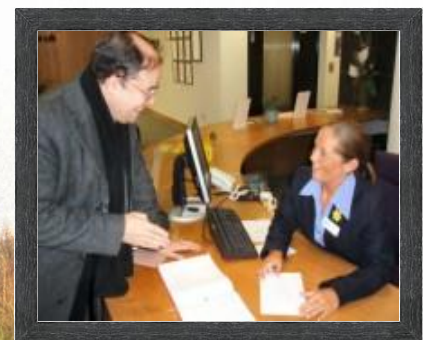


**South Ribble Borough Council**

**STATEMENT OF ACCOUNTS**

**YEAR ENDING 31 MARCH 2012**

**M. Nuttall BA (Hons) CPFA  
Chief Executive**



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

## **Opinion on the Authority's financial statements**

I have audited the financial statements of South Ribble Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and 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 2011/12.

This report is made solely to the members of South Ribble Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

## **Respective responsibilities of the Chief Executive and auditor**

As explained more fully in the Statement of the Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 Executive; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of South Ribble Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

## **Conclusion on 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I 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**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am 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 2012.

### **Certificate**

I certify that I have completed the audit of the accounts 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  
Engagement Lead  
Audit Commission  
2nd Floor, Aspinall House  
Aspinall Close  
Middlebrook  
Bolton  
BL6 6QQ  
26 September 2012

## Foreword by the Chief executive

### INTRODUCTION

The Chief Executive, as the Section 151 Officer of the Council, has the statutory responsibility for the proper administration of the Authority's financial affairs, and is required to confirm that the Council's systems can be relied upon to produce an accurate statement of accounts.

His statement of assurance was reported to the Authority's Governance Committee on 27 June 2012.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code), which is based on International Financial reporting Standards, and the Service Reporting Code of Practice for Local Authorities (SERCOP).

### ACCOUNTING CHANGES

The changes required in 2011/12 by The Code are as follows

- Financial Reporting Standard 30 on Heritage assets has been adopted; however South Ribble have no material assets that meet the definition.
- The number and cost of exit packages (compulsory and voluntary redundancies) is now reported (note 35).
- An Authority has to disclose any transactions where it acts as a sole trustee. South Ribble does not act in this capacity and no disclosure is necessary.

The Service Reporting Code of Practice applies for the first time in 2011/12; it is very similar to its predecessor, The Best value Accounting Code of Practice. The only significant change is that the Comprehensive income and expenditure Account now shows separately:

- Cultural and Related Services
- Environment & Regulatory Services
- Planning services

Previously these services were grouped together. The 2010/11 figures have been restated to enable comparison.

### CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:-

Page 12     **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 13     **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 14 **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 15 **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 16 **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 17 **Notes to the Main Financial Statements** – these add to and interpret, the individual statements.

Page 60 **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 2011/12

### General Fund - Revenue Account Summary

The Council's revenue account shows the cost of providing services. This section of the forward will -

- Compare actual spending against the budget and explain significant variations
- Show where the money came from and how it was spent
- Comment on treasury management issues
- Show the capital outturn and how it was financed
- Comment on balances, reserves and any other key balance sheet figures
- Comment on the Council's financial position and future prospects.

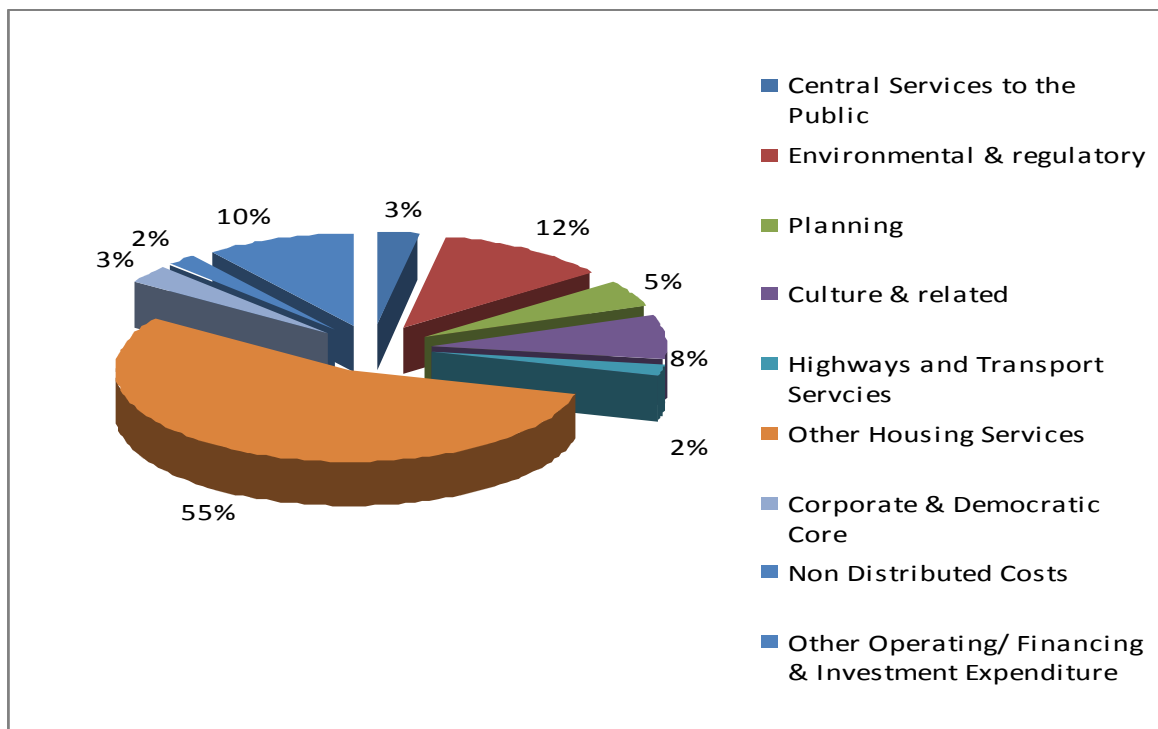
### **Actual Spend Compared to the Budget**

The Movement in Reserves Statement (page 13) shows a surplus, after adjustments, of £0.485m for the year. The budget assumed a breakeven position. The main reasons for the surplus are:

- One off items received in the year in respect of VAT claim, adjustment to the account for leasing costs and a review of contract payments in advance.
- Reductions in the overall cost of transport due to lead time delivery of a mini-sweeper.
- Underspends occurring in a number of revenue service non-employee related budget heads that are under review as part of the Council's ongoing budget efficiency programme.
- One off additional costs incurred in respect of employee severance costs following service reviews.
- Annual review and increase in the provision for bad debts.

### **Where the money was spent**

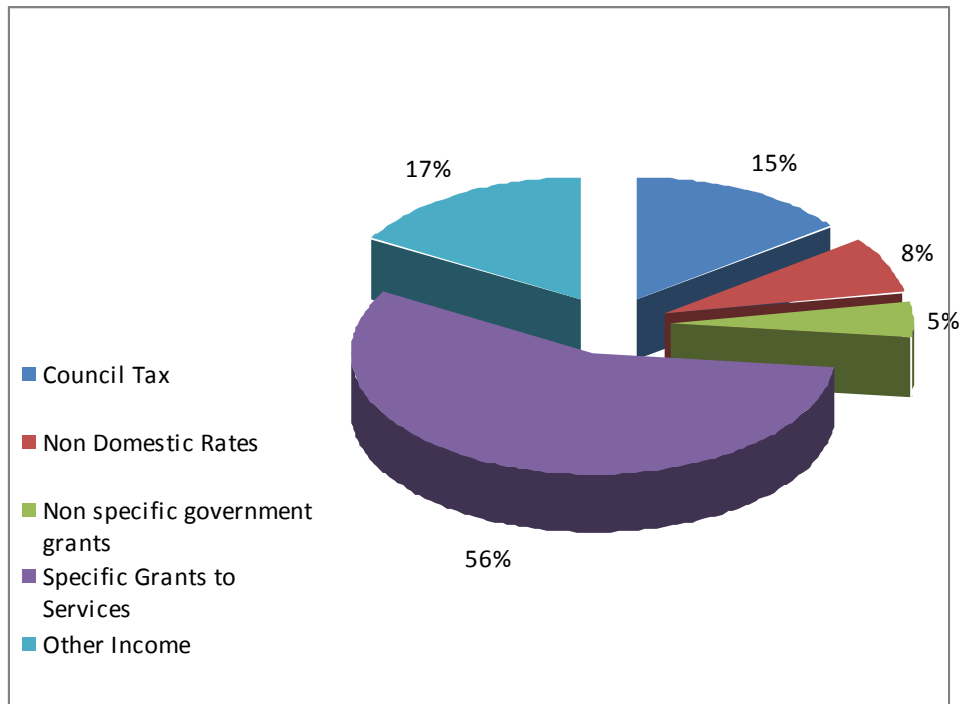
The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2011/12 it consisted of the following:-



## Where the money came from

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

- 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 Balance Sheet and Cash Flow Statements show the turnover of cash and the final cash position as at 31 March 2012. The Council's Treasury Management Strategy 2011/12 was the key document for the effective day to day management of cash resources and set out policies for the investment of surplus cash. The difficulties in the financial markets made the management and control of risks essential, and the strategy limited investments to British financial institutions, the UK Government and other Local Authorities, and specified the maximum period of any investments.

The actual average rate of return during the year was 1.07% which exceeded the benchmark (7 day LIBID rate) of 0.48%.

The Authority had no external debt throughout the year other than liabilities under a deferred purchase arrangement for capital works to leisure centres. During the year this debt reduced from £1.481m to £1.218m.



In 2011/12 the Icelandic courts finally confirmed the priority status of the Council's deposit with Landsbanki, one of the failed Icelandic banks, and the first repayment was made. It is now expected that, over a timescale extending to 2018, it will be fully repaid; however because of the exchange rate risk only a 97% sterling receipt has been assumed.

