Chorley Council

Town Hall
Market Street
Chorley
Lancashire
PR7 1DP

22 June 2012

Dear Councillor

GOVERNANCE COMMITTEE - THURSDAY, 28TH JUNE 2012

I am now able to enclose, for consideration at the above meeting of the Governance Committee, the following reports that were unavailable when the agenda was printed.

Agenda No	Item
4.	**Statement of Accounts 2011/12** **(Pages 107 - 174)** Report of the Chief Executive (enclosed)
5.	**Treasury Management Out-turn 2011/12** **(Pages 175 - 180)** Report of Chief Executive (enclosed)

Yours sincerely

Gary Hall
Chief Executive

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Distribution

1. Agenda and reports to all Members of the Governance Committee.

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આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپ کی اپنی زبان میں بھی کیا جا سکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہِ مہربانی اس نمبر پر ٹیلیفون کیجئے: 01257 515823

Chorley Council

Report of	Meeting	Date
Chief Executive	Governance Committee	28 June 2012

STATEMENT OF ACCOUNTS 2011/12

PURPOSE OF REPORT

1. To give members sight of the Statement of Accounts (SOA) that is to be signed and authorised for issue by the Chief Financial Officer before the end of June2012 and also to advise them about the processes leading up to their formal submission for the approval of members following completion of the external inspection by the Audit Commission.

2. It does not make comparison of actual spend against budget. This is done throughout the year in reports to the Executive Cabinet, and a report on the provisional out-turn was submitted to the Cabinet meeting on June 21. The same meeting also received a report on expenditure on the capital programme.

RECOMMENDATION(S)

3. Members are asked to note the report.

EXECUTIVE SUMMARY OF REPORT

4. All key messages are contained in the body of the report.

5. Members will be asked to formally approve the statement by 30 September following the audit carried out by the Audit Commission.

6. Notice has been received from the external auditor that the 13 August 2012 has been appointed as the date on or after which local government electors may exercise their rights to question the auditor about the accounts. A period of inspection will run for 20 full working days before that date from 16 July 2012. The Council will be giving 14 days notice by advertisement and via the website of the commencement of this period and this will placed on 27 June 2012.

Confidential report Please bold as appropriate		**No**

CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	

A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money	X

BACKGROUND

8. Regulation 8 of the Accounts and Audit (England) Regulations 2011 requires:

- The responsible financial officer must, by June 30, sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the year end and the income and expenditure for the year.

- By September 30 the responsible financial officer must re-certify the Statement following the audit, the Governance Committee must consider and approve the Statement of Accounts and the Chairman must sign it. The Statement of Accounts and the External Auditor's statement must be published.

9. This Statement, to be signed by the Chief Finance Officer, is presented to members for information only at this stage, not for approval.

10. In the following section attention is drawn to the salient, key numbers in the Statement of Accounts and also to the changes in the format of the presentation.

DETAIL

11. There are contradictions between the general accounting standards that Authorities, like any other organisation, have to comply with in producing their financial statements, and the regulations governing what costs should be included when fixing council tax. The Comprehensive Income and Expenditure Statement shows a deficit on the year of £3.115m, (this complies with general accounting standards), but note 7 details adjustments, to comply with council tax regulations, totalling £4.316m. These figures are brought together in the Movement in Reserves Statement on page 9. This shows that general and earmarked reserves have increased by the net of these two figures, i.e. £1.20m.

12. Of this sum £1m, has been added to earmarked reserves, these now stand at £2.8m. A full report on their planned use, and comprehensive details of the movements between the budgeted position and the eventual out-turn, has been reported to the Cabinet on 21 June 2012.

13. The Movement in Reserves Statement (page 9) also reveals that there are unused Capital Grants and Contributions totalling £2.7m as at 31 March 2012. The June 21 Cabinet report advises that £2.0m of this is already committed to be spent in the current year.

14. Pensions – One of the areas of difference between accounting requirements and council tax regulations concerns pensions. The difference resulting from this is held in the Pensions Reserve. During 2011/12 the deficit on the Reserve grew by £6.7m, consisting of £6.2m being the actuaries revaluation of the scheme assets and liabilities, and £0.5m being the actuaries assessment of the amount by which the in year costs exceeded the amount actually paid to the fund (as shown in note 7 to the Statement). The accumulated pension fund deficit stands at £34.0m. The statutory position is that this deficit will be made good through future changes in contributions. The changes to the Local Government pension scheme recently announced affect future benefits. They do not affect this historic deficit.

15. With regard to changes to the way we construct the SOA from last year the Balance Sheet shows a new class of asset being Heritage Assets. These are assets held primarily for their contribution to culture and knowledge. Three assets have been so classified, Astley Hall,

the Council's Civic Regalia, and the furniture and art contents of Astley Hall. The first two of these have been previously shown in the accounts but under a different classification. The contents of Astley Hall, however, are included for the first time.

16. A notable movement between last year's Balance Sheet and that presented for 2011/12 is the significant reduction in debtors from £6.5m to £4.0m. An analysed of this reduction is set out in Note 19. It will be noted that despite the overall reduction, there is actually an increase of £1.25m in the amount owed by other individuals and entities. This is entirely attributable to the sum of £1.75m owed at year end by Adactus Housing Association, however, this was paid in early April 2012.

17. The £1.75m referred to in paragraph 9 is a payment to offset any pension deficit attributable to staff who transferred to the Association at the time of the stock transfer. This will be paid to the pension fund at the most suitable time, and a provision for this can be seen in the Balance Sheet.

18. The Collection Fund showed a healthy surplus of £0.475m on the year. This was consistent with estimates and has been allowed for in fixing the 2012/13 Council Tax.

19. Notice has been received from the external auditor that the 13 August 2012 has been appointed as the date on or after which local government electors may exercise their rights to question the auditor about the accounts. A period of inspection will run for 20 full working days before that date from 16 July 2012. The Council will be giving 14 days notice by advertisement and via the website of the commencement of this period and this will placed on 27 June 2012.

IMPLICATIONS OF REPORT

20. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	X	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

21. The accounts have been produced in compliance with the relevant accounting standards and codes.

COMMENTS OF THE MONITORING OFFICER

22. None other than to support the comment of the Statutory Finance Officer.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
G Whitehead	5485	15 June 2012	***

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Chorley Council

Statement of Accounts 2011/2012

Beacon Authority 2008-2009 Transforming Services: Citizen Engagement and Empowerment

Beacon Authority 2009-2010 Cohesive and resilient communities

Beacon Authority 2009-2010 Better outcomes for people and places

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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 (The Annual Governance Statement) was reported to Audit Committee on 28 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 by The 2011/12 Code are as follows

- Financial Reporting Standard 30 - Heritage assets, has been adopted.
  Heritage assets are defined as assets held principally for their contribution to culture and knowledge. These have to be recorded at their valuation, and there are comprehensive disclosure requirements.
  This has resulted in the inclusion in the balance sheet for the first time, of the contents of Astley Hall.
  The accounts for 2010/11 have been restated to enable comparison between the years.
- The number, and cost, of exit packages (compulsory and voluntary redundancies) is now reported (note 36).
- Any cases where the Authority acts as sole trustee is now reported (note 51).

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 and Regulatory Services
- Planning Services

Previously these divisions of service 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 8 **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Statutory Finance Officer in relation to the Statement of Accounts.

Page 9 **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 10 **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 11 **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 12 **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 13 **Notes to the Main Financial Statements –** these add to and interpret, the individual statements.

Page 58 **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 foreword 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
- Disclose the capital outturn
- 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

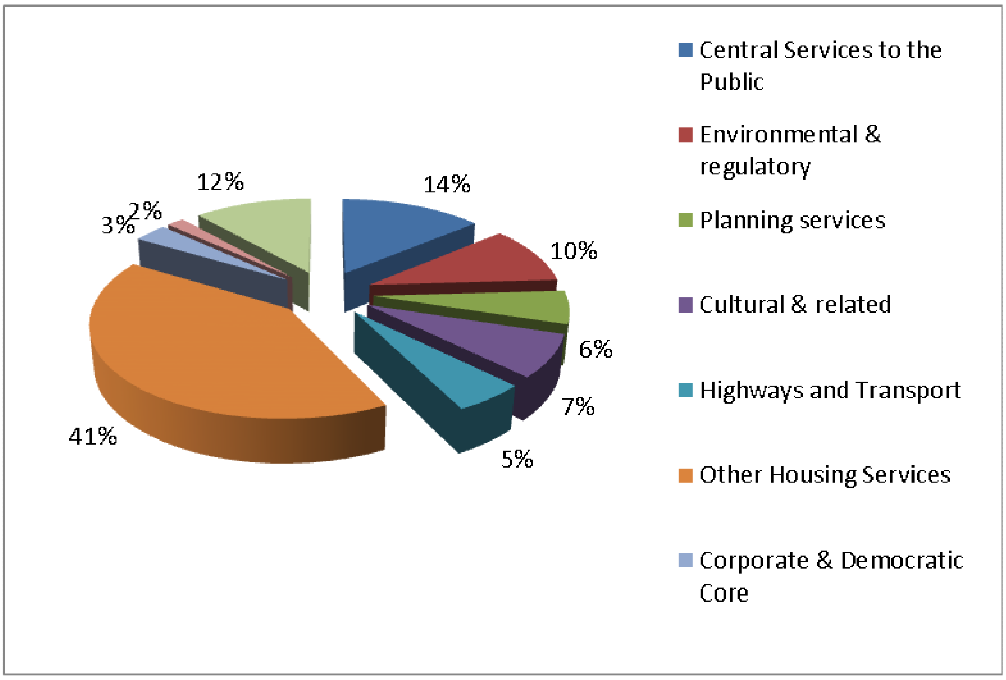
The Movement in Reserves Statement (page 9) shows a surplus of £1.2m for the year. This compares to a breakeven position assumed in the original budget approved for 2011/12.

