	Inventories	16	96
3,217	Short Term Debtors	17	4,042
14,102	Cash and Cash Equivalents	18	18,511
19,434	**Current Assets**		**25,656**
(772)	Bank overdraft	18	(1,381)
(3,417)	Short Term Creditors	19	(8,516)
(1,000)	Provisions	20	(647)
(5,189)	**Current Liabilities**		**(10,544)**
(254)	Long Term Creditors		(231)
(1,125)	Other Long Term Liabilities		(695)
(27,033)	Net Pension Liability	38	(34,754)
(159)	Grant Receipts in Advance - Capital	32	(203)
(28,571)	**Long Term Liabilities**		**(35,883)**
26,676	**Net Assets**		**18,439**
(19,710)	Usable Reserves	MiRS Page 14	(17,875)
(6,966)	Unusable Reserves	22	(564)
(26,676)	**Total Reserves**		**(18,439)**

The unaudited accounts were issued on 29 June 2015, and the audited accounts were authorised for issue on the 29 September 2015.

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.

2013/14 £'000		2014/15 £'000
(793)	Net surplus or (deficit) on the provision of services (CI&ES page 15)	(35)
5,478	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 23a)	1,071
(1,770)	Adjustments for items reported separately on the cash flow statement (Note 23b)	(834)
2,915	Net cash flows from Operating Activities (Note 23)	202
6,476	Investing Activities (Note 24)	(1,213)
(863)	Financing Activities (Note 25)	4,811
8,528	Net increase or (decrease) in cash and cash equivalents	3,800
4,802	Cash and cash equivalents at the beginning of the reporting period	13,330
13,330	**Cash and cash equivalents at the end of the reporting period (Note 18)**	**17,130**

Cash and Cash Equivalents at the beginning and end of the 2014/15 reporting period have been defined to be net of the Bank Overdraft.

Notes to the Main Financial Statements

1 ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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.
- Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- 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 39 and 40.

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 38. 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 the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

Remeasurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the pension fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby 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.

<u>Discretionary Benefits</u>
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&ES) 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

<u>Loans and receivables</u>
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.

Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

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.

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.

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.

The Authority as lessee

Finance leases
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.

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

The Authority as lessor

Finance leases
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 35.

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 2014/15 (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. The Local Authority application of this standard will require value to be based on value in use rather than exit value. This maintains current practice. The value attached in future to Surplus Assets will however change from existing use to Fair value. The Standard therefore has very limited impact.
- Issues included in the “Annual Improvements to IFRSs”. This covers a number of Standards to clarify their meaning and scope.
- IFRS 21 Levies. This is concerned with when a liability arising from the imposition of a government levy should be recognised. No significant impact is anticipated.

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:

Funding
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.

Investment Properties
Investment properties have been assessed using the identifiable criteria under the international accounting standards of being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property, such as regeneration.

Leases
The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

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 increased during 2014/15 to £34.754m. Sensitivity to the factors contributing to this estimate is shown in Note 38i.
Debtors	The most significant debtor issue for the Council is its responsibility for collecting £91.145m 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 41 shows that financial instrument debtors total £1.722m against which a bad debt provision of £0.957m has been made. This total debtors figure includes Housing benefit debtors of £0.907m (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.

Item	Uncertainty	Effect if actual results differ
Asset valuations	Note 12 shows that fixed assets valued at £27.470m 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 2014-15 and earlier financial years in their proportionate share. Therefore, a provision of £0.647m has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2015. 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 2015.	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 29 September 2015. 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.

	2014/15			
	General Fund Balance £'000	Capital Receipts Account £'000	Capital Grants £'000	Total Unusable Reserves £'000 Note 22
Adjustments involving the Capital Adjustment Account (CAA)				
Reversal of debits and credits to CI&ES				
Charges for depreciation of non-current assets	(1,772)			1,772
Charges for impairment of non-current assets	(169)			169
Revaluation losses on Property, Plant and Equipment				
Movements in the market value of Investment Property	(802)			802
Amortisation of intangible assets	(174)			174
Revenue expenditure funded from capital under statute	(466)		466	
Non-current assets charged to CI&ES on disposal	(20)			20
Insertion of items not posted to the CI&ES				
Statutory & voluntary provision for the repayment of debt	847			(847)
Capital expenditure charged against the General Fund Balance	651			(651)
Adjustments primarily involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&ES	768		(768)	
Grants applied to fund capital expenditure transferred to CAA			116	(116)
Adjustments primarily involving the Capital Receipts Reserve				
Capital receipts credited to CI&ES on non-current asset disposals	66	(66)		
Capital receipts used to finance new capital expenditure		86		(86)
Capital receipts credited to CI&ES 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&ES and those chargeable in accordance with statutory regulation	(2)			2
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in the CI&ES	(2,418)			2,418
Employer's contributions and payments made to pensioners	2,865			(2,865)
Adjustments involving the Collection Fund Adjustment A/c				
Difference between credit to CI&ES and precepted amount of council tax	136			(136)
Difference between credit to CI&ES and local share of business rates	2,454			(2,454)
Adjustments involving the Accumulated Absences A/c				
Difference between remuneration charged to the CI&ES and that chargeable per statutory requirement	3			(3)
TOTAL ADJUSTMENTS	**1,966**	**20**	**(186)**	**(1,800)**