Repayment of the Council's other Icelandic investments, in Heritable Bank, continued. The accounts assume a total recovery of 88% of which 68% had been received at 31 March 2012.

### **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 was incurred
- Explain how this expenditure was financed

#### **Capital Expenditure in 2011/12**

<b>Service</b>	<b>Actual Capital Expenditure £'000</b>
Playgrounds, Recreation Areas & Open Spaces	289
Housing Grants	287
Asset Management	606
Vehicles, Plant and Equipment	155
Information Technology and Communications	54
Regeneration	65
S106 Highways & Public Transport enhancements	29
Leisure centre Assets	52
Community grants	32
<b>Total Capital Expenditure</b>	<b>1,569</b>

#### **Capital Financing in 2011/12**

<b>Financing</b>	<b>Actual Capital Financing £'000</b>
Deferred Purchase (Leisure Partnership)	52
Government Grants	186
Developers' Contributions	190
Fund Balances and Reserves	721
Capital receipts	80
Revenue Contributions	50
Borrowing	155
External Contributions	135
<b>Total Capital Financing</b>	<b>1,569</b>

## **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.

Also with regard to medium term financial planning, the core funding received from Central Government is entering into a new era of uncertainty. This clearly has a detrimental impact on our ability to accurately forecast the totality of the budget pressures facing the Council. The 2010 Comprehensive Spending Review only released funding data for 2011/12 and 2012/13. Therefore the Medium Term Financial Strategy, a key document which sets us on a course to achieve a balanced budget, contains assumptions and estimates in respect of a number of high value income and funding streams. The next release is only due in the autumn for the coming years, should this vary significantly from that currently estimated and budgeted for, 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 reserves set aside for a specific purpose the re-valuation of the Council's Icelandic Investments presented an opportunity for the Authority to make a prudent additional reserve in the sum of £0.120m to cover future fluctuations in the investment value due to corresponding fluctuations in foreign exchange rates.

After taking into account all of the above, the level of General Fund Balances as at 31 March 2011 will be £4.170m. This is reflected in the Movement in Reserves Statement.

## **Pension Fund Liability**

The pension fund liability is set out in detail within notes 43 and 25e of this statement. In summary the Council has a liability as at 31 March 2012 of £26.429m. This is the actuary's assessment of the present value of the liabilities to be met by the fund less its current assets and future receipts. This has a substantial impact on the net worth of the authority as recorded in the balance sheet. The Council is bound by statutory arrangements for funding the deficit. These provide that the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The recent changes agreed in the pension scheme will affect the accrual of future liabilities.

## **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, including significant reductions in funding and budgetary challenges as a result of the Government's 2010 Comprehensive Spending Review (CSR). The MTFS for the period 2011/12 to 2014/15 currently forecasts the following budget gap:-

<b>Year</b>	<b>Budget Gap £'000</b>	<b>Cumulative £'000</b>
<b>2012/13</b>	0	0
<b>2013/14</b>	685	685
<b>2014/15</b>	653	1,338
<b>2015/16</b>	508	1,846

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.

Uncertainty is now a permanent feature of the Local Government core funding regime for a number of reasons:

- The 2010 CSR contained significant funding reductions that need to be addressed.
- It also reduced the detailed settlement period from quadrennial to biennial.
- The basis on which the total pot of grant funding is distributed between Councils also changed.
- Annually variable data is now to be use each year to determine high value grants. For example, the New Homes Bonus grant based on number of new homes built.

All of the above exacerbates uncertainty and has a detrimental effect on the ability of the Council to forecast its budget requirement and undertake accurate medium term financial planning. In addition there are imminent, large scale changes to the funding Local Government receives via Business Rates which makes up a significant proportion of our overall funding. In future Business Rates will be retained locally as opposed to being collected centrally and re-distributed to Councils. The detail of these new arrangements, and therefore its impact on the Council's budget, still remains largely unknown. Nevertheless it does have the potential to increase the budget deficit set out above and therefore increase the need to maintain a level of general balances to mitigate the resulting financial risks.

The current economic climate may also adversely affect the ability of tax payers to pay their Council Tax and Non Domestic Rate Bills (NNDR) bills. The table below shows collection rates over the last three years. In 2010/11 rates were maintained for both taxes but there has been a reduction in 2011/12. It should be noted that as NNDR is currently collected on behalf of Central Government, the collection rates do not directly impact on the revenue accounts of the Council, however, this is set to change shortly.

	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Council Tax</b>	97.6%	97.6%	97.5%
<b>NNDR</b>	97.3%	97.8%	97.2%

## **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 2011/12 (the Code)

In preparing this Statement of Accounts, He has:

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

He has also:

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

### **Further Information**

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the 31 March 2012 and its Income and Expenditure for the year ended 31 March 2012.

M Nuttall BA (Hons) CPFA  
Chief Financial Officer  
Date 26 September 2012

I confirm that these Statements of Account were approved by Governance Committee on 26 September 2012

Councillor P Foster  
Chair Governance Committee

## Movement in Reserves Statement

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

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

	General Fund £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants & Contributions £'000	Total Usable Reserves £'000	Unusable Reserves Note 24 £'000	Total Reserves £'000
Balance 31 March 2010	(3,337)	(7,827)	(3,064)	(2,207)	(16,435)	(7,099)	(23,534)
<u>Movement in 2010/11</u>							
(Surplus) on provision of service	(329)	0	0	0	(329)	0	(329)
Other Comprehensive Income & Expenditure	0	0	0	0	0	(6,403)	(6,403)
<b>Total Comprehensive Income &amp; expenditure</b>	<b>(329)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(329)</b>	<b>(6,403)</b>	<b>(6,732)</b>
Adjustments between accounting basis & funding basis (note 7)	(27)	0	784	(434)	323	(323)	0
<b>Net change before transfers to/(from) earmarked reserves</b>	<b>(356)</b>	<b>0</b>	<b>784</b>	<b>(434)</b>	<b>(6)</b>	<b>(6,726)</b>	<b>(6,732)</b>
Transfers to/(from) earmarked reserves	(355)	355	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(711)</b>	<b>355</b>	<b>784</b>	<b>(434)</b>	<b>(6)</b>	<b>(6,726)</b>	<b>(6,732)</b>
<b>Balance 31 March 2011</b>	<b>(4,048)</b>	<b>(7,472)</b>	<b>(2,280)</b>	<b>(2,641)</b>	<b>(16,441)</b>	<b>(13,825)</b>	<b>(30,266)</b>
<u>Movement in 2011/12</u>							
Deficit on provision of service	432	0	0	0	432	0	432
Other Comprehensive Income & Expenditure	0	0	0	0	0	3,039	3,039
<b>Total Comprehensive Income &amp; expenditure</b>	<b>432</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>432</b>	<b>3,039</b>	<b>3,471</b>
Adjustments between accounting basis & funding basis under regulation (note 7)	(917)	0	(133)	(323)	(1,373)	1,373	0
<b>Net change before transfers to/(from) earmarked reserves</b>	<b>(485)</b>	<b>0</b>	<b>(133)</b>	<b>(323)</b>	<b>(941)</b>	<b>4,412</b>	<b>3,471</b>
Transfers to/(from) earmarked reserves	363	(403)	0	40	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(122)</b>	<b>(403)</b>	<b>(133)</b>	<b>(283)</b>	<b>(941)</b>	<b>4,412</b>	<b>3,471</b>
<b>Balance 31 March 2012</b>	<b>(4,170)</b>	<b>(7,875)</b>	<b>(2,413)</b>	<b>(2,924)</b>	<b>(17,382)</b>	<b>(9,413)</b>	<b>(26,795)</b>

## 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

2010/11 restated (note 47)				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,222	(7,146)	1,076	Central services to the public	8,424	(7,202)	1,222
6,381	(1,962)	4,419	Environmental & Regulatory Services	6,289	(1,944)	4,345
2,386	(793)	1,593	Planning Services	2,513	(936)	1,577
7,298	(540)	6,758	Culture & Related Services	4,224	(674)	3,550
2,176	(1,273)	903	Highways and transport services.	1,132	(861)	271
22,113	(20,972)	1,141	Other housing services	22,694	(21,335)	1,359
1,985	(47)	1,938	Corporate and democratic core	1,668	(245)	1,423
1,701	(1,102)	599	Non distributed costs	1,164	(730)	434
0	(4,503)	(4,503)	Exceptional item – past service pension liabilities (note 43d)	0	0	0
<b>52,262</b>	<b>(38,338)</b>	<b>13,924</b>	<b>Cost of Services.</b>	<b>48,108</b>	<b>(33,927)</b>	<b>14,181</b>
239	(18)	221	Other operating expenditure (note 9)	361	0	361
6,866	(4,837)	2,029	Financing and investment income and expenditure (note 10)	5,161	(4,919)	242
0	0	0	(Surplus) or deficit of discontinued operations	0	0	0
0	(16,503)	(16,503)	Taxation and non-specific grant income (note 11)	0	(14,352)	(14,352)
		<b>(329)</b>	(Surplus)/deficit on provision of services			<b>432</b>
		(855)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(1,990)
		(5,548)	Actuarial (gains)/losses on pension assets and liabilities			5,029
		<b>(6,403)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>3,039</b>
		<b>(6,732)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>3,471</b>