The principle reasons for the surplus were:

- Approved items of expenditure which slipped into 2012/13 totalling £0.360m
- Single Homelessness Initiative Grant of £0.504m paid to the Council in late 2011/12 and earmarked for projects to commence in 2012/13
- Adjustment to interest income, and impairment charges, on Icelandic investments £0.51m
- Additional housing and council tax benefit £0.91m
- Numerous other minor variances £0.194m

Where the money was spent

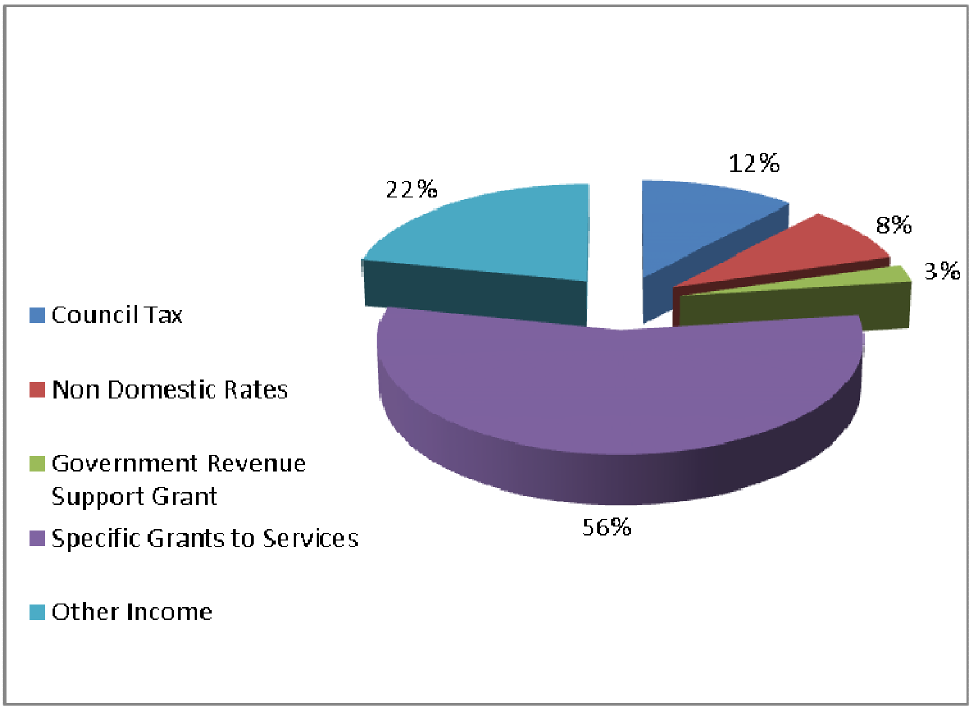
The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2011/12 it consisted of:



Where the money came from

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

- Council Tax
- Non Domestic Rates from Businesses
- Government Revenue Support Grant
- Grants Specific to Services, for example, Housing Benefits
- Other income within the Comprehensive Income and Expenditure Statement.



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 it essential that close regard was given to management and control of risks 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%.

During the year external borrowings reduced from £8.872 to £7.822m, and no new borrowings were made.

In 2011/12 the Icelandic Courts finally confirmed the priority status of the Council's deposit with Landsbanki and the first repayment was made. It is now expected that it will be fully repaid, but over a timescale stretching to 2018. Because of the foreign exchange risk an effective recovery of 97% has been assumed in these accounts.

Capital Spend and Financing Summary

The Council incurs capital expenditure on its own buildings and equipment, and it is also permitted to use capital resources to finance expenditure on grants for capital works by others, for instance for disabled adaptations by home owners. In 2011/12 the biggest single project came within this category, being grant aid towards the construction of Buckshaw railway station.

The following tables details the areas of expenditure and sources of finance in 2011/12:

Capital expenditure in 2011/12	Actual Capital Expenditure £'000
Housing grants to housing associations	158
Housing disabled and repair grants	453
Buckshaw railway station	2,763
Leisure centre works	104
IT related expenditure	253
Parks and play areas	191
Other	441
Total Capital Expenditure	**4,363**

Capital financing in 2011/12	Actual Capital Financing £'000
Prudential Borrowing	209
Capital Receipts	63
Contributions from Revenue Budget	33
Revenue Budget VAT Shelter Income	360
External Contributions - Developers	3,092
External Contributions - Other	151
Government Grants – Disabled Facilities Grant	321
Government Grant – Housing Capital Grant	134
Total Capital Financing	**4,363**

The Balance Sheet includes unused grants and contributions totalling £2.692m which can only be used for capital purposes. The major part of this is committed to be spent in 2012/13.

Reserves and Balances Summary

The Authority's Medium Term Financial Strategy (MTFS) specifies that the general balance should be no lower than £2.0m. This is necessary given the budget challenges facing the Council and the level of savings required to balance the budge over the next two years. At the start of the year it totalled £2.077m.

During the year a net £1.0m has been transferred to reserves earmarked for specific purposes. At the year end these total £2.8m (note 8) and include sums to meet the slippage requests and homeless initiatives mentioned above of £0.9m, works within the capital programme £0.6m, potential claims against, and commitments made by the Council of £0.7m, and other items £0.6m.

The combination of these factors, and the surplus for the year, leaves a general balance at year end of £2.264m.

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 £33.959m. 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 the 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

For a number of years local authorities have faced notable change and are now experiencing a period of continued reductions in funding, subsequent budgetary pressures and a period of great uncertainty with significant change on the immediate horizon in the form of Local Retention of Business Rates and a new Local Support Scheme for Council Tax, the details and impact of which are largely unknown. The 2012/13 Medium Term Financial Strategy (MTFS) recognises the serious risk that these changes pose together with the fact that uncertainty is a permanent feature within the annual financial planning cycle due to the fact that four yearly settlements have been replaced with funding regimes that use variable data each year. The Medium Term Financial Strategies to date have set the Council on course to meet the current, known budget gap as set out below.

Year	Budget Gap/(Surplus) £'000	Cumulative £'000
2011/12*	0	0
2012/13	(58)	(58)
2013/14	878	820
2014/15	367	1,187

**£1.295 budget savings were achieved to balance the budget for 2011/12.*

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 evidenced in the budget surplus position achieved for 2012/13. In this respect the Council's MTFS will be to:

- Continue to restrain Council Tax increases.
- Deliver a balanced budget over the period 2012/13 to 2014/15.
- Identify the savings required to balance the budget seeking to minimise the impact on front line service users

In order to achieve the above budget efficiencies the Council will continue to manage its budget effectively and will:

- Increase productivity.
- Review expenditure on contracts.
- Review non employee related base budget heads.
- Review all income streams to ensure full cost recovery is being achieved and all possible revenue streams are being structured in the most appropriate way.
- Seek to increase income yield from Investment Properties as part of the rationalisation of administration buildings.

In recognition of the above financial environment together with the number of changing external factors that are likely to have a negative impact on the budget and the level of sustainable efficiency savings to be achieved, the Council has increased working balances to £2.265 million. Maintaining working balances provides protection against the Council having to make short term reactive changes that can significantly impact on service performance.

The current economic climate may also adversely affect the ability of tax payers to pay their Council Tax and Non Domestic Rate (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, very small for council tax, more significant for NNDR. It should be noted however that NNDR is collected as agent for the DCLG, so collection rates do not impact directly on the revenue account of the Council.

	2009/10	2010/11	2011/12
Council Tax	98.4%	98.4%	98.3%
NNDR	97.4%	97.8%	97.2%

Statement of Responsibilities

This statement defines the responsibility of the Council and the Responsible Financial Officer in respect of the Authority'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 Authority, that officer is the Director of Transformation.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Executive's Responsibilities

The Chief Executive 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 2010/11 (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.

Certificate

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

Gary Hall BA CPFA
Chief Executive
Date 28 June 2012

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 "deficit/(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.

	General Fund £'000	Earmarked Reserves (note 8) £'000	Capital Receipts Reserve £'000	Capital Grants & Contributions £'000	Total Usable Reserves £'000	Unusable Reserves Note 25 £'000	Total Reserves £'000
Balance 31 March 2010	**(1,663)**	**(1,491)**	**0**	**(5,078)**	**(8,232)**	**5,505**	**(2,727)**
<u>Movement in 2010/11</u>							
(Surplus) on provision of service.	(4,029)	0	0	0	(4,029)	0	(4,029)
Other Comprehensive Income & Expenditure.	0	0	0	0	0	(7,591)	(7,591)
Total Comprehensive Income & expenditure.	**(4,029)**	**0**	**0**	**0**	**(4,029)**	**(7,591)**	**(11,620)**
Adjustments between accounting basis & funding basis under regulation (note 7).	3,292	0	(41)	(662)	2,589	(2,589)	0
Net change before transfers to/from earmarked reserves.	**(737)**	**0**	**(41)**	**(662)**	**(1,440)**	**(10,180)**	**(11,620)**
Transfers to/(from) ear-marked reserves note 9	323	(323)	0	0	0	0	0
(Increase)/Decrease in year.	**(414)**	**(323)**	**(41)**	**(662)**	**(1,440)**	**(10,180)**	**(11,620)**
Balance 31 March 2011	**(2,077)**	**(1,814)**	**(41)**	**(5,740)**	**(9,672)**	**(4,675)**	**(14,347)**
<u>Movement in 2011/12</u>							
Deficit on provision of service.	3,115	0	0	0	3,115	0	3,115
Other Comprehensive Income & Expenditure.	0	0	0	0	0	6,391	6,391
Total Comprehensive Income & expenditure.	**3,115**	**0**	**0**	**0**	**3,115**	**6,391**	**9,506**
Adjustments between accounting basis & funding basis under regulation (note 7).	(4,316)	0	41	3,048	(1,227)	1,227	0
Net change before transfers to/from earmarked reserves.	**(1,201)**	**0**	**41**	**3,048**	**1,888**	**7,618**	**9,506**
Transfers to/(from) ear-marked reserves note 9	1,013	(1,013)	0	0	0	0	0
(Increase)/Decrease in year.	**(188)**	**(1,013)**	**41**	**3,048**	**1,888**	**7,618**	**9,506**
Balance 31 March 2012	**(2,265)**	**(2,827)**	**0**	**(2,692)**	**(7,784)**	**2,943**	**(4,841)**