2013/14 Comparative figures	2013/14 General Fund Balance £'000	Capital Receipts Account £'000	Capital Grants £'000	Total Unusable Reserves £'000 Note 22
<u>Adjustments involving the Capital Adjustment Account (CAA)</u>				
<u>Reversal of debits and credits to CI&ES</u>				
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&ES on disposal	(152)			152
<u>Insertion of items not posted to the CI&ES</u>				
Statutory & voluntary provision for the repayment of debt	847			(847)
Capital expenditure charged against the General Fund Balance	902			(902)
<u>Adjustments primarily involving Capital Grants Unapplied</u>				
Capital grants and contributions unapplied credited to CI&ES	1,519		(1,519)	
Grants applied to fund capital expenditure transferred to CAA			520	(520)
<u>Adjustments primarily involving the Capital Receipts Reserve</u>				
Capital receipts credited to CI&ES on non-current asset disposals	191	(191)		
Capital receipts used to finance new capital expenditure		57		(57)
Capital receipts credited to CI&ES to finance the payment to the Government's capital receipt pool	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
<u>Adjustments involving Financial Instruments Adjustment A/c</u>				
Difference between finance costs in CI&ES 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&ES	(2,841)			2,841
Employer's contributions and payments made to pensioners	1,528			(1,528)
<u>Adjustments involving the Collection Fund Adjustment A/c</u>				
Difference between credit to CI&ES and precepted amount of council tax	67			(67)
Difference between credit to CI&ES and local share of business rates	(971)			971
<u>Adjustments involving the Accumulated Absences A/c</u>				
Difference between remuneration charged to the CI&ES and that chargeable per statutory requirement	11			(11)
TOTAL ADJUSTMENTS	**(1,660)**	**(134)**	**(999)**	**2,793**

8 TRANSFERS TO/FROM EARMARKED RESERVES

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

	Balance 31 March 2013 £'000	Transfers In £'000	Transfers Out £'000	Balance 31 March 2014 £'000	Transfers In £'000	Transfers Out £'000	Balance 31 March 2015 £'000
My Neighbourhoods	**(39)**		1	**(38)**	(10)		**(48)**
Asset Management	**(1,984)**	(1,000)	619	**(2,365)**	(250)	387	**(2,228)**
Borough Council Elections	**(74)**	(30)		**(104)**	(30)		**(134)**
Housing Needs Survey	**(71)**	(16)	42	**(45)**	(20)		**(65)**
ICT Strategy Reserve	**(1,797)**	(600)	271	**(2,126)**	(150)	263	**(2,013)**
Local Development Framework	**(232)**		14	**(218)**		38	**(180)**
Performance Reward Grant	**(261)**		54	**(207)**		30	**(177)**
Public Open Space Funds	**(1,771)**	(96)	155	**(1,712)**	(96)	155	**(1,653)**
Organisation Restructure Costs	**(523)**			**(523)**		138	**(385)**
Vehicle and Plant replacement	**(112)**			**(112)**			**(112)**
Leisure sites repair and maintenance	**(242)**	(17)		**(259)**			**(259)**
Icelandic impairment	**(120)**		120	**0**			**0**
Business Rates Retention	**(150)**	(1,139)		**(1,289)**	(492)	1,348	**(433)**
VAT Reserve	**(105)**			**(105)**			**(105)**
Other Earmarked Reserves	**(1,039)**	(180)	136	**(1,083)**	(208)	219	**(1,072)**
Total	**(8,520)**	**(3,078)**	**1,412**	**(10,186)**	**(1,256)**	**2,578**	**(8,864)**

9 OTHER OPERATING EXPENDITURE

2013/14 £'000		2014/15 £'000
249	Parish council precepts	253
1	Payments to the Governments Capital Receipt Pool	1
152	(Gains) and losses on the disposal of non current assets	(46)
402	**Total**	**208**

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £'000		2014/15 £'000
120	Interest payable and similar charges	120
1,294	Pensions interest cost net of expected return on pension assets	1,085
(438)	Interest receivable and similar income	(111)
(198)	Income and Expenditure in relation to investment properties and changes in their fair value	802
(290)	Losses or (surplus) on trading accounts (note 27)	(525)
488	**Total**	**1,371**

11 TAXATION AND NON SPECIFIC GRANT INCOME & EXPENDITURE

2013/14 £'000		2014/15 £'000
(7,186)	Council tax income	(7,421)
(1,896)	Non domestic rates	(2,522)
(3,747)	Non ring fenced government grants	(3,795)
(1,710)	Capital grants and contributions	(768)
(14,539)	**Total**	**(14,506)**

12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Total £'000
Cost or valuation					
At 1 April 2014	**29,197**	**10,147**	**344**	**65**	**39,753**
Additions	359	356	439		1,154
Revaluations recognised in the Revaluation Reserve (RR)	(35)				(35)
Revaluations recognised in CI&ES	(2,973)				(2,973)
De-recognition - disposals		(76)			(76)
De-recognition - other					
Assets reclassified	105				105
Other movements					
At 31 March 2015	**26,653**	**10,427**	**783**	**65**	**37,928**
Depreciation and Impairment					
At 1 April 2014	**(5,175)**	**(6,308)**	**(85)**	**0**	**(11,568)**
Depreciation charge	(650)	(988)	(134)		(1,772)
Depreciation written out of RR	2				2
Depreciation written out of CI&ES	6				6
Impairment losses recognised in RR					
Impairment losses recognised in CI&ES	2,798				2,798
De-recognition - disposals		76			76
De-recognition – other assets reclassified					
Other movements					
At 31 March 2015	**(3,019)**	**(7,220)**	**(219)**	**0**	**(10,458)**
Net Book Value					
At 31 March 2015	**23,634**	**3,207**	**564**	**65**	**27,470**

At 31 March 2015, there were no significant contractual commitments.