## 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 2011 £'000		Notes	31 March 2012 £'000
28,555	Property, Plant & Equipment	12	29,264
	Heritage Assets		0
11,698	Investment Property	13	12,015
373	Intangible Assets	14	325
0	Assets Held for Sale		0
0	Long Term Investments		0
91	Long Term Debtors		84
<b>40,717</b>	<b>Long Term Assets</b>		<b>41,688</b>
7,188	Short Term Investments		6,153
330	Assets Held for Sale	20	0
152	Inventories	16	127
4,313	Short Term Debtors	18	3,781
5,174	Cash and Cash Equivalents	19	5,875
<b>17,157</b>	<b>Current Assets</b>		<b>15,936</b>
(1,241)	Bank overdraft		0
0	Short Term Borrowing		0
(3,485)	Short Term Creditors	21	(3,086)
0	Provisions	22	0
0	Liabilities in Disposal Groups		0
<b>(4,726)</b>	<b>Current Liabilities</b>		<b>(3,086)</b>
0	Long Term Creditors		0
0	Provisions		0
0	Long Term Borrowing		0
(1,708)	Other Long Term Liabilities		(1,230)
(21,090)	Net Pension Liability	43c	(26,429)
0	Donated Assets Account		0
(84)	Grant Receipts in Advance - Capital		(84)
0	Grants Receipts in Advance - Revenue		0
<b>(22,882)</b>	<b>Long Term Liabilities</b>		<b>(27,743)</b>
<b>30,266</b>	<b>Net Assets</b>		<b>26,795</b>
(16,441)	Usable Reserves	23	(17,382)
(13,825)	Unusable Reserves	24	(9,413)
<b>(30,266)</b>	<b>Total Reserves</b>		<b>(26,795)</b>

The unaudited accounts were issued on 27/06/2012 and the audited accounts were authorised for issue on 26/09/2012

## 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.

2010/11 £'000		2011/12 £'000
329	Net surplus or (deficit) on the provision of services	(432)
34,235	Adjustments to net surplus or deficit on the provision of services for non cash movements	2,955
(32,904)	Adjustments for items reported separately on the cash flow statement	(1,046)
1,660	Net cash flows from Operating Activities (Note 25)	1,477
(1,683)	Investing Activities (Note 26)	1,034
761	Financing Activities (Note 27)	(569)
738	Net increase or (decrease) in cash and cash equivalents	1,942
3,195	Cash and cash equivalents at the beginning of the reporting period	3,933
<b>3,933</b>	<b>Cash and cash equivalents at the end of the reporting period (note 19)</b>	<b>5,875</b>

## **NOTES TO THE ACCOUNTS**

### **1 ACCOUNTING POLICIES**

#### **General Principles**

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). These notes explain the policies used to ensure the Council's financial position is fairly presented.

#### **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.

#### **Cash and Cash Equivalents**

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

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

#### **Charges to Revenue for Non-Current Assets**

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

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

#### **Contingent Assets and Liabilities**

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

#### **Exceptional Items**

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

#### **Employee Benefits**

##### Benefits payable during employment

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

### Termination benefits

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

### Post Employment Benefits

Employees are members of the Local Government Pension Scheme which provides defined benefits to members. Full details of transactions are given in Note 43.

### Explanation of methodology

- The liabilities of the fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds)
- The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in net pension liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income & Expenditure Statement to the services for which employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are charged to the Comprehensive Income & Expenditure Account as part of Non Distributed Costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is charged to Comprehensive Income & Expenditure Account within the Financing & Investment Income and Expenditure line
  - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return. This is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Account.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities, or events that reduce the expected future service or accrual of benefits of employees. These are charged to Non Distributed Costs within the comprehensive Income and Expenditure Account.
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Pension Reserve.
  - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable to the pension fund, not the amount calculated according to the relevant accounting standards. This is achieved by transfers between the Pensions Reserve and the General Fund to remove the actuarial debits and credits and replace them with amounts actually paid and those accrued at the

year end. The negative balance on the Pension Reserve thus measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

### **Events after the Balance Sheet date**

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

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

### **Financial Liabilities**

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

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

### **Financial Assets**

#### Loans and receivables

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

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

### **Government Grants and Other Contributions**

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

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

### **Heritage Assets**

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

### **Intangible assets**

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

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

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

### **Inventories and long term contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of the works and services received under the contract during the financial year.

### **Investment Properties**

Investment properties are those held solely to earn rentals or for capital appreciation.

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

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

### **Leasing**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

If the lease covers both land and buildings, then the land and building elements are considered separately for classification.

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



## 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 40.

## **Overheads**

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

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

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

Changes in estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practice or if the change provides more reliable or relevant information about the effect of transactions on the

Council's financial performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts from prior periods. Material errors will also require a prior period adjustment.

### **Property Plant and Equipment (PPE)**

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on an accruals basis in the accounts provided it exceeds the 'de minimis' threshold of £5,000 and provides benefits to the Council for a period of more than one year.

Assets are initially held at cost and then re-valued. Valuations are provided by qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. Property assets are re-valued, at a minimum, every 5 years.

#### Measurement

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

- Infrastructure, Community Assets, Assets under Construction, and equipment, are measured at historical cost.
- 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:

	<b>years</b>
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. 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**

Amendments to IFRS7 Financial Instruments : Disclosures (transfer of assets) have not yet been adopted. The Council has no relevant activity and does not expect the Standard to impact on its accounts.

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Last year this note referred to the awaited judgement of the Icelandic Supreme Court concerning Landsbanki. Note 46 refers to the successful outcome of that case, so that this no longer a critical issue for the Council. There are no other issues of significant judgement.

### 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 a pension liability of £26m. The effect of changes in the assumptions are: - additional year of life £1.6m - 0.1% salary inflation £1.3m - 0.1% on discount rate (£1.3m) Every 3 years the fund is comprehensively revalued which leads to increases in the Council's contributions. These will rise by 1.0% over the next two years.
Debtors	The most significant debtor issue for the Council is its responsibility for collecting £83m in business rates and council tax. It is however acting solely as agent of the government (for business rates) and mainly as agent (for major preceptors) for council tax. The major recovery risk resulting from shortfalls in collection falls to these bodies. Note 18 shows that sundry debtors total £2.6m against which a bad debt provision of £0.6m has been made. These debtors are further analysed by age in note 46. The figures include Housing benefit debtors of £800k (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, 50%, reflects this.	The sundry debtors of £2.6m exceed the bad debt provision by £2m. Any increase in irrecoverables will fall on the revenue account.

### 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 Finance Officer on 27 June 2012. Subsequent events are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures and notes have been adjusted to reflect the impact of this information. No events occurring after 31 March 2012 which would materially affect the Council's financial position have been identified.

## 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.

	2011/12			
	General Fund Balance £'000	Capital Receipts Account £'000	Capital Grants £'000	Total Unusable Reserves £'000
<b><u>Adjustments involving the Capital Adjustment Account (CAA)</u></b>				
<u>Reversal of debits and credits to CI&amp;E</u>				
Charges for depreciation of non current assets	(1,700)			1,700
Charges for impairment of non current assets	(524)			524
Revaluation losses on Property, Plant and Equipment				
Movements in the market value of Investment Property	92			(92)
Amortisation of intangible assets	(102)			102
Revenue expenditure funded from capital under statute	(348)			348
Non-current assets charged to CI&E on disposal	(330)			330
<u>Insertion of items not posted to the CI&amp;E</u>				
Statutory & voluntary provision for the repayment of debt	670			(670)
Capital expenditure charged against the General Fund Balance	771			(771)
<b><u>Adjustments primarily involving Capital Grants Unapplied</u></b>				
Capital grants and contributions unapplied credited to CI&E	834		(834)	
Grants applied to fund capital expenditure transferred to CAA			511	(511)
<b><u>Adjustments primarily involving the Capital Receipts Reserve</u></b>				
Capital receipts credited to CI&E on non current asset disposals	213	(213)		
Capital receipts used to finance new capital expenditure		80		(80)
Capital receipts credited to CI&E to finance the payment to the Government's capital receipt pool	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
<b><u>Adjustments involving Financial Instruments Adjustment A/c</u></b>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	(3)			3
<b><u>Adjustments involving the Pensions Reserve</u></b>				
Reversal of pension charges made in the CI&E	(1,885)			1,885
Employer's contributions and payments made to pensioners	1,575			(1,575)
<b><u>Adjustments involving the Collection Fund Adjustment A/c</u></b>				
Difference between credit to CI&E and precepted amount	(54)			54
<b><u>Adjustments involving the Accumulated Absences A/c</u></b>				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	(125)			125
<b>TOTAL ADJUSTMENTS</b>	<b>(917)</b>	<b>(133)</b>	<b>(323)</b>	<b>(1,373)</b>

2010/11 Comparative figures	2010/11			
	General Fund Balance £'000	Capital Receipts Account £'000	Capital Grants £'000	Total Unusable Reserves £'000
<b><u>Adjustments involving the Capital Adjustment Account (CAA)</u></b>				
<u>Reversal of debits and credits to the Comprehensive Income and Expenditure account (CI&amp;E)</u>				
Charges for depreciation of non current assets	(1,573)			1,573
Charges for impairment of non current assets	(3,659)			3,659
Revaluation losses on Property, Plant and Equipment				
Movements in the market value of Investment Property	(442)			442
Amortisation of intangible assets	(150)			150
Revenue expenditure funded from capital under statute	(987)			987
Non-current assets charged to CI&E on disposal				
<u>Insertion of items not posted to CI&amp;E</u>				
Statutory and voluntary provision for the repayment of debt	544			(544)
Capital expenditure charged against the General Fund Balance	830			(830)
<b><u>Adjustments involving Capital Grants Unapplied</u></b>				
Capital grants and contributions unapplied credited to CI&E	1982		(1,982)	
Grants applied to fund capital expenditure transferred to CAA			1,548	(1,548)
<b><u>Adjustments involving the Capital Receipts Reserve</u></b>				
Capital receipts credited to CI&E on non current asset disposals	17	(18)		1
Capital receipts used to finance new capital expenditure		803		(803)
Capital receipts credited to CI&E to finance the payment to the Government's capital receipt pool	(1)	1		
Transfer from Deferred Capital Receipts		(2)		2
<b><u>Adjustments involving Financial Instruments Adjustment A/c</u></b>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	(2)			2
<b><u>Adjustments involving the Pensions Reserve</u></b>				
Reversal of pension charges made in CI&E	1,829			(1,829)
Employer's contributions and payments made to pensioners	1,576			(1,576)
<b><u>Adjustments involving the Collection Fund Adjustment A/c</u></b>				
Difference between credit to CI&E and precepted amount	33			(33)
<b><u>Adjustments involving the Accumulated Absences A/c</u></b>				
Difference between remuneration charged to CI&E and that chargeable per statutory requirement	(24)			24
<b>TOTAL ADJUSTMENTS</b>	<b>(27)</b>	<b>784</b>	<b>(434)</b>	<b>(323)</b>