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				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,856	(7,231)	1,625	Central services to the public.	8,851	(7,355)	1,496
7,279	(1,580)	5,699	Environment & regulatory services	6,482	(1,492)	4,990
3,898	(2,198)	1,700	Planning services	3,702	(2,160)	1,542
5,826	(631)	5,195	Cultural & related services	4,759	(479)	4,280
1,739	(1,609)	130	Highways and transport services.	3,300	(997)	2,303
23,476	(22,769)	707	Other housing services.	26,084	(26,009)	75
2,089	(116)	1,973	Corporate and democratic core.	2,096	(103)	1,993
1,339	(1,042)	297	Non distributed costs.	1,095	(838)	257
0	(5,584)	(5,584)	Exceptional item – past service pension liabilities	0	0	0
54,502	**(42,760)**	**11,742**	**Cost of Services**	**56,369**	**(39,433)**	**16,936**
874	(1,609)	(735)	Other operating expenditure (note 9).	2,344	(2,274)	70
5,384	(3,838)	1,546	Financing and investment income and expenditure (note 10).	4,983	(4,224)	759
0	0	0	Surplus or deficit of discontinued operations.	0	0	0
0	(16,582)	(16,582)	Taxation and non-specific grant income (note 11).	0	(14,650)	(14,650)
60,760	**(64,789)**	**(4,029)**	**(Surplus)/deficit on provision of services.**	**63,696**	**(60,581)**	**3,115**
		(1,435)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets.			196
		(6,156)	Actuarial (gains)/losses on pension assets and liabilities.			6,195
		0	Other gains.			0
		(7,591)	**Other Comprehensive (Income) and Expenditure.**			**6,391**
		(11,620)	**Total Comprehensive (Income) and Expenditure.**			**9,506**

The 2010/11 restatement refers to the separate reporting of The Environment & regulatory, Planning, and Cultural & related services; previously they were aggregated in one figure. All other 2010/11 figures are unchanged.

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.

1 April 2010 £'000	31 March 2011 £'000		Notes	31 March 2012 £'000
36,507	35,957	Property, Plant & Equipment	12	34,507
2,647	1,667	Heritage Assets	13	1,667
1,055	1,123	Investment Property	14	1,152
544	690	Intangible Assets	15	582
0	0	Assets Held for Sale		0
8	8	Long Term Investments		8
357	352	Long Term Debtors		354
41,118	**39,797**	**Long Term Assets**		**38,270**
1,490	4,577	Short Term Investments		9,119
0	0	Assets Held for Sale	21	0
41	22	Inventories	17	26
7,695	6,538	Short Term Debtors	19	3,999
0	5,225	Cash and Cash Equivalents	20	3,869
9,226	**16,362**	**Current Assets**		**17,013**
(82)	0	Cash and Cash Equivalents		0
(2,780)	(1,101)	Short Term Borrowing		(598)
(5,275)	(4,512)	Short Term Creditors	22	(5,885)
0	0	Provisions	23	(15)
0	0	Liabilities in Disposal Groups		0
(8,137)	**(5,613)**	**Current Liabilities**		**(6,498)**
0	0	Long Term Creditors		0
0	0	Provisions	23	(1,750)
(900)	(7,822)	Long Term Borrowing		(7,272)
(37,656)	(27,277)	Other Long Term Liabilities - pensions	44	(33,959)
(13)	(14)	Other Long Term Liabilities - other		(14)
(911)	(1,086)	Grant Receipts in Advance – Capital		(949)
0	0	Grant Receipts in Advance - Revenue		0
(39,480)	**(36,199)**	**Long Term Liabilities**		**(43,944)**
2,727	**14,347**	**Net Assets**		**4,841**
8,232	9,672	Usable Reserves	Page 9	7,784
(5,505)	4,675	Unusable Reserves	25	(2,943)
2,727	**14,347**	**Total Reserves**		**4,841**

The separation of heritage assets has necessitated the restatement of the 2010/11 Balance Sheet. Note 50 refers.
The unaudited accounts were issued on 28/06/2012.

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
4,030	Net surplus or (deficit) on the provision of services	(3,115)
2,975	Adjustments to net surplus or deficit on the provision of services for non cash movements	3,915
(4,215)	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(821)
2,790	Net cash flows from Operating Activities	(21)
(1,980)	Investing Activities (Note 27)	(4,332)
4,497	Financing Activities (Note 28)	2,997
5,307	Net increase or (decrease) in cash and cash equivalents	(1,356)
(82)	Cash and cash equivalents at the beginning of the reporting period	5,225
5,225	**Cash and cash equivalents at the end of the reporting period (note 20)**	**3,869**

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 consists 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 45 & 46.

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

<u>Benefits payable during employment</u>
These are charged 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 by an officer 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 Statement.

Post employment benefits
Employees are members of the Local Government Pension Scheme which provides defined benefits to members. Full details are given in Note 44.

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 Reporting Period

Where an event occurring after the Balance Sheet date provides evidence of conditions existing at the Balance Sheet date, the amounts recognised in the Statement of Accounts are 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 Account 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 relevant service, or 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 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 the following assets which meet this definition:.

- Civic Regalia are reported in the Balance Sheet at their insured value. This is reviewed periodically (the last time being in 2009). The regalia are deemed to have an indeterminate life and a high residual value, hence the authority does not consider it appropriate to charge depreciation.
- Collection of furniture and paintings, held at Astley Hall. These assets are reported at their insurance valuation (as at 2010). For the reasons applying to civic regalia, no depreciation is charged.
- Astley Hall a country house built in the seventeenth century and extended in the nineteenth. It was donated to the Council in 1922, and is currently recorded in the accounts at a nominal value and no depreciation is therefore charged.

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 first year of charge being that in which the expenditure is incurred. 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

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

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.

Arrangements 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 assets held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (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 41).

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 in proportion to the benefit received.
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. (see note 50)

Material errors also will 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.

<u>Measurement</u>
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 held at depreciated 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.

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.

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

<u>Depreciation</u>
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:

	<u>years</u>
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 revaluation gains 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, disposals 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 directly 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 IFRS 7 *Financial Instruments: Disclosures (transfer of financial assets)* have not yet been adopted. The implications for authority Statements of Account are not yet clear.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Last year this note referred to the awaited judgement of the Icelandic Supreme Court in the proceedings concerning the Icelandic bank, Landsbanki. Note 47 refers to the successful outcome of that case, so that this is 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 £34m. The effect of changes in the assumptions are: - additional year of life £1.9m - 0.1% salary inflation £1.6m - 0.1% on discount rate (£1.6m) 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 £74m 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 sundry debtors of £3.7m. This includes housing benefit debts totalling £0.9m. Of this sum, a significant amount is expected to be recovered from on-going benefit, but changes in HB administration may affect this. The provision for impairment has therefore been increased to 22% (from 15%). The total bad debt provision is £0.4m.	All significant debts have been individually scrutinised in assessing the required provision. Any increase in impairments will be a charge to 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 REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 28 June 2012. Events taking place after this date 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 in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

No events, occurring after 31 March 2012, and 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.

In the following statement:

- **The General Fund Balance** is the statutory fund into which all receipts are paid and from which all liabilities are met. Statutory rules require different treatment of some items, than is provided for by accounting regulations. The resulting adjustments are detailed below.
- **The Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets. Statute requires that these can only be used to fund new capital expenditure or to be set aside to finance historical capital expenditure.
- **Capital Grants Unapplied** These are grants and contributions received towards capital projects which are unencumbered by any repayment conditions. There may be restrictions as to the capital expenditure against which they can be applied.

	2011/12			
	General Fund Balance £'000	**Capital Receipts Account £,000**	**Capital Grants Unapplied £'000**	**Unusable Reserves £'000**
Adjustments involving the Capital Adjustment Account				
Reversal of debits and credits to the Comprehensive Income and Expenditure account (CI&E)				
Charges for depreciation of non current assets	(1,531)			1,531
Charges for impairment of non current assets	(265)			265
Revaluation losses on Property, Plant and Equipment	0			0
Movements in the market value of Investment Property	29			(29)
Amortisation of intangible assets	(185)			185
Revenue expenditure funded from capital under statute	(3,561)			3,561
Capital grants funding REFFCUS	500		3,007	(3,507)
Capital grants received & used to fund capital in year	106			(106)
Non-current assets charged to CI&E on disposal	(176)			176
Insertion of items not posted to CI&E				
Statutory and voluntary provision for the repayment of debt	586	150		(736)
Capital expenditure charged to the General Fund Balance	393			(393)
Adjustments involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&E	44		(44)	
Grants applied to fund capital expenditure transferred to CAA			85	(85)
Adjustments involving the Capital Receipts Reserve				
Capital receipts from the disposal of non current assets	153	(153)		
Preserved Right To Buy receipts	19	(19)		
Capital receipts used to finance new capital expenditure		63		(63)
Capital receipts credited to CI&E to meet the pooling liability	(1)	1		
Transfer from Deferred Capital Receipts	(1)	(1)		2
Adjustments involving Financial Instruments Adj. A/c				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	0			0
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in CI&E	(2,138)			2,138
Employer's contributions and payments made to pensioners	1,651			(1,651)
Adjustments involving the Collection Fund Adj A/c				
Difference between credit to CI&E and precepted amount	61			(61)
Adjustments involving the Accumulated Absences A/c				
Difference between remuneration charged to CI&E and that chargeable per statutory requirement	0			0
TOTAL ADJUSTMENTS	**(4,316)**	**41**	**3,048**	**1,227**