Comparative movements in 2013/14	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Total £'000
Cost or valuation					
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&ES	(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**
Depreciation and Impairment					
At 1 April 2013	**(4,672)**	**(5,418)**	**0**	**0**	**(10,090)**
Depreciation charge	(711)	(1,128)	(52)		(1,891)
Depreciation written out of RR	61				61
Depreciation written out of CI&ES	128				128
Impairment losses recognised in RR					
Impairment losses recognised in CI&ES	(16)				(16)
De-recognition - disposals		240			240
De-recognition – other assets reclassified	35	(2)	(33)		0
Other movements					
At 31 March 2014	**(5,175)**	**(6,308)**	**(85)**	**0**	**(11,568)**
Net Book Value					
At 31 March 2014	**24,022**	**3,839**	**259**	**65**	**28,185**

Fixed Assets Valuations

During 2014/15 the valuations were carried out by the Council's Surveyors D. Reddihough MRICS or R. Handscombe FRICS. The basis of valuation is set out in note 1 Accounting Policies.

	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Total £'000
Carried at historical cost	**934**	**10,427**	**783**		**12,144**
Valued at fair value as at:					
31 March 2015	253				253
31 March 2014	1,265			37	1,302
31 March 2013	2,300				2,300
31 March 2012	3,244			28	3,272
31 March 2011	18,657				18,657
Total cost or valuation	**26,653**	**10,427**	**783**	**65**	**37,928**

13 INVESTMENT PROPERTIES

Details of rental income and operational expenditure are given in note 27.

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.

	2013/14 £'000	2014/15 £'000
Fair Value 1 April	12,391	12,481
Additions – Subsequent expenditure	42	1
Disposals	(150)	(20)
Net gains/(losses) from fair value adjustments	198	(802)
Transfers (to)/from Property Plant and Equipment	0	(105)
TOTAL	**12,481**	**11,555**

At 31 March 2015, 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 2014/15 the amortisation charge of £0.173m was charged principally to IT £0.110m, Revenues/Cashiers £0.020m 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:-

	2013/14 £'000	2014/15 £'000
Cost at start of year	900	1,044
Additions in year	144	26
Gross cost at end of year	**1,044**	**1,070**
Accumulated amortisation at start of year	(601)	(796)
Amortised in year	(195)	(173)
Accumulated amortisation	**(796)**	**(969)**
Net Carrying amount at the year end	**248**	**101**

At 31 March 2015, 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 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Cash & cash equivalents				
Cash & cash equivalents (note 18) net of bank overdraft	0	0	13,330	17,130
Total cash and cash equivalents	0	0	13,330	17,130
Investments				
Loans and receivables	0	0	2,012	3,007
Total Investments	0	0	2,012	3,007
Debtors				
Loans and receivables	88	84	1,400	765
Debtors that are not financial instruments	0	0	1,817	3,277
Total Investments	88	84	3,217	4,042
Other Long Term Liabilities				
Finance lease liabilities	(1,125)	(695)	0	0
Total Other Long Term Liabilities	(1,125)	(695)	0	0
Creditors				
Financial liabilities carried at contract amount	(254)	(231)	(2,236)	(2,404)
Creditors that are not financial instruments	0	0	(1,181)	(6,112)
Total Creditors	(159)	(203)	(3,417)	(8,516)

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:-

	2013/14			2014/15		
	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	120	0	120	120	0	120
Impairment	0	(227)	(227)	0	0	0
Total Expense	**120**	**(227)**	**(107)**	**120**	**0**	**120**
Interest income	0	(145)	(145)	0	(112)	(112)
Interest income accrued on impaired assets	0	(67)	(67)	0	0	0
Total income	**0**	**(212)**	**(212)**	**0**	**(112)**	**(112)**
Net (gain)/cost for the year			**(319)**			**8**

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. The Code of Practice on Local Authority Accounting in the United Kingdom requires their fair value be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument. For the reasons explained below, fair value assessments have not been undertaken.

	31 March 2014		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
Finance Lease	(1,125)	(1,125)	(1,011)	(1,011)

The complex nature of calculating the fair value of the finance lease liability, which relates to the leisure centre finance lease (note 35a), would require costly external advice from those with expert knowledge of market conditions. It is further complicated by the fact the repayments are based on the requirement that the lessor invests £4.189m in the refurbishment of the leisure centres, the timings of which are not fixed and which could result in a change to the repayments made by the Council. Therefore, the finance lease liability is carried at cost as this is a fair approximation of its value.

	31 March 2014		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Long Term Debtors	88	88	84	84

Long-term debtors comprise a number of small debts such as Private Street Works and some small loans. Any difference between carrying amount and fair value of each of these small debts would be immaterial, and therefore they are carried at cost as a fair approximation of their value.