## 8 TRANSFERS TO/FROM EARMARKED RESERVES

	Balance	Transfers		Balance	Transfers		Balance
	1 April 2010 £'000	In £'000	Out £'000	31 March 2011 £'000	In £'000	Out £'000	31 March 2012 £'000
Area Committee	(21)		7	(14)			(14)
Asset Management	(2,418)	(250)	465	(2,203)	(500)	667	(2,036)
Borough Council Elections	(90)	(30)		(120)	(30)	106	(44)
Housing Needs Survey	(5)	(8)		(13)	(8)		(21)
ICT Strategy Reserve	(1,550)	(150)	231	(1,469)	(300)	54	(1,715)
Local Development Framework	(212)	(20)		(232)	(40)	40	(232)
Performance Reward Grant	(239)		58	(181)	(169)	43	(307)
Public Open Space	(1,948)	(96)	155	(1,889)	(96)	155	(1,830)
Single Status/Equal pay	(625)		102	(523)	(237)	237	(523)
Vehicle and Plant replacement	(112)			(112)			(112)
Leisure sites maintenance	(92)	(69)		(161)	(36)		(197)
Pension Fund	(8)		8	0			0
Icelandic impairment					(120)		(120)
Other	(507)	(170)	122	(555)	(297)	128	(724)
<b>Total</b>	<b>(7,827)</b>	<b>(793)</b>	<b>1,148</b>	<b>(7,472)</b>	<b>(1,833)</b>	<b>1,430</b>	<b>(7,875)</b>

## 9 OTHER OPERATING EXPENDITURE

2010/11 £'000		2011/12 £'000
238	Parish council precepts	241
1	Payments to the Governments Capital Receipt Pool	1
(18)	Gains and losses on the disposal of non current assets	119
<b>221</b>	<b>Total</b>	<b>361</b>

## 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £'000		2011/12 £'000
215	Interest payable and similar charges	(59)
1,270	Pensions interest cost net of expected return on pension assets	618
(368)	Interest receivable and similar income	(325)
442	Income and Expenditure in relation to investment properties and changes in their fair value	(92)
470	losses on trading accounts (note 30)	100
0	Other investment income	0
<b>2,029</b>	<b>Total</b>	<b>242</b>

## 11 TAXATION AND NON SPECIFIC GRANT INCOMES

2010/11 £'000		2011/12 £'000
(7,783)	Council tax income	(7,776)
(6,579)	Non domestic rates	(4,115)
(955)	Non ring fenced government grants	(1,627)
(1,186)	Capital grants and contributions	(834)
<b>(16,503)</b>	<b>Total</b>	<b>(14,352)</b>

## 12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 April 2011</b>	<b>28,505</b>	<b>10,797</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>39,319</b>
Additions	759	408				1,167
Revaluations recognised in the Revaluation Reserve (RR)	649			11		660
Revaluations recognised in CI&E	(579)					(579)
De-recognition - disposals		(1,627)				(1,627)
De-recognition - other						
Assets reclassified	(225)					(225)
Other movements						
<b>At 31 March 2012</b>	<b>29,109</b>	<b>9,578</b>		<b>28</b>		<b>38,715</b>
<b>Depreciation and Impairment</b>						
<b>At 1 April 2011</b>	<b>(5,034)</b>	<b>(5,730)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,764)</b>
Depreciation charge	(590)	(1,110)				(1,700)
Depreciation written out of RR	1,330					1,330
Depreciation written out of CI&E	56					56
Impairment losses recognised in RR						
Impairment losses recognised in CI&E						
De-recognition - disposals		1,627				1,627
De-recognition - other						
Other movements						
<b>At 31 March 2012</b>	<b>(4,238)</b>	<b>(5,213)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,451)</b>

Comparative movements in 2010/11	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b><u>Cost or valuation</u></b>						
<b>At 1 April 2010</b>	<b>28,943</b>	<b>8,964</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>37,924</b>
Additions	1,190	2,170				3,360
Revaluations recognised in Revaluation Reserve (RR)	555					555
Revaluations recognised in CI&E	(1,705)					(1,705)
De-recognition - disposals	(3)	(337)				(340)
De-recognition - other						
Assets reclassified	(475)					(475)
Other movements						
<b>At 31 March 2011</b>	<b>28,505</b>	<b>10,797</b>		<b>17</b>		<b>39,319</b>
<b><u>Depreciation and Impairment</u></b>						
<b>At 1 April 2010</b>	<b>(2,790)</b>	<b>(5,085)</b>				<b>(7,875)</b>
Depreciation charge	(591)	(982)				(1,573)
Depreciation written out of RR	1,164					1,164
Depreciation written out of CI&E	452					452
Impairment losses recognised in RR	(864)					(864)
Impairment losses recognised in CI&E	(2,406)					(2,406)
De-recognition - disposals	1	337				338
De-recognition - other						
Other movements						
<b>At 31 March 2011</b>	<b>(5,034)</b>	<b>(5,730)</b>				<b>(10,764)</b>
<b><u>Net Book Value</u></b>						
<b>At 31 March 2011</b>	<b>23,471</b>	<b>5,067</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>28,555</b>
<b>At 31 March 2012</b>	<b>24,871</b>	<b>4,365</b>	<b>0</b>	<b>28</b>	<b>0</b>	<b>29,264</b>

### Fixed Assets Valuations

During 2011/12 the valuations were carried out by K.J. Property Consultancy and the Council's Estates Surveyor R. Handscombe FRICS. The basis of valuation is set out in the Statement of Accounting Policies.

	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Carried at historical cost</b>	<b>743</b>	<b>9,578</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,321</b>
Valued at fair value as at:						
31 March 2012	3,269			28		3,297
31 March 2011	20,880	0	0	0	0	20,880
31 March 2010	289	0	0	0	0	289
31 March 2009	1,430	0	0	0	0	1,430
31 March 2008	12	0	0	0	0	12
31 March 2007	2,486	0	0	0	0	2,486
<b>Total cost or valuation</b>	<b>29,109</b>	<b>9,578</b>	<b>0</b>	<b>28</b>	<b>0</b>	<b>38,715</b>

### 13 INVESTMENT PROPERTIES

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

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or its right to receipt of income or the proceeds of disposal.

The assets are comprehensively re-valued every five years, and annually reviewed for any indications that changes in yields or void levels warrant a review of fair values.

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

	2010/11	2011/12
	£'000	£'000
Fair Value 1 April	11,665	11,698
Additions – Subsequent expenditure	0	0
Disposals	0	0
Net gains/(losses) from fair value adjustments	(442)	92
Transfers (to)/from Property Plant and Equipment	475	225
Other changes	0	0
<b>TOTAL</b>	<b>11,698</b>	<b>12,015</b>

### 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

Amortisation is on a straight line basis. In 2011/12 the amortisation charge of £0.102m was charged principally to IT £0.040m and Revenues/Cashiers £0.030m. 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:

	2010/11 £'000	2011/12 £'000
Cost at start of year	952	724
Derecognised in year	(460)	(70)
Additions in year	232	54
<b>Gross cost at end of year</b>	<b>724</b>	<b>708</b>
Accumulated amortisation at start of year	(661)	(351)
Derecognised in year	460	70
Amortised in year	(150)	(102)
<b>Accumulated amortisation</b>	<b>(351)</b>	<b>(383)</b>
<b>Net Carrying amount at the year end</b>	<b>373</b>	<b>325</b>

There are 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 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000
<u>Investments</u>				
Loans and receivables	0	0	7,188	6,153
<u>Debtors</u>				
Loans and receivables	91	84	2,526	1,737
<u>Borrowings</u>				
Financial liabilities at amortised cost	0	0	0	0
<u>Other Long Term Liabilities</u>				
Finance lease liabilities	(1,708)	(1,230)	0	0
<u>Creditors</u>				
Financial liabilities carried at contract amount	0	0	(2,700)	(2,081)

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:

	2010/11			2011/12		
	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	157	0	157	22	0	22
Impairment	0	57	57	0	(81)	(81)
<b>Total Expense</b>	<b>157</b>	<b>57</b>	<b>214</b>	<b>22</b>	<b>(81)</b>	<b>(59)</b>
Interest income	0	(161)	(161)	0	(325)	(325)
Interest income accrued on impaired assets	0	(206)	(206)	0	0	0
<b>Total income</b>	<b>0</b>	<b>(367)</b>	<b>(367)</b>	<b>0</b>	<b>(325)</b>	<b>(325)</b>
<b>Net (gain)/loss for the year</b>			<b>(153)</b>			<b>(266)</b>

## 15c Fair Values of Assets and Liabilities

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

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

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

	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b><u>Financial Liabilities</u></b>				
Finance Lease	1,708	1,725	1,230	1,230

	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b><u>Financial Assets</u></b>				
Long Term Debtors	91	91	84	84



## 16 INVENTORIES

	2010/11			2011/12		
	Consumable stores £'000	Maintenance materials £'000	Total £'000	Consumable stores £'000	Maintenance materials £'000	Total £'000
Balance at 1 April	104	36	140	117	35	152
Purchases	423	207	630	572	206	778
Issued in year	(410)	(206)	(616)	(584)	(206)	(790)
Written off in year	0	(2)	(2)	(10)	(3)	(13)
Balance at year end	<b>117</b>	<b>35</b>	<b>152</b>	<b>95</b>	<b>32</b>	<b>127</b>

## 17 CONSTRUCTION CONTRACTS

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

## 18 SHORT TERM DEBTORS

	31 March 2011 £'000	31 March 2012 £'000
Central government bodies	1,447	694
Other local authorities	851	1,455
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	2,569	2,257
Net carrying amount at the year end	4,867	4,406
Less provision for bad debts	(554)	(625)
<b>TOTAL DEBTORS</b>	<b>4,313</b>	<b>3,781</b>

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

## 19 CASH AND CASH EQUIVALENTS

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

	31 March 2011 £'000	31 March 2012 £'000
Cash held by the Authority	0	(64)
Bank current and call accounts	5,174	4,937
Short term deposits	0	1,002
<b>Total cash and cash equivalents</b>	<b>5,174</b>	<b>5,875</b>

## 20 ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Balance outstanding at the start of the year	330	0	0	0
Assets sold	0	0	0	0
Transfers from non-current to current	0	0	0	0
<b>Balance outstanding at year end</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 21 SHORT TERM CREDITORS

	31 March 2011 £'000	31 March 2012 £'000
Central government bodies	(632)	(541)
Other local authorities	(766)	(478)
NHS bodies	0	(20)
Public corporations and trading funds	0	0
Other entities and individuals	(2,087)	(2,047)
<b>Net carrying amount at the year end</b>	<b>(3,485)</b>	<b>(3,086)</b>

## 22 PROVISIONS

There are no provisions at 31 March 2011 or at 31 March 2012.