2010/11 Comparative figures	General Fund £'000	Capital Receipts £,000	Capital Grants £'000	Unusable Reserves £'000
	2010/11			
Adjustments involving the Capital Adjustment Account (CAA)				
Reversal of debits and credits to CI&E				
Charges for depreciation of non current assets	(1,573)			1,573
Charges for impairment of non current assets	(1,764)			1,764
Revaluation losses on Property, Plant and Equipment				
Movements in the market value of Investment Property	68			(68)
Amortisation of intangible assets	(175)			175
Revenue expenditure funded from capital under statute	(1,241)		1,208	33
Non-current assets charged to CI&E on disposal	(350)			350
Insertion of items not posted to the CI&E				
Statutory &voluntary provision for the repayment of debt	1,131			(1,131)
Capital expenditure charged to the General Fund Balance	709			(709)
Adjustments primarily involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&E	2,139		(2,139)	
Grants applied to fund capital expenditure transferred to CAA			269	(269)
Adjustments involving the Capital Receipts Reserve				
Capital receipts credited to CI&E on non current asset disposals	77	(77)		
Capital receipts used to finance new capital expenditure		36		(36)
Capital receipts credited to CI&E to finance the payment to the Government's capital receipt pool	(2)	2		
Transfer from Deferred Capital Receipts		(2)		2
Transfer from Capital Adj Account re mortgage repayments				
Adjustments involving Financial Instruments Adjustment A/c				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in the CI&E	2,577			(2,577)
Employer's contributions and payments made to pensioners	1,646			(1,646)
Adjustments involving the Collection Fund Adjustment A/c				
Difference between credit to CI&E and precepted amount	62			(62)
Adjustments involving the Accumulated Absences A/c				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	(12)			12
TOTAL ADJUSTMENTS	**3,292**	**(41)**	**(662)**	**(2,589)**

8 TRANSFERS TO/FROM EARMARKED RESERVES

	Balance 1 April 2010 £'000	Transfers Out £'000	Transfers (In) £'000	Balance 31 March 2011 £'000	Transfers Out £'000	Transfers (In) £'000	Balance 31 March 2012 £'000
Chief Executive	**(13)**	13	(19)	**(19)**	19	(19)	**(19)**
Partnerships, Planning & Policy Directorate	**(532)**	257	(267)	**(542)**	190	(1,220)	**(1,572)**
People and Places Directorate	**(208)**	72	(128)	**(264)**	226	(196)	**(234)**
Transformation Directorate	**(190)**	113	(190)	**(267)**	243	(452)	**(476)**
VAT Shelter Income unapplied	**(398)**	398	(347)	**(347)**	347	(449)	**(449)**
Service and efficiency improvements	**(150)**	75	(300)	**(375)**	298	0	**(77)**
Total	**(1,491)**	**928**	**(1,251)**	**(1,814)**	**1,323**	**(2,336)**	**(2,827)**

9 OTHER OPERATING EXPENDITURE

2010/11 £'000		2011/12 £'000
595	Parish council precepts	589
1	Payments to the Government's Capital Receipt Pool	1
274	(Gains)/losses on disposal of non current assets	23
0	Capital receipts from the sale of previously transferred housing stock	(19)
(1,587)	VAT shelter receipts	(524)
(18)	Net VAT recoveries from HM Revenues and Customs	0
(735)	**Total**	**70**

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £'000		2011/12 £'000
213	Interest payable and similar charges	205
1,612	Pensions interest cost net of expected return on pension assets	862
(211)	Interest receivable and similar income	(279)
(68)	Income and Expenditure in relation to investment properties and changes in their fair value	(29)
0	Other investment income	0
1,546	**Total**	**759**

11 TAXATION AND NON SPECIFIC GRANT INCOMES

2010/11 £'000		2011/12 £'000
(6,959)	Council Tax income	(7,063)
(7,411)	Non Domestic Rates	(5,149)
(1,281)	Non ring-fenced Government Grants	(2,125)
(931)	Capital grants and contributions	(313)
(16,582)	**Total**	**(14,650)**

12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2011	**31,119**	**5,512**	**459**	**3,298**	**1,995**	**42,383**
Additions	327	361	(6)	37	0	**719**
Revaluations recognised in Revaluation Reserve (RR)						
Revaluations recognised in CI&E	(140)					**(140)**
De-recognition - disposals	(176)					**(176)**
De-recognition - other						
Assets reclassified						
Other movements						
At 31 March 2012	**31,130**	**5,873**	**453**	**3,335**	**1,995**	**42,786**
Depreciation and Impairment						
At 1 April 2011	**(2,959)**	**(3,110)**	**(90)**	**(267)**	**0**	**(6,426)**
Depreciation charge	(622)	(732)	(54)	(123)		**(1,531)**
Depreciation written out of RR						
Depreciation written out of CI&E	2					**2**
Impairment losses recognised in RR	(197)					**(197)**
Impairment losses recognised in CI&E	(127)					**(127)**
De-recognition - disposals						
De-recognition - other						
Other movements						
At 31 March 2012	**(3,903)**	**(3,842)**	**(144)**	**(390)**	**0**	**(8,279)**
Net Book Value						
At 31 March 2011	**28,160**	**2,402**	**369**	**3,031**	**1,995**	**35,957**
At 31 March 2012	**27,227**	**2,031**	**309**	**2,945**	**1,995**	**34,507**

Comparative Movements in 2010/11	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-Structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2010	**29,792**	**5,035**	**459**	**3,274**	**2,345**	**40,905**
Additions	225	477		22		**724**
Revaluations recognised in Revaluation Reserve (RR)	1,161					**1,161**
Revaluations recognised in CI&E	(57)					**(57)**
De-recognition - disposals					(350)	**(350)**
De-recognition - other						
Assets reclassified	(2)			2		**0**
Other movements						
At 31 March 2011	**31,119**	**5,512**	**459**	**3,298**	**1,995**	**42,383**
Depreciation and Impairment						
At 1 April 2010	**(1,897)**	**(2,322)**	**(36)**	**(144)**	**0**	**(4,399)**
Depreciation charge	(609)	(788)	(54)	(123)		**(1,574)**
Depreciation written out of RR	331					**331**
Depreciation written out of CI&E						
Impairment losses recognised in RR	(57)					**(57)**
Impairment losses recognised in CI&E	(727)					**(727)**
De-recognition - disposals						**0**
De-recognition - other						**0**
Assets reclassified						**0**
Other movements	0	0	0	0	0	**0**
At 31 March 2011	**(2,959)**	**(3,110)**	**(90)**	**(267)**	**0**	**(6,426)**

Fixed Assets Valuations

During 2012/13 the valuations were carried out by Liberata UK Limited. The basis of valuation is set out in the Statement of Accounting Policies.

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	**543**	**5,873**	**453**	**3,108**	**0**	**9,977**
Valued at fair value as at:						
31 March 2012	273	0	0	0	0	**273**
31 March 2011	8,147	0	0	1	0	**8,148**
31 March 2010	3,546	0	0	218	281	**4,045**
31 March 2009	4,734	0	0	1	753	**5,488**
31 March 2008	13,887	0	0	7	961	**14,855**
Total cost or valuation	**31,130**	**5,873**	**453**	**3,335**	**1,995**	**42,786**

Capital Commitments

The Authority does not have any significant capital projects in construction.

13 HERITAGE ASSETS

Cost or Valuation	2010/11	2011/12
As at 1 April	2,648	1,667
Revaluations	(981)	0
Depreciation	0	0
As at 31 March	**1,667**	**1,667**

The accounting policy note gives details of the types of assets and the basis of valuation.

14 INVESTMENT PROPERTIES

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 these properties over the past years.

	2010/11 £'000	2011/12 £'000
Fair value at the start of the year	1,055	1,123
Net gain from revaluation	68	29
Value at year end	**1,123**	**1,152**

15 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
e-planning software	5 years
Website	3 years
Thin client implementation	7 years
Core financial management information system	5 years

Amortisation is on a straight line basis. In 2011/12 the amortisation charge of £185k was charged principally to Customer Services £40k, ICT Services £53k, Housing Benefits £32k, Planning £32k and Shared Financial Services £17k. 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**
Balance at the start of the year		
Gross carrying amount	1,865	2,081
Accumulated amortisation	(1,321)	(1,391)
Net carrying amount at year start	**544**	**690**
Movements in the year		
Additions in year	321	77
Disposal in year	(105)	0
Amortisation in year	(175)	(185)
Amortisation in respect of disposals	105	0
Net carrying amount at the year end	**690**	**582**

There are no significant contractual commitments, and no individual intangible assets the amortisation of which is materially significant to the Council.