16 INVENTORIES

	2013/14			2014/15		
	Consumable stores £'000	Maintenance materials £'000	Total £'000	Consumable stores £'000	Maintenance materials £'000	Total £'000
Balance at 1 April	90	32	122	71	32	103
Purchases	537	172	709	493	158	651
Issued in year	(553)	(173)	(726)	(500)	(161)	(661)
Written off in year	(3)	1	(2)	3	0	3
Balance at year end	**71**	**32**	**103**	**67**	**29**	**96**

17 SHORT TERM DEBTORS

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	585	2,636
Other local authorities	1,092	656
NHS bodies	0	0
Other entities and individuals	2,861	2,261
Net carrying amount at the year end	4,538	5,553
Less provision for bad debts	(1,321)	(1,511)
TOTAL DEBTORS	**3,217**	**4,042**

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

18 CASH AND CASH EQUIVALENTS

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

	31 March 2014 £'000	31 March 2015 £'000
Cash held by the Authority	8	5
Bank current and call accounts	10,082	8,480
Short term deposits	4,012	10,026
Bank overdraft	(772)	(1,381)
Total cash and cash equivalents	**13,330**	**17,130**

19 SHORT TERM CREDITORS

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	(529)	(4,718)
Other local authorities	(396)	(1,390)
NHS bodies	(1)	(73)
Other entities and individuals	(2,491)	(2,335)
Net carrying amount at the year end	**(3,417)**	**(8,516)**

20 PROVISIONS

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

	Balance 1 April 2013 £'000	Movements Used £'000	Movements Added £'000	Balance 31 March 2014 £'000	Movements Used £'000	Movements Added £'000	Balance 31 March 2015 £'000
Business Rates Appeals	**0**	0	(1,000)	(1,000)	353	0	**(647)**
Total	**0**	**0**	**(1,000)**	**(1,000)**	**353**	**0**	**(647)**

21 USABLE RESERVES

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

22 UNUSABLE RESERVES

	31 March 2014 £'000	31 March 2015 £'000
Revaluation Reserve	(3,330)	(3,244)
Capital Adjustment Account	(31,884)	(30,701)
Financial Instruments Adjustment Account	(13)	(11)
Deferred Capital Receipts Reserve	(21)	(20)
Pensions Reserve	27,033	34,755
Collection Fund Adjustment Account	980	(1,609)
Accumulated Absences Account	269	266
Total Unusable Reserves	**(6,966)**	**(564)**

22a 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.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	**(3,263)**	**(3,330)**
Upward revaluation of assets	(123)	0
Downward revaluation & impairment not charged to the Comprehensive Income and Expenditure Account	0	33
Difference between fair value and historic cost depreciation	56	53
Balance at 31 March	**(3,330)**	**(3,244)**

22b 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.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	**(32,412)**	**(31,884)**
<u>Adj. between accounting and regulatory funding bases (see note 7)</u>		
Items relating to capital charges		
Charges for depreciation of non current assets	1,891	1,772
Charges for impairment of non current assets	416	169
Amortisation of intangible assets	195	174
Revenue expenditure funded from capital under statute	454	466
Net cost disposal of assets	152	20
Movements in the market value of Investment Properties	(198)	802
Capital financing applied in the year		
Capital receipts used to finance new capital expenditure	(57)	(86)
Capital expenditure charged to the General Fund Balance	(902)	(651)
Statutory & voluntary provision for the repayment of debt	(847)	(847)
Grants used in the year to fund capital expenditure	(520)	(583)
<u>Adjustments with the Revaluation Reserve (see note 22a)</u>		
Difference between fair value and historic cost depreciation	(56)	(53)
Balance at 31 March	**(31,884)**	**(30,701)**

22c 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.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	**(16)**	**(13)**
Premia on early debt redemption – amortisation deferred as per statutory requirement	(5)	(5)
Discounts on early debt redemption – amortisation deferred as per statutory requirement	8	7
Balance at 31 March	**(13)**	**(11)**

22d 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

	2013/14 £'000	2014/15 £'000
Balance at 1 April	**(22)**	**(21)**
Transfer to Capital Receipts Reserve on receipt of cash	1	1
Balance at 31 March	**(21)**	**(20)**

22e 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.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	**31,623**	**27,033**
Remeasurements of the net defined benefit liability.	(5,903)	8,169
Reversal of charges posted to the Comprehensive Income & Expenditure Account.	2,841	2,418
Employer contributions and direct payments to pensioners payable in the year.	(1,528)	(2,865)
Balance at 31 March	**27,033**	**34,755**

22f 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.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	**76**	**980**
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income & Expenditure Statement differs from the amount required by statute.	904	(2,589)
Balance at 31 March	**980**	**(1,609)**

22g 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.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	**281**	**269**
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	(12)	(3)
Balance at 31 March	**269**	**266**

23 CASH FLOW STATEMENT – OPERATING ACTIVITIES

23a Adjust net surplus or deficit on the provision of services for non cash movements

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

	2013/14 £'000	2014/15 £'000
Depreciation	1,891	1,771
Impairment and downward valuations	400	169
Amortisation	195	174
Increase/(decrease) in creditors	(257)	297
Increase/(decrease) in debtors	947	(1,369)
Increase/(decrease) in inventories	19	8
Movement in pension liability	1,313	(448)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	152	20
Contributions to/(from) Provisions	1,000	(353)
Movement in investment property values	(182)	802
Total	**5,478**	**1,071**

23b Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

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

	2013/14 £'000	2014/15 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(191)	(66)
Net adjustment from the sale of short and long term investments	(60)	0
Capital Grants credited to surplus or deficit on the provision of services	(1,519)	(768)
Total	**(1,770)**	**(834)**