## 23 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

## 24 UNUSABLE RESERVES

	31 March 2011 £'000	31 March 2012 £'000
Revaluation Reserve	(1,292)	(3,233)
Capital Adjustment Account	(33,738)	(32,907)
Financial Instruments Adjustment Account	(21)	(18)
Deferred Capital Receipts Reserve	(25)	(24)
Pensions Reserve	21,090	26,429
Collection Fund Adjustment Account	4	58
Accumulated Absences Account	157	282
<b>Total Unusable Reserves</b>	<b>(13,825)</b>	<b>(9,413)</b>

## 24a Revaluation Reserve

The Revaluation Reserve holds the gains arising from increases in the valuation of Property, Plant and Equipment. The balance is reduced by any subsequent reductions in value, by impairment, by depreciation, and by disposal.

The Reserve holds only gains accumulated since 1 April 2007. Gains prior to that date were consolidated in the Capital Adjustment Account.

	2010/11 £'000	2011/12 £'000
<b>Balance at 1 April</b>	<b>(490)</b>	<b>(1,292)</b>
Upward revaluation of assets	(855)	(1,990)
Downward revaluation & impairment not charged to the Comprehensive Income and Expenditure Account	17	0
Difference between fair value and historic cost depreciation	36	49
Accumulated gains on assets de-recognised	0	0
<b>Balance at 31 March</b>	<b>(1,292)</b>	<b>(3,233)</b>

## 24b Capital Adjustment Account

This account contains the following:

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

	2010/11 £'000	2011/12 £'000
<b>Balance at 1 April</b>	<b>(36,771)</b>	<b>(33,738)</b>
<u>Adj. between accounting and regulatory funding bases (see note 7)</u>		
Items relating to capital charges		
Charges for depreciation of non current assets	1,573	1,700
Charges for impairment of non current assets	3,659	524
Amortisation of intangible assets	150	102
Revenue expenditure funded from capital under statute	987	348
Net cost disposal of assets	1	330
Movements in the market value of Investment Properties	442	(92)
Capital financing applied in the year		
Capital receipts used to finance new capital expenditure	(803)	(80)
Capital expenditure charged to the General Fund Balance	(830)	(771)
Statutory & voluntary provision for the repayment of debt	(544)	(670)
Grants used in the year to fund capital expenditure	(1,549)	(511)
<u>Adjustments with the Revaluation Reserve (see note 24a)</u>		
Downward revaluation & impairment not charged to CI&E	(17)	0
Difference between fair value and historic cost depreciation	(36)	(49)
<b>Balance at 31 March</b>	<b>(33,738)</b>	<b>(32,907)</b>

### 24c Financial Instruments Adjustment Account

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

	2010/11 £'000	2011/12 £'000
<b>Balance at 1 April</b>	<b>(23)</b>	<b>(21)</b>
Premia on early debt redemption – amortisation deferred as per statutory requirement	(5)	(5)
Discounts on early debt redemption – amortisation deferred as per statutory requirement	7	8
<b>Balance at 31 March</b>	<b>(21)</b>	<b>(18)</b>

### 24d Deferred Capital Receipts Reserve

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

	2010/11 £'000	2011/12 £'000
<b>Balance at 1 April</b>	<b>(27)</b>	<b>(25)</b>
Transfer to Capital Receipts Reserve on receipt of cash	2	1
<b>Balance at 31 March</b>	<b>(25)</b>	<b>(24)</b>

### 24e Pensions Reserve

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

The costs of benefits are charged to the Comprehensive Income and Expenditure Account when they are earned rather than when they are paid. Statutory arrangements however require that benefits be financed only when the Authority makes contributions to the pension fund. The debit balance on the Pension Reserve therefore shows that benefits earned by employees exceeds the payments made by the authority to fund them.

Statutory arrangements require that adequate funding will ultimately be set aside.

	2010/11 £'000	2011/12 £'000
<b>Balance at 1 April</b>	<b>30,043</b>	<b>21,090</b>
Actuarial losses/(gains) on pension assets and liabilities.	(5,548)	5,029
Reversal of charges posted to the Comprehensive Income & Expenditure Account.	(1,829)	1,885
Employers contributions and direct payments to pensioners payable in the year.	(1,576)	(1,575)
<b>Balance at 31 March</b>	<b>21,090</b>	<b>26,429</b>

### 24f Collection Fund Adjustment Account

Council tax income is recognised in the Comprehensive Income and Expenditure as it becomes due from individual payers of the charge. Statute requires however that the Council recognises the estimated amount determined when the council tax charge for the year was fixed. The difference is shown in this account.

	2010/11 £'000	2011/12 £'000
<b>Balance at 1 April</b>	37	4
Council tax income credited to the Comprehensive Income & Expenditure account in excess of statutory amount.	(33)	54
<b>Balance at 31 March</b>	4	58

#### 24g Accumulated Absences Account

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

	2010/11 £'000	2011/12 £'000
<b>Balance at 1 April</b>	132	157
Reduction in provision transferred to General Fund Balance	25	125
<b>Balance at 31 March</b>	157	282

### 25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2010/11 £'000	2011/12 £'000
Interest received	676	296
Interest paid	(215)	(71)
<b>Net</b>	<b>461</b>	<b>225</b>

### 26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2010/11 £'000	2011/12 £'000
Purchase of property, plant & equipment, investment property & intangible assets.	(3,060)	(1,164)
Purchase of short and long term investments.	(31,597)	(16,400)
Proceeds from the sale of assets.	19	184
Proceeds from short and long term investments.	30,905	17,558
Other receipts relating to investing activity (government grants)	2,050	856
<b>Total cash flows from investing activities</b>	<b>(1,683)</b>	<b>1,034</b>

### 27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2010/11 £'000	2011/12 £'000
Cash paid to reduce lease liabilities.	(479)	(530)
Repayments of borrowings.	(472)	0
Change in indebtedness relating to NNDR(due from Government) and Council Tax (due from Preceptors).	1,712	(39)
<b>Total cash flows from financing activities</b>	<b>761</b>	<b>(569)</b>

## 28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (SEGMENTS)

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

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

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

<b>DIRECTORATE INCOME &amp; EXPENDITURE 2011/2012</b>	<b>Chief Executives</b>	<b>Corporate Governance</b>	<b>Customer Contact &amp; Business Improvement</b>	<b>Planning &amp; Housing</b>	<b>Regeneration &amp; Healthy Communities</b>	<b>Shared Services</b>	<b>Neighbourhoods</b>	<b>Total Directorate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees & Charges & Other Service Income	(49)	(320)	(359)	(1,916)	(945)	(444)	(2,854)	<b>(6,887)</b>
Government Grants	(169)	(82)	(27,971)	(66)				<b>(28,288)</b>
<b>Total Income</b>	<b>(218)</b>	<b>(402)</b>	<b>(28,330)</b>	<b>(1,982)</b>	<b>(945)</b>	<b>(444)</b>	<b>(2,854)</b>	<b>(35,175)</b>
Employee Expenses	542	926	2,086	1,558	1,886	510	2,400	<b>9,908</b>
Other Service Expense.	226	398	28,123	1,257	1,278	800	4,372	<b>36,454</b>
<b>Expenditure</b>	<b>768</b>	<b>1,324</b>	<b>30,209</b>	<b>2,815</b>	<b>3,164</b>	<b>1,310</b>	<b>6,772</b>	<b>46,362</b>
<b>Net Expenditure</b>	<b>550</b>	<b>922</b>	<b>1,879</b>	<b>833</b>	<b>2,219</b>	<b>866</b>	<b>3,918</b>	<b>11,187</b>

<b>DIRECTORATE INCOME &amp; EXPENDITURE 2010/2011 (Restated)</b>	<b>Chief Executives</b>	<b>Corporate Governance</b>	<b>Customer Contact &amp; Business Improvement</b>	<b>Planning &amp; Housing</b>	<b>Regeneration &amp; Healthy Communities</b>	<b>Shared Financial Services</b>	<b>Neighbourhoods</b>	<b>Total Directorate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees & Charges & Other Service Income	(58)	(314)	(297)	(1,917)	(932)	(234)	(2,802)	<b>(6,554)</b>
Government Grants		(34)	(27,002)	(36)			(59)	<b>(27,131)</b>
<b>Total Income</b>	<b>(58)</b>	<b>(348)</b>	<b>(27,299)</b>	<b>(1,953)</b>	<b>(932)</b>	<b>(234)</b>	<b>(2,861)</b>	<b>(33,685)</b>
Employee Expenses	867	915	2,203	1,525	2,003	510	2,370	<b>10,393</b>
Other Service Expense	128	193	27,921	1,148	1,410	770	4,649	<b>36,219</b>
<b>Expenditure</b>	<b>995</b>	<b>1,108</b>	<b>30,124</b>	<b>2,673</b>	<b>3,413</b>	<b>1,280</b>	<b>7,019</b>	<b>46,612</b>
<b>Net Expenditure</b>	<b>937</b>	<b>760</b>	<b>2,825</b>	<b>720</b>	<b>2,481</b>	<b>1,046</b>	<b>4,158</b>	<b>12,927</b>