16 FINANCIAL INSTRUMENTS

16a 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
Investments				
Loans and receivables	8	8	4,577	9,119
Debtors				
Loans and receivables (note 19)	352	354	6,538	3,999
Borrowings				
Financial liabilities at amortised cost	(7,822)	(7,272)	(1,101)	(598)
Other Long Term Liabilities				
Finance lease liabilities	0	0	0	0
Capital grant receipt in adv.	(1,086)	(949)	0	0
Creditors				
Financial liabilities carried at contract amount (note 22)	0	0	(4,512)	(5,885)

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

16b 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	206	0	206	205	0	205
impairment	0	7	7	0	0	0
	206	**7**	**213**	**205**	**0**	**205**
Interest income	0	(127)	(127)	0	(188)	(188)
Interest income accrued on impaired assets	0	(84)	(84)	0	(91)	(91)
Total income	**0**	**(211)**	**(211)**	**0**	**(279)**	**(279)**
Net (gain)/loss for the year			**2**			**(74)**

16c 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 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 calculated are as follows:

	31 March 2011		31 March 2012	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial liabilities				
Borrowings	(8,923)	(8,947)	(7,870)	(8,240)
Deferred liabilities	(14)	(14)	(14)	(14)
Total	**(8,937)**	**(8,961)**	**(7,884)**	**(8,254)**

	31 March 2011		31 March 2012	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial assets				
Loans and receivables	8	8	8	8
Long term debtors	352	427	354	418
Total	**360**	**435**	**362**	**426**

17 INVENTORIES

	2010/11 £'000	**2011/12 £'000**
Balance at 1 April	41	22
Purchases	125	176
Issued in year	(143)	(172)
Written off in year	(1)	0
Balance at year end	**22**	**26**

18 CONSTRUCTION CONTRACTS

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

19 DEBTORS

	31 March 2011 £'000	31 March 2012 £'000
Central government bodies	1,959	53
Other local authorities	2,382	575
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	2,499	3,754
	6,840	4,382
Less provision for bad debts	(302)	(383)
Net carrying amount at the year end	**6,538**	**3,999**

20 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	0
Bank current and call accounts	5,225	3,869
Short term deposits	0	0
Total cash and cash equivalents	**5,225**	**3,869**

21 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	0	0	0	0
Assets sold	0	0	0	0
Transfers from non-current to current	0	0	0	0
Balance outstanding at year end	**0**	**0**	**0**	**0**

22 CREDITORS

	31 March 2011 £'000	31 March 2012 £'000
Central government bodies	(976)	(2,376)
Other local authorities	(1,070)	(1,487)
NHS bodies	(13)	(1)
Public corporations and trading funds	0	0
Other entities and individuals	(2,453)	(2,021)
Net carrying amount at the year end	**4,512**	**5,885**

23 PROVISIONS

During 2011/12 the following provisions have been made:

	2010/11 £'000	2011/12 £'000
Balance at beginning of year	0	0
Provision made in year		
Municipal Mutual Insurance (see note 45)	0	15
Pension Liability transferred staff (see note 45)	0	1,750
Net carrying amount at the year end	**0**	**1,765**

24 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 9).

25 UNUSABLE RESERVES

	31 March 2011 £'000	31 March 2012 £'000
Revaluation Reserve	(5,450)	(5,131)
Capital Adjustment Account	(26,301)	(25,625)
Financial Instruments Adjustment Account	0	0
Deferred Capital Receipts Reserve	(302)	(300)
Pensions Reserve	27,277	33,959
Collection Fund Adjustment Account	(24)	(85)
Accumulated Absences Account	125	125
Total unusable reserves at year end	**(4,675)**	**2,943**

25a 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
Balance at 1 April	(4,323)	(5,450)
Upward revaluation of assets	(1,435)	0
Difference between fair value and historic cost depreciation	123	123
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Account	0	196
Accumulated gains on assets de-recognised	185	0
Balance at 31 March	**(5,450)**	**(5,131)**

25b 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
Balance at 1 April	**(27,675)**	**(26,301)**
Adjustments between accounting and regulatory funding bases (see note 7)		
Items relating to capital charges		
Charges for depreciation of non current assets	1,573	1,531
Charges for impairment of non current assets	1,764	265
Amortisation of intangible assets	175	185
Revenue expenditure funded from capital under statute	1,241	3,560
Net cost assets disposed of	350	176
Movements in the market value of Investment Properties	(68)	(29)
Capital financing applied in the year		
Capital receipts used to finance new capital expenditure	(36)	(63)
Capital expenditure charged to the General Fund Balance	(709)	(393)
Statutory & voluntary provision for the repayment of debt	(1,131)	(736)
Grants used in the year to fund capital expenditure	(1,477)	(3,698)
Adjustments with the Revaluation Reserve (see note 25a)		
Accumulated gains on assets de-recognised	(185)	0
Difference between fair value and historic cost depreciation	(123)	(122)
Adjustment with Capital Receipts Reserve		
Balance at 31 March	**(26,301)**	**(25,625)**

25c 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
Balance at 1 April	**0**	**0**
Balance at 31 March	**0**	**0**

25d Deferred Capital Receipts Reserve

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

	2010/11 £'000	2011/12 £'000
Balance at 1 April	**(304)**	**(302)**
Transfer to Capital Receipts Reserve on receipt of cash	2	1
Transfer to Comprehensive Income & Expenditure	0	1
Balance at 31 March	**(302)**	**(300)**

25e 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 exceed 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
Balance at 1 April	**37,656**	**27,277**
Actuarial(gains)/ losses on pension assets and liabilities	(6,156)	6,195
Reversal of charges posted to the Comprehensive Income & Expenditure Account	(2,577)	2,138
Employers contributions and direct payments to pensioners payable in the year	(1,646)	(1,651)
Balance at 31 March	**27,277**	**33,959**

25f 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
Balance at 1 April	**38**	**(24)**
Amount by which council tax income credited to the Comprehensive Income & Expenditure account exceeded the amount required by statute	(62)	(61)
Balance at 31 March	**(24)**	**(85)**

25g 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
Balance at 1 April	**113**	**125**
Transfer from the General Fund Balance	12	0
Balance at 31 March	**125**	**125**

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:-

	2010/11 £'000	2011/12 £'000
Interest received	538	319
Interest paid	(167)	(183)
Net	**371**	**136**

27 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 and intangible assets.	(1,882)	(454)
Purchase of short and long term investments.	(5,000)	(4,583)
Proceeds from the sale of assets.	78	197
Proceeds from short and long term investments.	2,000	0
Other payments for investing activities		(5)
Other receipts relating to investing activity (government grants).	2,824	513
Total investing activities	**(1,980)**	**(4,332)**

28 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 receipts from short and long term borrowing	8,146	0
Cash paid to reduce lease liabilities	0	0
Repayments of borrowings	(2,942)	(1,074)
Change in indebtedness relating to NNDR(due from Government) and Council Tax (due from Precepting authorities)	(707)	4,071
Total financing activities	**4,497**	**2,997**

29 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 Best Value Accounting 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:-

Directorate Income and Expenditure 2011/12	**Chief Executive £'000**	**Partnerships Planning & Policy £'000**	**People and Places £'000**	**Total £'000**
Fees, charges & other service income	(1,880)	(2,343)	(2,997)	(7,220)
Government grants	(703)	(32)	(4)	(739)
Total Income	**(2,583)**	**(2,375)**	**(3,001)**	**(7,959)**
Employee expenses	5,139	2,340	3,346	10,825
Other service expenses	3,258	1,100	5,338	9,696
Total Expenditure	**8,397**	**3,440**	**8,684**	**20,521**
Net Expenditure	**5,814**	**1,065**	**5,683**	**12,562**

Directorate Income and Expenditure 2010/11	**Chief Executive £'000**	**Partnerships Planning & Policy £'000**	**People and Places £'000**	**Total £'000**
Fees, charges & other service income	(2,157)	(2,316)	(2,835)	(7,308)
Government grants	(858)	(118)	(109)	(1,086)
Total Income	**(3,015)**	**(2,434)**	**(2,944)**	**(8,393)**
Employee expenses	5,681	2,404	3,829	11,914
Other service expenses	3,454	1,112	5,019	9,585
Total Expenditure	**9,135**	**3,516**	**8,847**	**21,499**
Net Expenditure	**6,120**	**1,082**	**5,904**	**13,106**

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

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

	2010/11 £'000	2011/12 £'000
Net expenditure in the Directorate Analysis	13,106	12,562
Net expenditure of services and support services not included in the Analysis (Note a)	889	212
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis Note (Note b)	(2,253)	4,162
	11,742	**16,936**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement	**11,742**	**16,936**

Notes

(a) Though all cash income and expenditure budgets are monitored throughout the year, some budgets are excluded from the monitoring of directorate totals. In 2011/12, the expenditure and income reported separately included payments to the pension fund in respect of past service, and council tax and housing benefits.

(b) Non-cash budgets are excluded from monitoring of income and expenditure. These include budgets that do not affect the cost to the council tax payer, in particular depreciation, amortisation and impairment of fixed and intangible assets, accrual of employee benefits, and technical pensions accounting entries.

Reconciliation to Subjective Analysis

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

2011/12	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(7221)	(662)	(45)	(13,864)	(21,792)	(2,293)	(24,085)
Interest and Investment Income					0	(4,257)	(4,257)
Income from council tax					0	(7,063)	(7,063)
Government grants and contributions	(739)	(29,807)	(959)		(31,505)	(7,587)	(39,092)
Total Income	**(7,960)**	**(30,469)**	**(1,004)**		**(53,297)**	**(21,200)**	**(74,497)**
Employee expenses	10,825	219	(375)		10,669	1,750	12,419
Other service expenses	9,696	30,462	3,561		43,719		43,719
Support Service recharges				13,864	13,864		13,864
Depreciation, amortisation & impairment			1,981		1,981		1,981
Interest Payments					0	5,016	5,016
Precepts & Levies					0	589	589
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	23	23
Total Expenditure	**20,521**	**30,681**	**5,167**	**13,864**	**70,233**	**7,379**	**77,612**
Surplus or deficit on the provision of services	**12,561**	**212**	**4,163**	**0**	**16,936**	**(13,821)**	**3,115**

2010/11	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(7,308)	(179)	(659)	(15,071)	(23,217)	(1,609)	(24,826)
Interest and Investment Income			(5,584)		(5,584)	(3,838)	(9,422)
Income from council tax					0	(6,959)	(6,959)
Government grants and contributions	(1,085)	(28,627)	(524)		(30,236)	(9,623)	(39,859)
Total Income	**(8,393)**	**(28,806)**	**(6,767)**	**(15,071)**	**(59,037)**	**(22,029)**	**(81,066)**
Employee expenses	11,914	256	(239)		11,931		11,931
Other service expenses	9,585	29,439	1,241		40,265	12	40,277
Support Service recharges				15,071	15,071		15,071
Depreciation, amortisation & impairment			3,512		3,512		3,512
Interest Payments					0	5,376	5,376
Precepts & Levies					0	595	595
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	274	274
Total Expenditure	**21,499**	**29,695**	**4,514**	**15,071**	**70,779**	**6,258**	**77,037**
Surplus or deficit on the provision of services	**13,106**	**889**	**(2,253)**	**0**	**11,742**	**(15,771)**	**(4,029)**

30 ACQUIRED AND DISCONTINUED OPERATIONS

There were no operations acquired or discontinued during the year.