23c Interest received and interest paid

The cash flows for operating activities include the following items:

	2013/14 £'000	2014/15 £'000
Interest received	544	92
Interest paid	(120)	(120)
Net	**424**	**(28)**

24 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2013/14 £'000	2014/15 £'000
Purchase of property, plant & equipment, investment property & intangible assets.	(869)	(1,100)
Purchase of short and long term investments.	(4,562)	(1,000)
Proceeds from the sale of assets.	141	61
Proceeds from short and long term investments.	10,148	0
Other receipts relating to investing activity (government grants)	1,618	826
Total cash flows from investing activities	**6,476**	**(1,213)**

25 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2013/14 £'000	2014/15 £'000
Cash paid to reduce lease liabilities.	(323)	(322)
Change in indebtedness relating to NNDR (due from Government and Preceptors) and Council Tax (due from Preceptors).	(540)	5,133
Total cash flows from financing activities	**(863)**	**4,811**

26 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:

2014/15 DIRECTORATE INCOME AND EXPENDITURE	Chief Executives £'000	Governance & Business Transformation £'000	Development Enterprise & Communities £'000	Neighbourhoods , Environment & Asset Management £'000	Total Directorates £'000
Fees & Charges & Other Service Income	(375)	(592)	(1,531)	(3,654)	(6,152)
Government Grants	0	(25,244)	0	(3)	(25,247)
Total Income	**(375)**	**(25,836)**	**(1,531)**	**(3,657)**	**(31,399)**
Employee Expenses	1,246	2,932	1,485	3,020	8,683
Other Service Expense.	930	25,623	1,048	4,616	32,217
Expenditure	**2,176**	**28,555**	**2,533**	**7,636**	**40,900**
Net Expenditure	**1,801**	**2,719**	**1,002**	**3,979**	**9,501**

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 Financial Services £'000	Neighbour -hoods £'000	Total Directorat e £'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**

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £'000	2014/15 £'000
Net Expenditure in Directorate Analysis	**10,751**	**9,501**
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	3,083	2,947
	13,834	**12,448**
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	608	514
Cost of Services in Comprehensive Income & Expenditure Statement	**14,442**	**12,962**

The following reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the surplus or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:-

RECONCILIATION TO SUBJECTIVE ANALYSIS 2014/15	Director Analysis £'000	Amounts not reported to managem-ent 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.	(6,152)		1,101	(13,053)	(18,104)	(1,759)	**(19,863)**
Interest and investment income.						(2,713)	**(2,713)**
Income from council tax.						(7,421)	**(7,421)**
Local share of business rates						(15,679)	**(15,679)**
Government grants and contributions.	(25,247)				(25,247)	(3,795)	**(29,042)**
Total Income	**(31,399)**	**0**	**1,125**	**(13,053)**	**(43,351)**	**(31,367)**	**(74,718)**
Employee expenses.	8,683	246			8,929		**8,929**
Other service expenses.	32,217		(587)		31,630	466	**32,096**
Support Service recharges.				13,053	13,053		**13,053**
Depreciation, amortisation and impairment.		2,701			2,701		**2,701**
Interest Payments.						4,609	**4,609**
Precepts & Levies.						253	**253**
Business rates tariff, levy and deficit						13,157	**13,157**
Payments to Housing Capital Receipts Pool.						1	**1**
Gain or Loss on Disposal of Fixed Assets.						(46)	**(46)**
Total Expenditure	**40,900**	**2,947**	**(587)**	**13,053**	**56,313**	**18,440**	**74,753**
Surplus or deficit on the provision of services	**9,501**	**2,947**	**514**	**0**	**12,962**	**(12,927)**	**35**

The comparative figures for the preceding year are shown in the following table:-

RECONCILIATION TO SUBJECTIVE ANALYSIS 2013/14	Director Analysis £'000	Amounts not reported to managem-ent 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**	**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**	**3,083**	**(1,064)**	**13,528**	**55,891**	**16,578**	**72,469**
Surplus or deficit on the provision of services	**10,751**	**3,083**	**608**	**0**	**14,442**	**(13,649)**	**793**

27 TRADING OPERATIONS

The Council manages 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 Council also previously ran an in-house Catering Service. This closed during 2013/14.
The performance of these two operations is set out below:

2013/14	Catering £'000	Investment Properties £'000	Total £'000
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)**
2014/15			
Turnover	No longer trading	(990)	(990)
Direct costs		181	181
Overheads		251	251
Capital charges		33	33
Net (surplus) or deficit	n/a	**(525)**	**(525)**

28 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.

29 MEMBERS ALLOWANCES

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

	2013/14 £'000	2014/15 £'000
Allowances	170	171
Expenses	2	1
Total	**172**	**172**

30 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.