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

	2010/2011 £'000	2011/2012 £'000
<b>Net Expenditure in Directorate Analysis</b>	<b>12,927</b>	<b>11,187</b>
Net Expenditure of services and support services not included in the Analysis	(4,832)	95
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	8,079	3,502
	<b>16,174</b>	<b>14,784</b>
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	0	0
<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>16,174</b>	<b>14,784</b>

<b>RECONCILIATION TO SUBJECTIVE ANALYSIS 2011/2012</b>	<b>Director Analysis</b>	<b>Services &amp; Support Services not in Analysis</b>	<b>Amounts not reported to management for decision making</b>	<b>Amounts not included in I &amp; E</b>	<b>Allocation of Recharges</b>	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income.	(6,885)				(13,797)	(20,682)	(834)	<b>(21,516)</b>
Interest and investment income.		(329)	(3,343)			(3,672)		<b>(3,672)</b>
Income from council tax.						0	(7,776)	<b>(7,776)</b>
Government grants and contributions.	(28,289)					(28,289)	(5,742)	<b>(34,031)</b>
<b>Total Income</b>	<b>(35,174)</b>	<b>(329)</b>	<b>(3,343)</b>	<b>0</b>	<b>(13,797)</b>	<b>(52,643)</b>	<b>(14,352)</b>	<b>(66,995)</b>
Employee expenses.	9,907	365				10,272		<b>10,272</b>
Other service expenses.	36,454	59	255			36,768		<b>36,768</b>
Support Service recharges.					13,797	13,797		<b>13,797</b>
Depreciation, amortisation and impairment.			2,197			2,197		<b>2,197</b>
Interest Payments.			4,032			4,032		<b>4,032</b>
Precepts & Levies.			241			241		<b>241</b>
Payments to Housing Capital Receipts Pool.			1			1		<b>1</b>
Gain or Loss on Disposal of Fixed Assets.			119			119		<b>119</b>
<b>Total Expenditure</b>	<b>46,361</b>	<b>424</b>	<b>6,845</b>	<b>0</b>	<b>13,797</b>	<b>67,427</b>	<b>0</b>	<b>67,427</b>
<b>Surplus or deficit on the provision of services</b>	<b>11,187</b>	<b>95</b>	<b>3,502</b>	<b>0</b>	<b>0</b>	<b>14,784</b>	<b>(14,352)</b>	<b>432</b>



<b>RECONCILIATION TO SUBJECTIVE ANALYSIS 2010/2011</b>	<b>Director Analysis</b>	<b>Services &amp; Support Services not in Analysis</b>	<b>Amounts not reported to management for decision making</b>	<b>Amounts not included in I &amp; E</b>	<b>Allocation of Recharges</b>	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income.	(6,554)				(15,579)	(22,175)	(1,186)	<b>(23,361)</b>
Interest and investment income.			(3,501)			(3,501)		<b>(3,501)</b>
Income from council tax.						0	(7,783)	<b>(7,783)</b>
Government grants and contributions.	(27,131)	(987)	(42)			(28,118)	(7,534)	<b>(35,652)</b>
<b>Total Income</b>	<b>(33,685)</b>	<b>(987)</b>	<b>(3,543)</b>	<b>0</b>	<b>(15,579)</b>	<b>(53,794)</b>	<b>(16,503)</b>	<b>(70,297)</b>
Employee expenses.	10,361	(4,043)	(25)			6,293		<b>6,293</b>
Other service expenses.	36,251	198	4,980			47,739		<b>47,739</b>
Support Service recharges.					15,579	15,579		<b>15,579</b>
Depreciation, amortisation and impairment.			1,601			(4,924)		<b>(4,924)</b>
Interest Payments.			4,403			4,618		<b>4,618</b>
Precepts & Levies.			238			238		<b>238</b>
Payments to Housing Capital Receipts Pool.			1			1		<b>1</b>
Gain or Loss on Disposal of Fixed Assets.			424			424		<b>424</b>
<b>Total Expenditure</b>	<b>46,612</b>	<b>(3,845)</b>	<b>11,622</b>	<b>0</b>	<b>15,579</b>	<b>69,968</b>	<b>0</b>	<b>69,968</b>
<b>Surplus or deficit on the provision of services</b>	<b>12,927</b>	<b>(4,832)</b>	<b>8,079</b>	<b>0</b>	<b>0</b>	<b>16,174</b>	<b>(16,503)</b>	<b>(329)</b>

## 29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no operations acquired or discontinued during the year.

## 30 TRADING OPERATIONS

The Authority runs two trading operations.

The first, the Catering Service, provides catering both to the Council for its own operations, and also for private functions run at Council premises. 44% of its income is derived from the first of these, and 56% from the second.

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

The performance of these two operations is set out below:

	<b>Catering £'000</b>	<b>Investment Properties £'000</b>	<b>Total £'000</b>
<b><u>2010/11</u></b>			
Turnover	(395)	(942)	(1,337)
Direct costs	419	263	682
Overheads	223	287	510
capital charges	0	613	613
<b>Net (surplus) or deficit</b>	<b>247</b>	<b>221</b>	<b>468</b>
<b><u>2011/12</u></b>			
Turnover	(351)	(899)	(1,250)
Direct costs	387	354	741
Overheads	250	231	581
capital charges	0	128	128
<b>Net (surplus) or deficit</b>	<b>286</b>	<b>(186)</b>	<b>100</b>

### 31 AGENCY SERVICES

The Council acts as agent for central government in the collection of national non domestic rates, and as agent for major preceptors in the collection of council tax. Further details are given in the notes to the collection fund.

### 32 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

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

### 33 POOLED BUDGETS

The Council has no material pooled budget arrangements.

### 34 MEMBERS ALLOWANCES

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

	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>
Allowances	158	166
Expenses	0	0
<b>Total</b>	<b>158</b>	<b>166</b>

### 35 OFFICERS REMUNERATION

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

Post Title	Salary £	Expense Allowances £	Benefits In kind £	Total Remuneration (excluding Pension Contributions) £	Pension Contributions £	Total Remuneration (including pension contributions) £
<b>2011/2012 Remuneration</b>						
Chief Executive	101,631	1,239	683	103,553	19,652	123,205
Director of Planning and Housing	63,070	1,239	285	64,594	12,162	76,756
Director of Neighbourhoods	63,013	1,239	140	64,392	12,162	76,554
Director of Business Transformation	63,013	1,239	0	64,252	12,162	76,414
Director of Corporate Governance	63,013	1,239	0	64,252	12,162	76,414
Director of Regeneration and Healthy Communities	63,013	1,239	0	64,252	12,162	76,414

The comparative information for the preceding year, is as follows

<b>Post Title</b>	<b>Salary £</b>	<b>Expense Allowances £</b>	<b>Benefits In kind £</b>	<b>Total Remuneration (excluding Pension Contributions) £</b>	<b>Pension Contributions £</b>	<b>Total Remuneration (including pension contributions) £</b>
<b>2010/2011 Remuneration</b>						
Corporate Director (Resources)/Chief Executive (from September 2010)	94,635	1,263	285	96,183	17,062	113,245
Corporate Director (Policy and Governance) *	107,571	181	0	107,752	580	108,332
Corporate Director (Environment and Community) *	107,329	738	0	108,067	0	108,067
Director of Planning and Housing	63,969	1,355	306	65,630	11,324	76,954
Director of Neighbourhoods and Street Scene	63,558	1,324	108	64,990	11,324	76,314
Director of Business Transformation	63,516	1,310	0	64,826	11,324	76,150
Director of Corporate Governance	63,477	1,241	0	64,718	11,324	76,042
Director of Regeneration and Healthy Communities	63,312	1,239	0	64,551	11,324	75,875
Chief Executive (to September 2010)	48,641	685	398	49,724	9,393	59,117

\* posts made redundant in 2010/11

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 2010/11 or 2011/12.

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	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 -£20,000	2	1	3	12	5	13	23,842	108,496
£20,001 - £40,000	1	0	0	1	1	1	21,618	25,081
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	1	0	0	0	1	0	98,258	0
£100,000 - £150,000	1	0	0	0	1	0	102,758	0
<b>Total</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>13</b>	<b>8</b>	<b>14</b>	<b>246,476</b>	<b>133,577</b>

### 36 EXTERNAL AUDIT COSTS

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

	2010/11 £'000	2011/12 £'000
Fees for statutory inspection and audit	93	88
Fees for the certification of grant claims and returns	32	24
<b>Total</b>	<b>125</b>	<b>112</b>

### 37 GRANT INCOME

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

	2010/11 £'000	2011/12 £'000
<b><u>Credited to Taxation and Non Specific</u></b>		
National non domestic rates	(6,579)	(4,115)
Revenue support grant	(955)	(1,272)
Grants – New Homes Bonus	0	(165)
Grants & Contributions - Other	(1,186)	(834)
Grants – Council Tax freeze		(190)
<b>Total</b>	<b>(8,720)</b>	<b>(6,576)</b>
<b><u>Credited to Services</u></b>		
Grants – benefits related	(26,753)	(27,850)
Grants – Performance Reward	0	(169)
Grants – Planning Development Grant	0	0
Grants – Regional Housing Pot	(844)	0
Grants & Contributions – other	(1,273)	(985)
Contribution – County Council waste recycling	(827)	(968)
<b>Total</b>	<b>(29,697)</b>	<b>(29,972)</b>

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

	2010/11 £'000	2011/12 £'000
<b>Contributions</b>		
Various contributions	84	84
<b>Total</b>	<b>84</b>	<b>84</b>

## 38 RELATED PARTIES

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

### ◆ Central Government

Central government has effective control over the operations of the council as it provides the statutory framework within which it operates and the majority of its funding in the form of grants.