31 TRADING OPERATIONS

The Authority has no Trading Operations.

32 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.

33 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

Not applicable

34 POOLED BUDGETS

The Council has no material pooled budget arrangements

35 MEMBERS ALLOWANCES

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

	2010/11 £'000	2011/12 £'000
Allowances	294	291
Expenses	7	8
Total	**301**	**299**

36 OFFICERS REMUNERATION

SENIOR EMPLOYEES Post Title	Year	Salary £'000	Expense Allowances £'000	Benefits In kind £'000	Compensation for loss of office £'000	Total Remuneration (excluding Pension Contributions) £'000	Pension Contribution £'000	Total Remuneration (including pension contributions) £'000
Chief Executive	2010/11	123	12			135	23	158
(note 1)	2011/12	111	7			117	21	138
Director of Partnerships, Planning and Policy	2010/11	90	6			96	17	113
	2011/12	90	6			96	17	113
Director of Transformation	2010/11	90	5			95	17	112
(note 1)	2011/12	32	3			32	6	38
Director of People and Places	2010/11	90	5			95	17	112
	2011/12	90	6			96	17	113
Head of Shared Financial Services	2010/11	55	6			61	10	71
	2011/12	56	6			62	11	73
Head of Governance	2010/11	48	6			55	9	64
	2011/12	49	2			51	10	61
Head of Customer, ICT and Transactional Services	2010/11	50	4			54	9	63
	2011/12	50	4			54	9	63
Head of Human Resources & OD	2010/11	44	3			47	8	55
	2011/12	44	8			52	6	58
Head of Policy and Communications	2010/11	43	1			44	7	51
	2011/12	47	4			51	9	60

Note (1) The Chief Executive left the Council on 7th August 2011. The former Director of Transformation was appointed to fill the post from the same date. The costs shown are net of 50% of the former post holder's costs recharged to Wyre BC, for whom she also acted as Chief Executive.

Other employees receiving more than £50,000 remuneration, excluding pension contributions, were as follows:

Remuneration band	2010/2011 Number of employees	2011/2012 Number of employees
£50,000 - £54,999	2	4
£55,000 - £59,999	1	-
£60,000 - £64,999	-	1
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

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	0	0	17	8	17	8	153	58
£20,001 - £40,000	0	0	9	1	9	1	247	39
£40,001 - £60,000	0	0	1	1	1	1	52	57
£60,001 - £80,000	0	0	1	1	1	1	0	67
£80,001 - £100,000	0	0	0	0	0	0	81	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total	0	0	27	10	27	10	533	221

37 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	97	94
Fees for the certification of grant claims and returns	22	24
Total	**119**	**118**

38 GRANT INCOME

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

	2010/11 £'000	2011/12 £'000
Credited to Taxation and Non Specific		
National non domestic rates	(7,411)	(5,149)
Revenue support grant	(1,076)	(1,592)
Other revenue grants	(205)	(533)
Capital Grants – Regional Housing Pot	(80)	0
Capital Contributions - Section 106 Planning	(727)	(207)
Capital Other grants and contributions	(124)	(106)
Total	**(9,623)**	**(7,587)**
Credited to Services		
Grants – benefits related	(28,116)	(30,501)
Grants – Homelessness	(51)	(504)
Grants – Concessionary fares	(734)	0
Grants – other	(675)	(869)
Contribution – County Council reimbursement	(842)	(895)
Contributions – other	(1,273)	(946)
Total	**(31,691)**	**(33,715)**

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

Capital Grants	2010/11 £'000	2011/12 £'000
Grant - Regional Housing Pot	936	802
Grant – various LCC	138	75
Other grants and contributions	12	72
Total	**1,086**	**949**

39 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 general operations of the council as it provides the statutory framework within which the Authority operates and the majority of its funding in the form of grants. Details of government grants received is given in note 38.

- **Members of the Council**
  Members 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 items relating to the personal interest of partners, relatives or friends, are also recorded in the minutes of the meeting and the member will leave the meeting. Declarations are open to public inspection.

  Note 35 refers to the allowances paid to members. The amounts paid to individual members are reported on the Council's web site.

- **Officers**
  If appropriate, Directors of the Council complete a voluntary declaration of transactions involving related parties. The returns showed that in respect of the declarations made during the year to 31 March 2012 there were no material transactions.

- **Chorley Community Housing Ltd (CCH)**
  In 2006/07 the Council's housing stock was transferred to CCH. Pursuant to that transfer CCH purchased services valued at £0.161m from the Council (2010/11 £0.161m); and paid over a proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants totalling £0.019m (2010/11 nil). In addition, the Council received income totalling £2.274m (2010/11 £1.587m) from CCH under a VAT sharing agreement (see also note 46 Contingent Assets).

- **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 the services detailed in the Shared Services Agreement.

  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 £0.98m (2010/11 £1.087m) to Chorley Borough Council.

▪ *Active Nation* – are contracted to manage indoor sports and leisure facilities. In 2011/12 payments totalled £0.375m (2010/11 £0.414m), and income was £0.019m (2010/11 £0.019m).

▪ In the following cases the Council made grants and payments for services that were significant relative to the size of the recipient organisation:

	2010/11 £'000	2011/12 £'000
Business Venture Group	259	83
Lancashire Economic Partnership	7	0
The Arts Partnership	19	18
Chorley, South Ribble & District Citizen Advice Bureau	85	85
Chorley and South Ribble Shop Mobility	10	15
North West Local Authorities Employers' Organisation	4	10
Chorley & South Ribble CVS	4	1
Total grants and payments	**388**	**212**

40 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
Opening Capital Financing Requirement	9,672	8,605
Capital investment		
Property, Plant and Equipment	724	719
Intangible Assets	321	77
Revenue Expenditure Funded from Capital under Statute	1,241	3,561
Sources of finance		
Capital Receipts	(36)	(63)
Government Grants and Other Contributions	(1,477)	(3,698)
Sums set aside from revenue		
Revenue Financing	(709)	(393)
Minimum Revenue provision - statutory	(412)	(322)
Minimum Revenue provision - voluntary	(719)	(264)
Sums set aside from capital receipts		
Voluntary provision for debt repayment	0	(150)
Closing Capital Financing Requirement	**8,605**	**8,072**
Explanation of movements in year		
Increase in prudential borrowing	62	203
Provision made for debt repayment	(1,131)	(736)
Increase/(Decrease) in Capital Financing Requirement	**(1,069)**	**(533)**

41 LEASES

41a Authority as lessee

Finance leases

The Council has no finance leases

Operating leases

The Authority operates plant and vehicles, office equipment under operating leases. There are also lease arrangements embedded in the refuse contract. The future minimum payments, and sub lease minimum receipts, are as follows:

	31 March 2011		31 March 2012	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	647	(43)	613	(43)
Later than 1 yr, not later than 5	2,265	(170)	2,296	(170)
Later than 5 years	1,353	(595)	1,011	(467)
Minimum lease payments	**4,265**	**(808)**	**3,920**	**(680)**

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	396	360
Contingent rents	0	0
Sub-lease payments receivable	(43)	(43)
Total payable rentals	**353**	**317**

41b Authority as lessor

Finance leases

The Council has leased two properties, each for periods of 125 years.

In the following table the gross investment in the leases 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)	289	289
Unearned finance income	2,355	2,331
Gross investment in the lease	**2,644**	**2,620**

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 year	24	24	24	24
Later than 1 yr, not later than 5	95	95	95	95
Later than 5 years	2,525	2,501	2,525	2,501
Total	**2,644**	**2,620**	**2,644**	**2,620**

No allowance for uncollectible amounts is deemed necessary. The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £23k contingent rents were receivable by the Authority (2010/11 £14k).

Operating leases

The Council lets 27 offices, industrial units and sites. The future minimum lease payments receivable are:

	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	330	200
Later than one year and not later than five years	920	700
Later than five years	9,205	8,887
Total receivable rentals	**10,455**	**9,787**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £17k contingent rents were receivable by the Authority (£3k 2010/11).

42 IMPAIRMENT LOSSES

The impairment losses recognised during the years are as follows. All losses were within the "Other Land & Building" class of asset. These losses appear also in the analysis of movements in Property plant and equipment (Note 12).

	2010/11 £'000	2011/12 £'000
Impairment loss recognised in cost of services	727	200
Impairment losses reversed in cost of services	0	(73)
Impairment losses taken to the Revaluation Reserve	57	197
Total impairment losses	**784**	**324**

Material individual impairments	Amount	Directorate	Valuation	Basis
Town Hall – disrepair of windows	£0.2m	Chief Executive's	Fair value in existing use	Cost to repair
Clayton Green Sports Centre – repairs needed	£0.197	People & Places	Depreciated replacement cost	Cost to repair
White Hart Public House – reversal of previous impairment due to permanent reduction in value	(£0.073)	Chief Executive's	Fair value in existing use	Income stream

43 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2011/12 incurring liabilities of £0.221 million (£0.5 million in 2010/11). See note 36 for the number of exit packages and total cost. Of the total in 2011/12, £0.0125 million was in respect of Shared Financial Services and was shared with South Ribble Borough Council. Termination payments made to Directors, Heads of Service and other senior managers in 2010/11 and 2011/12 are shown in note 36 as 'compensation for loss of office.

44 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.

44a 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
Comprehensive Income & Expenditure Statement		
Cost of Services		
current service cost	1,395	1,178
Past service cost	(5,584)	0
Settlement and curtailment	0	98
Financing and investment Income and Expenditure		
Interest costs	5,222	4,811
Expected return on scheme assets	(3,610)	(3,949)
Total post employment benefit charged to the (Surplus)/Deficit on the Provision of Service	**(2,577)**	**2,138**

Other post employment benefit charged to the Comprehensive Income & Expenditure Statement Actuarial (gains) and losses	(6,156)	6,195
Total post employment benefit charged to the Comprehensive Income & expenditure Statement	**(8,733)**	**8,333**
Movement in Reserves Statement Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	2,577	(2,138)
Actual amount charged against the General Fund balance for pensions in the year	**1,646**	**1,651**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is £26.824m.