2014/15 Remuneration Post Title	Salary £	Expense Allowances £	Sub Total £	Pensions Contributions £	Total Remuneration £
Chief Executive	106,662	1,239	107,901	13,546	121,447
Director of Neighbourhoods, Environmental Health & Assets – *Note 2*	65,860	1,239	67,099	8,364	75,463
Director of Corporate Governance & Business Transformation – *Note 3*	65,860	1,174	67,034	8,364	75,398
Director of Development, Enterprise & Communities – *Note 1*	65,860	1,141	67,001	8,364	75,365
Head of Shared Assurance – *Note 4*	51,136	1,239	52,375	6,494	58,869
Head of Human Resources	51,136	1,239	52,375	6,494	58,869

Note 1 - Director of Regeneration & Healthy Communities in 2013/14 is now designated Director of Development, Enterprise & Communities in 2014/15
Note 2 - Director of Neighbourhoods in 2013/14 is now designated Director of Neighbourhoods, Environmental Health & Assets in 2014/15
Note 3 - Director of Business Transformation in 2013/14 is designated Director of Corporate Governance & Business Transformation in 2014/15
Note 4 - Head of Shared Assurance total remuneration costs are shared between South Ribble and Chorley Borough Council

The comparative information for the preceding year is as follows:

2013/14 Remuneration Post Title	Salary £	Expense Allowances £	Sub Total £	Pensions Contributions £	Total 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

** Posts deleted at the end of financial year due to retirement of the post holders during 2013/14.*

Authorities are also required to disclose the number of other employees receiving more than £50,000 remuneration, excluding pension contributions. There were no such employees in either 2013/14 or 2014/15.

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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 -£20,000	2	0	0	3	2	3	22,101	38,470
£20,001 - £40,000	4	0	0	0	4	0	124,684	0
£40,001 - £60,000	1	0	0	0	1	0	50,180	0
£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	1	0	1	0	116,473
Total	7	0	0	4	7	4	196,965	154,943

31 EXTERNAL AUDIT COSTS

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

	2013/14 £'000	2014/15 £'000
Fees for statutory inspection and audit	50	58
Less rebate [1]	0	(6)
Fees for the certification of grant claims and returns [2]	12	0
Total	**62**	**52**

[1] *A rebate of £5,926 was issued by the Audit Commission in October 2014.*

[2] *In previous years the grant certification audit was accounted for in the year to which the grant claim related. From 2014/15 the costs are accounted for in the year in which the grant certification audit work is carried out. This means that the grant certification audit for the 2014/15 grant claim will be accounted for in 2015/16 when the audit is undertaken and as the 2013/14 audit was accrued to 2013/14, as a one-off, there are no costs shown in the 2014/15 financial year.*

32 GRANT INCOME

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

	2013/14 £'000	2014/15 £'000
Credited to Taxation and Non Specific		
National non domestic rates	(407)	(660)
Revenue support grant	(3,097)	(2,425)
Grants – New Homes Bonus	(529)	(632)
Grants & Contributions - Other	(1,563)	(768)
Grants – Council Tax freeze	(77)	(77)
Total	**(5,673)**	**(4,562)**
Credited to Services		
Grants – benefits related	(23,362)	(24,864)
Grants & Contributions – other	(696)	(1,207)
Contribution – County Council waste recycling	(1,059)	(1,059)
Total	**(25,117)**	**(27,130)**

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	2013/14 £'000	2014/15 £'000
Various contributions	159	203
Total	**159**	**203**

33 RELATED PARTIES

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 32.

- **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 29 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 2014/15, the Council paid grants totalling £0.021m (2013/14 £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 2014/15 gross expenditure of £1.7m (2013/14 1.862m) 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	£20,233
Leisure Services Fee	£298,278

34 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.

	2013/14 £'000	2014/15 £'000
Opening Capital Financing Requirement	**6,284**	**5,691**
Capital investment		
Property, Plant and Equipment	1,135	1,153
Investment property	0	1
Intangible Assets	143	26
Revenue Expenditure Funded from Capital under Statute	454	467
Sources of finance		
Capital Receipts	(57)	(86)
Government Grants and Other Contributions	(520)	(583)
Sums set aside from revenue		
Earmarked Reserves	(889)	(651)
Revenue Financing	(12)	0
Minimum Revenue provision	(601)	(601)
Voluntary Revenue Provision	(246)	(246)
Closing Capital Financing Requirement	**5,691**	**5,171**
Explanation of movements in year		
Assets financed by prudential borrowing	254	120
Assets acquired under deferred purchase arrangement	0	207
Provision made for debt repayment	(847)	(847)
Increase/(Decrease) in Capital Financing Requirement	**(593)**	**(520)**

35 LEASES

35a Authority as lessee

Finance leases

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 2014 £'000	31 March 2015 £'000
Works to Leisure Centres	1,119	1,011

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 were as follows:

	31 March 2014 Vehicles etc. £'000	31 March 2015 Vehicles etc. £'000
Finance lease liabilities (net present value of minimum lease payments)		
Current liabilities	6	0
Finance costs payable in future years	1	0
Minimum lease payments	**7**	**0**

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 2015 £3.933m had been spent (£3.726m to 31 March 2014). The minimum payments under the lease total £6.638m of which. £2.613m is still to be paid. Payments in 2014/15 totalled £0.436m and the same amount is due in 2015/16.