### ◆ 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 which include the personal interest of partners, relatives or friends, are also both recorded in the minutes of the meeting and signed in a book, which are open to public inspection.

During 2011/12, the Council paid grants totalling £21,000 (£39,477 – 2010/11) to voluntary organisations. However no member involvement in any of these organisations was declared.

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

### ◆ 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 2011/12 gross expenditure of £1.989m (2010/11 £2.178m) was incurred on the shared services which was fully funded by recharges of £1.009m (2010/11 £1.091m) to South Ribble Borough Council and £0.980m (2010/11 £1.087m) to Chorley Borough Council.

### ◆ Progress Housing

The Council has representation on the Board of Progress Housing, for whom it provides vehicle and grounds maintenance services. In 2011/12 it received £0.159m for these services.

### ◆ 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	£18,146
Leisure Services Fee	£421,183

### 39 CAPITAL EXPENDITURE AND FINANCING

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

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

	2010/11 £'000	2011/12 £'000
<b>Opening Capital Financing Requirement</b>	<b>5,065</b>	<b>5,919</b>
Capital investment		
Property, Plant and Equipment	3,360	1,167
Intangible Assets	232	54
Revenue Expenditure Funded from Capital under Statute	987	348
Sources of finance		
Capital Receipts	(803)	(80)
Government Grants and Other Contributions	(1,548)	(511)
Sums set aside from revenue		
Earmarked Reserves	(760)	(721)
Revenue Financing	(70)	(50)
Minimum Revenue provision	(268)	(415)
Voluntary Revenue Provision	(276)	(255)
<b>Closing Capital Financing Requirement</b>	<b>5,919</b>	<b>5,456</b>
Explanation of movements in year		
Assets financed by prudential borrowing	633	155
Assets acquired under deferred purchase arrangement	765	52
Provision made for debt repayment	(544)	(670)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>854</b>	<b>(463)</b>

### 40 LEASES

#### 40a Authority as lessee

##### Finance leases

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

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

	31 March 2011 £'000	31 March 2012 £'000
Vehicles, Plant, Furniture and Equipment	158	11
Works to Leisure Centres	1,482	1,218



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

	<b>31 March 2011 Vehicles etc £'000</b>	<b>31 March 2012 Vehicles etc £'000</b>
Finance lease liabilities (net present value of minimum lease payments)		
Current liabilities	152	0
Long term liabilities	12	12
Finance costs payable in future years	22	8
<b>Minimum lease payments</b>	<b>186</b>	<b>20</b>

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 31/3/2012 £3.192m had been spent (£3.141m to 31/3/2011). The minimum payments under the lease total £6.638m. £3.919m is still to be paid, of which £436k is due in 2012/13 (as it was in 2011/12).

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>
	Not later than 1 year.	165	7	152
Later than 1 yr, not later than 5.	21	13	12	12
Later than 5 years.	0	0	0	0
	<b>186</b>	<b>20</b>	<b>164</b>	<b>12</b>

The minimum lease payments in respect of the completed works to leisure centres.

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>
	Not later than 1 year.	435	436	316
Later than 1 yr, less than 5.	1,210	936	1,166	902
Later than 5 years.	0	0	0	0
	<b>1,645</b>	<b>1,372</b>	<b>1,482</b>	<b>1,218</b>

#### Operating leases

The Authority operates vehicles under operating leases. None of the assets are sublet. The future minimum payments due are as follows:-

	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>
Not later than 1 year	14	0
Later than 1 yr, not later than 5	0	0
Later than 5 years	0	0
<b>Minimum lease payments</b>	<b>14</b>	<b>0</b>

The operating lease rentals charged in the Comprehensive Income and expenditure statement during the year were as follows:-

	2010/11 £'000	2011/12 £'000
Minimum lease payments	34	14
Other payments	0	0
<b>Total</b>	<b>34</b>	<b>14</b>

#### 40b Authority as lessor

##### Finance Leases

The Council has leased one property for 125 years.

In the following table the gross investment in the lease is reconciled to the present value of the minimum lease payments:

	31 March 2011 £'000	31 March 2012 £'000
Finance lease debtor (present value of minimum lease payments)	20	20
Unearned finance income	96	95
<b>Total</b>	<b>116</b>	<b>115</b>

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 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'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.	111	110	111	110
<b>Total</b>	<b>116</b>	<b>115</b>	<b>116</b>	<b>115</b>

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 2011 £'000	31 March 2012 £'000
Not later than one year	769	785
Later than one and not later than five years	1,654	2,030
Later than five years	14,992	15,616
<b>Total</b>	<b>17,415</b>	<b>18,431</b>

## 41 IMPAIRMENT LOSSES

	2010/11 £'000	2011/12 £'000
Impairment loss recognised in cost of service	2,406	0
Impairment loss taken to the Revaluation Reserve	864	0
<b>Total</b>	<b>3,270</b>	<b>0</b>
<b>Material individual impairments</b>		
South Ribble Tennis Centre	2,035	0
Bamber Bridge Leisure Centre	721	0

In 2010/11 in both cases where there has been a material impairment, the asset is valued at its depreciated replacement cost.

## 42 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2011/12 incurring liabilities of £0.134 million. See note 35 for the number of exit packages and total cost.

## 43 DEFINED BENEFIT PENSION SCHEME

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.

### 43a 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:

	2010/11 £'000	2011/12 £'000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services		
Current service cost	1,309	1,150
Past service cost	(4,503)	50
Settlement and curtailment	95	67
Financing and investment Income and Expenditure		
Interest costs	4,403	3,961
Expected return on scheme assets	(3,133)	(3,343)
Total post employment benefit charged to the (Surplus)/Deficit on the Provision of Service	(1,829)	1,885
Other post employment benefit charged to the Comprehensive Income & Expenditure Statement		
Actuarial gains and losses	(5,490)	5,029
Total post employment benefit charged to the Comprehensive Income & expenditure Statement	(7,319)	6,914
Movement in Reserves Statement		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	1,829	1,885
<b>Actual amount charged against the General Fund balance for pensions in the year</b>	<b>1,576</b>	<b>1,576</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is £23.822m.

#### 43b Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities.

	Funded liabilities	
	Local Government Pension Scheme	
	2010/11 £'000	2011/12 £'000
<b>1 April</b>	<b>(79,205)</b>	<b>(73,199)</b>
Current service cost	(1,309)	(1,150)
Interest cost	(4,403)	(3,961)
Contributions by scheme participants	(443)	(420)
Actuarial gains and (losses)	4,856	(2,526)
Benefits paid	2,897	3,935
Curtailment	(95)	(67)
Past service costs	4,503	(50)
<b>31 March</b>	<b>(73,199)</b>	<b>(77,438)</b>

Reconciliation of fair value of the scheme assets.

	Local Government Pension Scheme	
	2010/11 £'000	2011/12 £'000
<b>1 April</b>	<b>49,162</b>	<b>52,109</b>
Expected return on plan assets	3,133	3,343
Actuarial gains & (losses)	634	(2,503)
Employer contributions	1,634	1,567
Contributions by scheme participants	443	420
Benefits paid	(2,897)	(3,935)
<b>31 March</b>	<b>52,109</b>	<b>51,001</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual gain on scheme assets in the year was £0.841m.

#### 43c Scheme history

	2007/08 As restated £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Present value of liabilities	(69,273)	(58,433)	(79,205)	(73,199)	(77,438)
Fair value of assets	48,399	37,802	49,162	52,109	51,001
<b>Surplus/(deficit) in the scheme</b>	<b>(20,874)</b>	<b>(20,631)</b>	<b>(30,043)</b>	<b>(21,090)</b>	<b>(26,437)</b>

The deficit in the Balance Sheet at 31 March 2012 is £8k less than that shown above, this being the difference between the estimated and actual employers pension contributions.

The liabilities show the underlying commitments that the authority has in the long term to pay post employment (retirement) benefits. The total liability of £26.4m has a substantial impact on the net worth of the authority as recorded in the balance sheet.

Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £1.531m.

#### 43d 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 2010.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2010/11	2011/12
Long term expected rate of return on assets in the scheme		
Equity investments	7.5%	7.0%
Government bonds	4.4%	3.1%
Other bonds	5.1%	4.1%
Property	6.5%	6.0%
Cash/liquidity	0.5%	0.5%
Other	7.5%	7.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.60	21.70
Women	24.20	24.30
Longevity at 65 for future pensioners		
Men	23.00	23.10
Women	25.80	25.90
Rate of inflation (RPI)	3.40%	
Rate of inflation (CPI)	2.90%	2.50%
Rate of increase in salaries	4.90%	4.50%
Rate of increase in pensions	2.90%	2.50%
Rate for discounting scheme liabilities	5.50%	4.90%
Take up option to convert pension into lump sum	50%	50%

**Exceptional accounting item 2010/11:** In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2010 public services pensions would be uprated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This had the effect of reducing the Authority's liabilities at 31 March 2011 by £4.503m and was recognised as a past service gain since it was considered a change in benefit entitlement. There was no impact on the General Fund.

#### 43e Analysis of scheme assets

	Proportion of total Assets 31/03/11 %	Proportion of total Assets 31/03/12 %
Equity investments	64.0	58.0
Government Bonds	7.0	5.0
Other Bonds	14.0	15.0
Property	8.0	10.0
Cash/liquidity	1.0	5.0
Other assets	6.0	7.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### 43f History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March in each year.