44b Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

	Scheme Liabilities Local Government Pension Scheme	
	2010/11 £'000	**2011/12 £'000**
1 April	**(93,804)**	**(88,254)**
Current service cost	(1,395)	(1,178)
Interest cost	(5,222)	(4,811)
Contributions by scheme participants	(500)	(454)
Actuarial gains and (losses)	4,088	(3,240)
Benefits paid	2,995	3,197
Curtailment	0	(98)
Past service costs	5,584	0
31 March	**(88,254)**	**(94,838)**

Reconciliation of fair value of the scheme assets

	Scheme Assets Local Government Pension Scheme	
	2010/11 £'000	**2011/12 £'000**
1 April	**56,148**	**61,912**
Adjustment relating to prior years employer contributions		(935)
Expected return on plan assets	3,610	3,949
Actuarial gains & (losses)	2,068	(2,955)
Employer contributions	2,581	1,597
Contributions by scheme participants	500	454
Benefits paid	(2,995)	(3,197)
31 March	**61,912**	**60,825**

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 £0.993m (2010/11 gain £4.535m).

In the 2010/11 accounts, the actuarial deficit of £26.342m at 31 March 2011 differed from that shown in the balance sheet of £27.277m, a difference of £0.935m. This was due to a variation in the actual contributions charged on an accrual basis in the accounts and those estimated by the actuary. The actuary amended his estimate during 2011/12 to bring it in line with the actual contributions and this is reflected in the adjustment to the opening balance for 2011/12 in the table above.

44c Scheme history

	2007/08 As restated £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Present value of liabilities	(80,435)	(67,700)	(93,804)	(88,254)	(94,838)
Fair value of assets	52,993	42,192	56,148	61,912	60,825
Surplus/(deficit) in the scheme	**(27,442)**	**(25,508)**	**(37,656)**	**(26,342)**	**(34,013)**

The liabilities show the underlying commitments that the authority has in the long term to pay post employment (retirement) benefits. The total liability of £34.013m 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 £1,596.

44d 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 2007.

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

	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	23.10
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%	n/a
Rate of inflation (CPI)	2.90%	2.50%
Rate of increase in salaries	4.90%	4.50%
Rate of increase in pensions	2.90%	2.5%
Rate for discounting scheme liabilities	5.50%	4.9%
Take up option to convert pension into lump sum	50%	50%

44e Analysis of scheme assets

	Proportion of Total Assets 31/03/2011 %	Proportion of Total Assets 31/03/2012 %
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
Total	**100.0**	**100.0**

44f 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	(14.0)	(34.2)	20.0	3.3	(4.9)
Experience gains and (losses) on liabilities	3.9	0	0	4.7	0

44g Prepaid or accrued pension contributions

There were no prepaid or accrued pensions contributions held on the balance sheet as at 31 March 2012.

45 CONTINGENT LIABILITIES

During 1992/93 Municipal Mutual Insurance Ltd (MMI), the insurer to Chorley Borough Council and many other Local Authorities, experienced trading difficulties. The company's creditors agreed a "Scheme of Arrangement" which allowed MMI to work towards a solvent run-off until all outstanding claims were settled. If the company becomes insolvent there is a claw-back arrangement whereby the creditors may be required to repay a proportion of the claims paid. A provision of £15k has been made in 2011/12 (see note 23).

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 dealing with this. The amount repayable has not yet been accurately quantified.

The Council gave warranties to Chorley Community Housing Limited against certain environmental risks. The Council's liability is restricted to a maximum loss of £18m arising over a period of 18 years. It has paid a single premium to insure against claims of up to £15m for a period of 10 years, and is covering the remaining 8 years by payment of an additional annual premium. At 31 March 2012 there are 13 years of the liability period outstanding.

Under the terms of the Voluntary Stock Transfer Agreement dated 26 March 2007 a number of employees transferred to Chorley Community Housing. The pension liability of £2.5m in respect of these employees remains with the Council. A sum of £1.75m, a part of the VAT shelter receipts, has been received in 2011/12 to offset this liability, and the Council is entitled to further receipts from this source. A provision for payment of the £1.75m to the Pension Fund has been made (see note 23). The timing of the payment has yet to be decided.

46 CONTINGENT ASSETS

The Council has claimed an amount of £1.03m from HM Revenue and Customs in relation to Value Added Tax charged on car parking for previous financial years. A further claim for £0.327m is to be submitted for 2010/11 and 2011/12. The claim is subject to a judicial review. This was held in May 2012 and a decision is awaited.

The Council has also submitted a claim to HMRC regarding VAT overpaid over many years, mainly at its leisure centres. This has been settled save for claims for compound interest, which could total £400k.

Under the terms of the Voluntary Stock Transfer Agreement dated 26 March 2007, the Council was entitled to receive an estimated £3.45 million from Chorley Community Housing. It becomes payable if CCH is successful in reclaiming VAT on the qualifying works (i.e. those works it planned to do to the transferred houses over a period of roughly ten years). The cumulative total received to 31 March 2012 was £3.150 million. There is no reason at the moment to believe that the works will not be done, nor that the further VAT reclaim will be contested by HMRC.

The Council is also entitled to a share of the proceeds from the sale of dwellings transferred to the Association. This agreement has a further ten years to run. The amount will depend on the numbers sold and cannot be predicted.

47 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 2012 £'000	Default risk %	Exposure to default £'000
Investments			
Impaired bank deposit at carrying value	1,065		0
Other long term deposits with banks and financial institutions	8,054		0
Sundry Debtors (see separate analysis)	3,525	8.5	299
	12,644		**299**

Provision has been made for the impairment of sundry debtors.

Impaired Bank Loan

The impaired bank deposit was made with the following Icelandic bank which went into liquidation in October 2008:

Bank	Date Invested	Maturity Date	Amount	Interest Rate	Carrying value 31/03/2012	Impairment Suffered
Landsbanki	09/09/2008	09/12/2008	£2m	5.81%	£1.065m	£0.767m

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

During the year the priority status of the Council's claim was finally confirmed by the Icelandic court, and a first payment made. It is now expected that the principal and interest up to the date of claim, will be fully repaid, but in view of the exchange rate risk (see below) only a 97% sterling receipt has been assumed over a timescale stretching to 2018.

Other Bank Loans

The Council's Investment Strategy restricts investments to a narrow range of counterparties. There is no reason to assume a risk of impairment.

Sundry Debtors

The sundry debtors (as in note 19) are analysed in the following table (the analysis excludes arrears of council tax £229k):-

	£'000
Not yet past due date	2,411
Up to three months past due date	91
Three to six months past due date	29
Six months to one year past due date	273
Beyond one year	721
	3,525

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. The maturity analysis of its borrowing is as follows:

	31 March 2011 £'000	31 March 2012 £'000
Less than 1 year	1,101	598
Between 1 and 2 years	550	350
Between 2 and 5 years	6,049	6,049
More than 5 years	1,223	873
Total	**8,923**	**7,870**

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 Comprehensive Income and Expenditure Statement. To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been

	£'000
Gain - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(150)
Gain - Impact on Income and Expenditure Account	(150)
Loss - Decrease in fair value of fixed rate investments (no impact on Comprehensive Income & Expenditure Statement)	0
Gain - Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure Statement)	(259)

Price risk – The Council has no exposure to this risk, having no available for sale assets.

Foreign Exchange Risk – The Council has exposure to the risk of currency movements on repayments on its Icelandic loans. £1.065m is still outstanding. Of this roughly two thirds is expected to be paid in foreign currency (mainly euros and dollars).

48 HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were no disposals or acquisitions during the five years 2007/08 to 2011/12.

49 HERITAGE ASSETS – FURTHER INFORMATION

The assets included within Heritage assets are as follows:-

Civic Regalia

This mainly consists of mayoral badges, chains of office, and other regalia used in civic activities. It was last re-valued in 2009.

Astley Hall

The house was built in the mid seventeenth century, and extended in 1825. It was given to Chorley Council in 1922 as a memorial following the First World War. It houses a collection of paintings and furniture and has accredited museum status awarded by the Arts Council. Up to 31 March 2010 it was valued as a museum and included within community assets using the depreciated cost method of valuation, but In 2010/11 it was decided that this was inappropriate given its age and history. No conventional valuation method was appropriate, and it was therefore valued at a nominal amount of £1. It has now been reclassified as a Heritage asset
The parkland surrounding the house continues to be treated as a community asset.

Astley Hall furniture and art collection

A large part of the collection was gifted to the Council with the house, but it has been added to by gifts and purchases in the following years. The collection consists of numerous minor works of art and furniture. It is included in the statement of accounts for the first time in 2011/12 at the insurance value of £1.582m.

Preservation and management

The Council has a five year plan for the use and maintenance of the hall and contents. Periodic structural surveys are undertaken, the next in 2012. Additions and disposal of the collection is managed in accordance with The Acquisitions and Disposal Policy

50 HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE IN 2011/12

The Code of practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the accounting treatment of Heritage Assets. As set out in the summary of accounting policies, Heritage Assets should now be carried in the balance sheet at valuation. The notes to the accounts should state where this is not possible.

In previous years both Astley Hall and the civic regalia were recognised as a Community Assets. The art and furniture collection did not appear in the balance sheet. The effects of the restatement are as follows:-

Category	Original 31/03/2010 £'000	Reason for Change	Change £'000	Restated 31/03/2010 £'000
Property Plant & Equipment	37,571	Community assets reclassified as Heritage Assets	(1,064)	36,507
Heritage Assets	0	Reclassified from PP&E	1,064	
		Inclusion of Heritage Assets for first time	1,583	2,647

Unusable Reserves	7,088	Heritage Assets brought into account	(1,583)	5,505

Original Category	Original 31/03/2011 £'000	Reason for Change	Change £'000	Restated 31/03/2011 £'000
Property Plant & Equipment	36,041	Community assets reclassified as Heritage Assets	(84)	35,957
Heritage Assets	0	Reclassified from PP&E	84	
		Inclusion of Heritage Assets for first time	1,583	1,667
Unusable Reserves	(3,092)	Revaluation Reserve – Heritage Assets brought into account	(1,583)	(4,675)

Comprehensive Income and Expenditure Statement

During 2010/11 Astley Hall was revalued. This was recognised in the Comprehensive Income and Expenditure Statement so no restatement is necessary.