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Not later than 1 year.	7	0	6	0
Total	**7**	**0**	**6**	**0**

The minimum lease payments in respect of the completed works to leisure centres are shown below. These minimum payments are different to the £2.613m still to be paid and identified above. This is because £2.613m 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 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Not later than 1 year.	436	436	316	316
Later than 1 yr, less than 5.	833	721	803	695
	1,269	**1,157**	**1,119**	**1,011**

Operating leases

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

35b 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 2014 £'000	31 March 2015 £'000
Finance lease debtor (present value of minimum lease payments)	20	20
Unearned finance income	93	92
Total	**113**	**112**

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 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'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.	108	107	108	107
Total	**113**	**112**	**113**	**112**

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 2014 £'000	31 March 2015 £'000
Not later than one year	666	819
Later than one and not later than five years	1,643	2,217
Later than five years	16,560	14,788
Total	**18,869**	**17,824**

36 IMPAIRMENT LOSSES

	2013/14 £'000	2014/15 £'000
Impairment loss recognised in cost of service	16	(16)
Total	**16**	**(16)**
Material individual impairments	16	(16)

37 TERMINATION BENEFITS

The Authority terminated the contracts of 4 employees in 2014/15 incurring liabilities of £0.155m (£0.197m in 2013/14). See note 30 for the number of exit packages and total cost.

38 DEFINED BENEFIT PENSION SCHEME

38a 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.

38b 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. In 2014/15 the Council opted to pay a discounted sum of £1.778m to meet the deficit recovery contributions for the three years 2014/15 to 2016/17.

38c 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 38i.

38d 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:

	2013/14 £'000	2014/15 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
Administration	24	24
Current service cost	1,477	1,190
Past service cost	46	119
Net interest on the net defined benefit liability		
Interest costs	3,701	3,687
Expected return on scheme assets	(2,407)	(2,602)
Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service	**2,841**	**2,418**
Other post employment benefit charged to the Comprehensive Income & Expenditure Statement		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	50	(4,872)
Actuarial gains & losses from changes in demographic assumptions	371	0
Actuarial gains & losses from changes in financial assumptions	(6,324)	13,041
Total re-measurements recognised in Other Comprehensive Income	**(5,903)**	**8,169**
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	**(3,062)**	**10,587**
Movement in Reserves Statement		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	(2,841)	(1,331)
Actual amount charged against the General Fund Balance for pensions in the year	1,528	2,865

38e 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	
	2013/14 £'000	2014/15 £'000
Present value of the defined benefit obligation	(85,395)	(100,240)
Fair value of plan assets	58,414	65,537
Sub-total	(26,981)	(34,703)
Net liability arising from defined benefit obligation	**(26,981)**	**(34,703)**

38f Reconciliation of fair value of the scheme (plan) assets

	Scheme Assets Local Government Pension Scheme	
	2013/14 £'000	2014/15 £'000
1 April	**57,957**	**58,414**
Interest income	2,407	2,602
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	(634)	4,872
Employer contributions	1,543	2,865
Employee contributions	389	383
Benefits paid	(3,224)	(3,575)
Other	(24)	(24)
31 March	**58,414**	**65,537**

The actual return on the plan assets was £7,473K in 2014/15 (£2,345k 2013/14).

38g Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Scheme Liabilities Local Government Pension Scheme	
	2013/14 £'000	**2014/15 £'000**
1 April	**(89,543)**	**(85,395)**
Current service cost	(1,477)	(1,190)
Interest cost	(3,701)	(3,687)
Contributions by scheme participants	(389)	(383)
Re-measurement gains and (losses)		
changes in demographic assumptions	(371)	0
Changes in financial assumptions	6,324	(13,041)
Other	584	0
Benefits paid	3,224	3,575
Past service costs	(46)	(119)
31 March	**(85,395)**	**(100,240)**

38h Local Government Pension Scheme assets comprised

	Fair value of scheme assets	
	2013/14 £'000	**2014/15 £'000**
Cash and cash equivalents	1,014	3,175
Equity investments (by industry type)		
Consumer	7,514	7,245
Energy	1,188	521
Financial institutions	4,307	3,883
Health and care	2,633	2,227
Information technology	3,876	3,705
Industrials	3,558	3,145
Other	2,429	1,834
Sub total equity	25,505	22,560
Bonds		
UK corporate	2,287	631
Overseas corporate	3,092	278
Government	1,790	2,057
Sub total bonds	7,169	2,966
Property		
Retail	2,196	2,665
Commercial	2,580	3,506
Sub total property	4,776	6,171
Private equity		
UK	1,485	1,644
Overseas	6,703	8,010
Sub total private equity	8,188	9,654
Other		
Infrastructure	3,178	3,647
Property Funds	293	480
Credit funds	8,291	16,884
Sub total alternatives	11,762	21,011
	58,414	**65,537**

38i 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	
	2013/14	**2014/15**
Long-term expected rate of return on assets in the scheme		
Equity investments	7.0%	6.5%
Government bonds	3.4%	2.2%
Other bonds	4.3%	2.9%
Property	6.2%	5.9%
Cash/liquidity	0.5%	0.5%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.8 yrs.	22.9 yrs.
Women	25.3 yrs.	25.4 yrs.
Longevity at 65 for future pensioners		
Men	25.0 yrs.	25.1 yrs.
Women	27.7 yrs.	27.8 yrs.
Rate of inflation (CPI)	2.4%	2.0%
Rate of increase in salaries	3.9%	3.5%
Rate of increase in pensions	2.4%	2.0%
Rate for discounting scheme liabilities	4.5%	3.2%
Take up option to convert pension into lump sum	0.0%	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)	1,981
Rate of inflation (increase of 0.1% p.a.)	1,747
Salary inflation (increase of 0.1% p.a.)	363
Rate for discounting scheme liabilities (increase of 0.1%)	(1,718)

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.

38j 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 £989k expected contributions to the scheme in 2015/16.