	2007/08 As restated %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Experience gains and (losses) on assets	(15.5)	(34.6)	20.2	1.2	(4.9)
Experience gains and (losses) on liabilities	5.5	0	0	6.6	0

#### 43g Prepaid or accrued pension contributions

An amount of £0.135m is included in the creditors section of the Balance Sheet. This represents accrued pension contributions as at 31 March 2012. These were paid to the Lancashire County Pension Fund in April 2012.

#### 44 CONTINGENT LIABILITIES

The Council has received claims from a number of private search companies in respect of fees paid for land charge searches since 2005. The Local Government Association is acting on behalf of all Councils in responding. The potential amount payable has not yet been accurately quantified.

#### 45 CONTINGENT ASSETS

The Council has submitted a claim 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, an amount of £157k plus interest is still outstanding along with a claim for compound interest relating to a claim settled in 2009/10. In respect of trade waste income, the amount still outstanding is £649k plus interest.

#### 46 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### Key risks

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

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

##### Overall procedures for managing risk

In managing investment risk the Council works within the legal framework set out in the Local Government Act 2003 and associated regulations. This requires compliance with the CIPFA Code of Practice, the Prudential Code, and investment guidance issued through the Act. A key

requirement is that the council should annually consider its Treasury Management Strategy which incorporates the following:

Prudential indicators specifying

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

An Investment Strategy specifying

- The use that should be made of credit ratings and other indicators to determine the financial standing of counterparties;
- The use of sovereign ratings to limit investments to specific countries;
- The maximum amounts that might be deposited with any institution;
- 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 table analyses relevant investments and debtors as at the date of account

	Amount at 31 March £'000	Default risk %	Exposure to default £'000
Investments			
Impaired bank deposits	2,122		2,122
Other short term deposits with banks and financial institutions	4,033		4,033
Sundry Debtors (see below for separate analysis)	2,247	21	470
<b>Total</b>	<b>8,402</b>		<b>6,625</b>

Provision has been made in the accounts for the impairment of sundry debtors.

### Impaired Bank Loans

The impaired bank deposits are those made with the following Icelandic banks which went into liquidation in October 2008:

Bank	Date Invested	Maturity Date	Amount	Interest Rate	Carrying amount 31/03/2012	Impairment Suffered
Landsbanki	26/06/2007	22/06/2009	£3m	6.65%	£1.728m	£1.114m
Heritable	22/07/2008	23/01/2008	£1m	5.85%	£0.197m	£0.229m
Heritable	23/09/2008	21/11/2008	£1m	6.00%	£0.195m	£0.230m

Interest continues to accrue on the carrying amounts at the original interest rates.

The current situation regarding recovery is as follows:-



## Landsbanki

During the year the priority status of the Council's claim was finally confirmed by the Icelandic court, and a first repayment was received. It is now expected that the principal and interest up to the date of claim will be fully repaid, but over a timescale extending to 2018.

## Heritable Bank

Heritable is a UK registered bank under English law which went into administration on 7 October 2008. During the year the expected recovery increased to 88%, and the impairment was reduced accordingly. As at 31 March 2012 68% has been repaid.

## Other Bank Loans

The Council's Investment Strategy restricts investments to a narrow range of counterparties. There is no method of assessing the realistic risk of impairment.

## Sundry Debtors

The sundry debtors (note 18) are analysed in the following table (the analysis excludes arrears of council tax £362k).

	£'000
Not yet past due date	799
Up to three months past due date	404
Three to six months past due date	10
Six months to one year past due date	413
Beyond one year	621
<b>Total</b>	<b>2247</b>

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 under financial instruments.

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 borrowings and investments. Borrowings and short term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings and 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

	<b>£'000</b>
Gain - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(70)
Gain - Impact on Income and Expenditure Account	(70)
Loss - Decrease in fair value of fixed rate investments (no impact on Statement of Total Recognised Gains and Losses)	0
Gain - Decrease in fair value of fixed rate borrowing (no impact in I&E Account or STRGL)	(0)

Price risk – The Council has no exposure to this risk.

### **Foreign Exchange Risk**

The Council has exposure to the risk of currency movements on the repayments it receives on its Landsbanki loan. £2.1m is still outstanding of which roughly two thirds is expected to be paid in foreign currency (mainly euros and dollars).

#### 47 RESTATEMENT OF THE 2010/11 ACCOUNTS

The Service Reporting Code of Practice (SERCOP), governing the format of the Comprehensive Income and Expenditure Statement, applies for the first time from 1 April 2011. The major change is the separation of Environmental & Regulatory Services, Planning Services, and Culture & Related Services. Previously these were aggregated in a single line.

Two other significant cost centres, Housing Benefit Administration, and Corporate Management, and a number of minor ones had also been incorrectly classified in 2010/11. These have been corrected in the restatement.

The changes are summarised in the following table

2010/11 net expenditure as reported originally		Reallocation	Change	Restated 2010/11
	£'000		£'000	£'000
Central Services	2,299	Housing Benefit Administration	(360)	
		Corporate Management	(863)	1,076
Cultural, environmental, regulatory & planning	12,906	Minor reclassification	(136)	
		Enironmental & regulatory services		4,419
		Planning services		1,593
		Culture & related services		6,758
Highways & transport services	914	Minor reclassifications	(11)	903
Other housing services	781	Housing benefit administration	360	1,141
Corporate & democratic core	1,003	Corporate management	863	
		Other minor reclassifications	72	1,938
Non distributed costs	524	Minor reclassifications	75	599

#### 48 HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

No postings have been made over the previous five years in respect of heritage assets (see accounting policies)

#### 49 TRUST FUNDS

The Council does not act as sole trustee.

## 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.

2010/11 £'000		2011/12	
		£'000	£'000
	<b><u>Income</u></b>		
50,846	Income from Council Tax		50,814
6,119	Transfers from General Fund		
(1)	Council Tax Benefits	6,102	
6,118	Transitional Relief	0	
31,030	Income Collectable from Business Ratepayers		6,102
<b>87,994</b>			<b>32,033</b>
	<b><u>Expenditure</u></b>		
	Precepts and Demands		
41,135	Lancashire County Council	41,379	
7,784	South Ribble Borough Council	7,831	
5,429	Lancashire Police Authority	5,461	
2,363	Combined Fire Authority	2,376	
56,711			57,047
(178)	Distribution of Collection Fund Surplus/(Deficit)		
(33)	Lancashire County Council	(9)	
(23)	South Ribble Borough Council	(2)	
(10)	Lancashire Police Authority	(1)	
(244)	Combined Fire Authority	(1)	(13)
0	Adjustment to previous years Community Charge	0	
	Business rates		
30,906	Payment to National Pool	31,908	
124	Cost of Collection Allowance	125	
31,030			32,033
	Bad and doubtful debts/appeals		
121	Write offs	177	
138	Provisions	95	
259			272
<b>87,756</b>			<b>89,339</b>
238	Surplus/(deficit) for the year		(390)
33	Surplus/(deficit) at 1 April		33
(33)	Transfer to/(from) Collection Fund Adjustment Account		54
(205)	Net transfer to Major Precept Debtor		336
<b>33</b>	<b>Surplus/(deficit) at 31 March</b>		<b>33</b>

The surplus of £33k which is carried forward on the Collection Fund at 31 March 2012 is a surplus of Community Charge income available to the Council.

## 1 ACCOUNTING FOR COUNCIL TAX

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

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

## 2 COUNCIL TAX DETAILS OF CHARGE

For the purpose of calculating Council Tax residential properties are classified into eight valuation bands. Each valuation band is proportionate to the central Band D property. This enables calculation of the total tax base. The Council Tax Base for 2011/12 was calculated as follows: -

Band	No. of Dwellings	Total No. of Equivalent dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	18	5:9	10
A	9,778	8114	6:9	5,409
B	12,486	11,000	7:9	8,556
C	11,806	10,617	8:9	9,437
D	7,358	6,755	9:9	6,755
E	3,812	3,573	11:9	4,367
F	1,480	1,394	13:9	2,014
G	479	435	15:9	725
H	26	19	18:9	38
<b>Total</b>	<b>47,225</b>	<b>41,925</b>		<b>37,311</b>
<b>Less adjustments for anticipated changes to the base and losses on collection</b>				<b>0</b>
<b>Addition for reduced discount on second homes</b>				<b>24</b>
<b>Band D Equivalent Number of Properties</b>				<b>37,335</b>

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 £1,521.52 for 2011/12 and £1,521.52 for 2010/11). 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	
		2010/11 £	2011/12 £
A	0.67	1,014.34	1,014.34
B	0.78	1,183.41	1,183.41
C	0.89	1,352.47	1,352.47
D	1.00	1,521.52	1,521.52
E	1.22	1,859.63	1,859.63
F	1.44	2,197.76	2,197.76
G	1.67	2,535.86	2,535.86
H	2.00	3,043.04	3,043.04

### 3. ACCOUNTING FOR BUSINESS RATES

With effect from 2009/10 accounting arrangements for NNDR have reflected the fact that it is in substance an agency arrangement, the Council being the agent of the Government in the collection of the charge. Consequently:

1. NNDR income does not belong to the billing authority and is not included in it's I&E account.
2. NNDR debtor and creditor balances with taxpayers are not recognised in the authority's balance sheet.
3. Cash collected belongs to the Government and any amounts over or under paid are recognised in the balance sheet as a Government debtor or creditor.

### 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 42.6p in 2011/12 and one for larger businesses at 43.3p. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into a Business Rates pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The rateable value for the Council's area at the end of the financial year 2011/12 was £86.1 million (£86.0 million in 2010/11).

### 5. SIGNIFICANT PRECEPTORS

The authorities who make a significant precept on the Collection Fund are:

	2011/12 £000
Lancashire County Council	41,379
Lancashire Police Authority	5,461
Combined Fire Authority	2,376