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

39 CONTINGENT LIABILITIES

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. There were no such contingent liabilities as at 31 March 2015.

40 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, a claim has been submitted for compound interest relating to a claim settled in 2009/10. In respect of trade waste income, the Council received a repayment of £0.048m plus interest from HMRC in 2014/15 in relation to the four-year cap period (2007-2011). There is a further retrospective claim to HMRC in place, in relation to trade waste income between 1978 and 2007, which amounts to £0.410m plus interest. The outcome of these remaining claims is still to be determined by HMRC.

41 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.

Banks and Financial Institutions

The Council's Investment Strategy restricts investments to a narrow range of counterparties. At 31 March 2015 it had deposits totalling £20.132m (£15.334m at 31 March 2014) with a number of 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	86	0	86
Up to three months past due date	469	(7)	462
Three to six months past due date	191	(149)	42
Six months to one year past due date	199	(154)	45
Beyond one year	777	(647)	130
Total	**1,722**	**(957)**	**765**

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)

Price risk

The Council has no exposure to this risk.

Foreign Exchange Risk

The Council has no material exposure to this risk.

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).

2013/14 Business Rates £'000	2013/14 Council Tax £'000		2014/15 Business Rates £'000	2014/15 Council Tax £'000
		Income		
	51,050	Council Tax Receivable		53,372
35,215		Business Rates Receivable	37,773	
35,215	51,050		37,773	53,372
		Expenditure		
		Apportionment of Previous Year Surplus/(Deficit)		
		Central Government	(1,825)	
	(67)	South Ribble Borough Council (Note 11 page 31)	(1,460)	38
	(345)	Lancashire County Council	(328)	193
	(47)	Police & Crime Commissioner for Lancashire	0	27
	(20)	Lancashire Combined Fire Authority	(36)	11
		Precepts, Demands and Shares		
17,340		Central Government	17,745	
13,872	7,185	South Ribble Borough Council (Note 11 page 31)	14,196	7,247
3,121	36,253	Lancashire County Council	3,194	37,176
	5,104	Police & Crime Commissioner for Lancashire		5,234
347	2,124	Lancashire Combined Fire Authority	355	2,136
34,680	50,187		31,841	52,062
		Charges to Collection Fund		
	62	Write offs of uncollectable amounts	67	110
106	326	Increase/(Decrease) in Bad Debt Provision	304	231
2,500		Increase/(Decrease) in Provision for Appeals	(883)	
124		Cost of Collection Allowance	125	
234		Transitional Protection Payments	183	
2,964	388		(204)	341
(2,429)	475	Surplus/(deficit) arising during the year	6,136	969
		Collection Fund Balance		
0	(548)	Surplus/(deficit) brought forward at 1 April	(2,429)	(73)
(2,429)	475	Surplus/(deficit) arising during the year	6,136	969
(2,429)	(73)	Surplus/(deficit) carried forward at 31March	3,707	896
		Allocated to		
(971)	(10)	Transfer to/(from) Collection Fund Adjustment Account (Note 22f page 41)	1,483	127
(1,215)		Central Government	1,853	
(219)	(53)	Lancashire County Council	334	642
(24)	(3)	Lancashire Combined Fire Authority	37	37
	(7)	Police & Crime Commissioner for Lancashire		90
(2,429)	**(73)**	**Surplus/(deficit) carried forward at 31 March**	**3,707**	**896**

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.

Revenue relating to council tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

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 2014/15 was calculated as follows: -

Band	No. of Dwellings	Total No. of Equivalent dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	10.5	5:9	5.8
A	9,754	8,057.00	6:9	5,371.3
B	12,557	11,098.75	7:9	8,632.4
C	11,711	10,568.75	8:9	9,394.4
D	7,475	6,917.50	9:9	6,917.5
E	3,826	3,596.75	11:9	4,396.0
F	1,469	1,387.75	13:9	2,004.5
G	491	456.00	15:9	760.0
H	28	20.75	18:9	41.5
Total	**47,311**	**42,113.75**		**37,253.4**
Less local Council Tax Support Scheme discounts				**(3,506.5)**
Less adjustments for losses on collection				**(684.9)**
Addition for anticipated changes in the base, reduced discount on second homes and other technical changes				**228.5**
Band D Equivalent Number of Properties				**33,560.5**

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 £1,535.73 for 2014/15 and £1,511.08 for 2013/14). 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 2013/14 £	2014/15 £
A	0.67	1,007.39	1,023.81
B	0.78	1,175.29	1,194.46
C	0.89	1,343.19	1,365.10
D	1.00	1,511.08	1,535.73
E	1.22	1,846.87	1,877.00
F	1.44	2,182.66	2,218.28
G	1.67	2,518.47	2,559.54
H	2.00	3,022.16	3,071.46

3. ACCOUNTING FOR BUSINESS RATES

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding police bodies) and the Government. The amount credited to the General Fund under statute is the Authority's estimated share of NDR for the year from the National Non Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Authority from NDR payers belongs proportionately to all the major preceptors (excluding police bodies) and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

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 47.1p in 2014/15 (46.2p in 2013/14) and one for larger businesses at 48.2p in 2014/15 (47.1p in 2013/14).

The Business Rates income for 2014/15, after reliefs and provisions, was £38.28m (£32.6m in 2013/14).

The rateable value for the Council's area at the end of the financial year 2014/15 was £90.8m (£88.9m in 2013/14).