51 TRUST FUNDS

The Authority acts as sole trustee for a small number of funds. In some cases the asset (cash) is held on the Council's balance sheet and shown as a sundry creditor. In other cases the fund has investments not recorded in the Council's accounts. The Avondale Library Trust is also a registered charity

2011/12	Income £'000	Expenditure £'000	On Balance Sheet Assets £'000	On Balance Sheet Liabilities £'000	Off Balance Sheet Assets £'000	Off Balance Sheet Liabilities £'000
McKnight Memorial Fund	0	0	5	5	0	0
William Cocker Charity	0	0	0	0	3	3
W B Parkes Charity	0	0	2	2	0	0
Avondale Library Trust	3	2	26	26	82	82
H T Parkes Baths Fund	0	0	0	0	2	2
Total	**3**	**2**	**33**	**33**	**87**	**87**

2010/11	Income £'000	Expenditure £'000	On Balance Sheet Assets £'000	On Balance Sheet Liabilities £'000	Off Balance Sheet Assets £'000	Off Balance Sheet Liabilities £'000
McKnight Memorial Fund	0	0	5	5	0	0
William Cocker Charity	0	0	0	0	3	3
W B Parkes Charity	0	0	2	2	0	0
Avondale Library Trust	7	0	23	23	84	84
H T Parkes Baths Fund	0	0	0	0	2	2
Total	**7**	**0**	**30**	**30**	**89**	**89**

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
	Income		
47,578	Income from Council Tax		48,099
	Transfers from General Fund		
6,482	Council Tax Benefits	6,604	
	Transitional Relief	(1)	
6,482			6,603
20,956	Income Collectable from Business Ratepayers		25,754
75,016			**80,456**
	Expenditure		
	Precepts and Demands		
39,017	Lancashire County Council	39,418	
6,917	Chorley Borough Council	6,976	
5,149	Lancashire Police Authority	5,202	
2,241	Lancashire Combined Fire Authority	2,264	
53,324			53,860
	Distribution of Collection Fund Surplus/(Deficit)		
(113)	Lancashire County Council	146	
(20)	Chorley Borough Council	26	
(15)	Lancashire Police Authority	19	
(6)	Combined Fire Authority	8	
(154)			199
0	Adjustment to previous years Community Charge		0
	Business rates		
20,826	Payment to National Pool	25,624	
130	Cost of Collection Allowance	130	
20,956			25,754
	Bad and doubtful debts/appeals		
97	Write offs	107	
315	Provisions	61	
412			168
74,538			**79,981**
478	Surplus/(deficit) for the year		475
0	Surplus/(deficit) at 1 April		0
(62)	Transfer to/from Collection Fund Adjustment Account		(61)
(416)	Net transfer to Major Precept Debtor		(414)
0	**Surplus/(deficit) at 31 March**		**0**

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.

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	Dwellings	Total Equivalent Dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	19	17.50	5:9	9.70
A	14,328	11,873.00	6:9	7,915.30
B	10,259	9,080.00	7:9	7,062.20
C	8,643	7,827.25	8:9	6,957.60
D	5,924	5,461.75	9:9	5,461.80
E	4,204	3,942.25	11:9	4,818.30
F	1,709	1,617.00	13:9	2,335.70
G	744	701.00	15:9	1,168.30
H	62	43.00	18:9	86.00
Total	**45,892**	**40,563.25**		**35,814.90**
Less adjustments for anticipated changes to the base and losses on collection				**(249.10)**
Band D Equivalent Number of Properties				**35,565.80**

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 £1,505.37 for 2011/12 and £1,505.50 for 2010/11). The other valuation bands are proportionate to this.

SIGNIFICANT PRECEPTORS

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

	2010/11 £000	2011/12 £000
Lancashire County Council	39,017	39,418
Lancashire Police Authority	5,149	5,202
Lancashire Combined Fire Authority	2,241	2,264

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.

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 Business Rates income, after reliefs and provisions, was £25.7 million for 2011/12 (£20.9million for 2010/11).

The rateable value for the Council's area at the end of the financial year 2011/12 was £68.31million (£65.96 million in 2010/11).

Chorley Council

Report of	Meeting	Date
Chief Executive	Governance Committee	28 June 2012

TREASURY MANAGEMENT ANNUAL REPORT 2011/12

PURPOSE OF REPORT

1. The current regulatory environment concerning treasury management places a greater onus on members to scrutinise treasury policy and activity. To enable that, each year the Council is required to consider, as a minimum, three treasury reports. These consist of an annual strategy statement in advance of the year (Council 1/3/11), a mid year review of that strategy (Audit Committee 29/09/2011), and finally this out-turn report.

RECOMMENDATION(S)

2. Members are asked to note the report

EXECUTIVE SUMMARY OF REPORT

3. The report advises that Prudential and Treasury Indicators were complied with and that the return on investments totalled 1.07% which exceeded the benchmark of 0.48%. Details of borrowings are given and the situation with regard to the Icelandic investments is updated

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

4. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			X

DETAIL

5. **<u>Prudential Indicator Capital Expenditure and Financing 2011/12</u>**

A comprehensive report on the capital out-turn has been separately submitted to Executive Cabinet on 21 June 2012.

6. Prudential Indicator The Capital Financing Requirement (CFR)

The CFR is a measure of the capital expenditure of the Council which is still to be paid for. Such expenditure will currently be met by borrowing or by temporarily using internal cash balances. Ultimately however it has to be paid for and will be a charge to Council tax payers.

	Original Estimate £000	Actual £000
Capital Financing Requirement at 1 April 2011	9,224	8,605
Change in year – prudential borrowing	526	203
- MRP	(336)	(322)
- Voluntary MRP		(414)
CFR at 31 March 2012	**9,414**	**8,072**

The Capital Financing Requirement is significantly below that estimated in the Treasury Strategy. The reason for this is that since the 2011/12 estimate was produced (February 2011), voluntary provision for debt repayment totalling £1.133m has been made as part of the budget strategy (£0.719m in 2010/11 and £0.414m in 2011/12)

7. Prudential Indicator The CFR and Borrowing

In order to ensure that Authorities only borrow for capital purposes the Prudential Code requires that borrowing, net of investments, should not exceed the CFR for the preceding year plus any anticipated increase in the current and next two years. As at 31 March 2012 net borrowing is a negative figure (i.e invested cash exceeds borrowing by £2.412m) and is thus well below the CFR.

8. Compliance with Borrowing Limits

The Prudential Indicators include two borrowing limits.

- The **Operational Boundary** is the expected borrowing position. This was set at £10.0m to allow for any temporary borrowings that might have been required to cover temporary cash shortages. These did not materialise and the limit has not been exceeded. Borrowing as at 31/3/12 is £7.870m

- The **Authorised Limit** is the limit, set by the Council itself, required by Section 3 of the Local Government Act 2003. The Council does not have power to exceed it. This was set at £12.0m and has not been exceeded.

9. **Prudential Indicator Ratio of Financing Costs to the Revenue Stream**

This indicator shows what percentage of the Council's income from Government grants and council tax has been used to meet interest costs and debt repayment.
The indicator as per the Treasury Strategy data was 2.97%. This has increased to 3.49% because of the additional voluntary provision for debt repayment.

10. **Prudential Indicator Incremental impact of capital investment decisions**

This indicator is concerned with capital expenditure over a period of years, and reports its cumulative impact on the revenue account. It is not possible to meaningfully make comparison against this indicator, other than when it is restated each year when the Treasury Strategy is produced.

11. **Treasury Position as at 31 March 2012**

	31 March 2012 estimate per Treasury Strategy £000	Actual value as at 31 March 2012 £000
Borrowing at period start	8,872	8,872
Borrowing repaid in year	(1,050)	(1,050)
Borrowing in year	0	0
Interest accrued		48
Total borrowing at period end	**7,822**	**7,870**
Cash & investments (exc Icelandic)	**6,900**	**11,871**
Icelandic investment	1,070	1,065

12. **Borrowings**

No borrowings were made in the year and the year indebtedness is as forecast.

13. **Treasury Indicator Upper limit on fixed rate exposure**

The Council is exposed to fixed interest rates on its borrowings. The indicator for 2010/11 was £10.0m to match the Operational Boundary. It has not been breached.

14. **Investments**
The table in para 11 shows a significant increase in the value of investments. The reasons are:

	£'000
Expected cash & investments per Treasury Strategy 2011/12	6,900
Changes in 2011/12	
Capital programme, reduced expenditure, extra income	1,753
Changes in debtor and creditor balances	2,159
Additional revenue account surplus	864
Other	195
Cash & investments 31/3/12 (excluding Icelandic)	**11,871**

The following table summarises investment activity and returns during the year:

Details	**Average daily Investment £'000**	**Interest Earned £**	**Average Rate %**
Money Market Funds	458	3,161	0.69
Short Term deposits	6,092	112,765	1.85
Call accounts	4,683	35,895	0.76
Debt Management Office (DMO)	3,742	9,379	0.25
Total	**14,975**	**161,200**	**1.07**

The performance benchmark is the London 7 day Inter-Bank Bid Rate (LIBID). This averaged 0.48% over the year

15. **Treasury Indicator Upper limit on exposure to variable interest rates**

The Council is exposed to variable interest rates on all its invested cash. Setting a limit is of no real effect, since whatever cash the Council has is invested at variable rates. An expected maximum of £20m was quoted in the Treasury Strategy. On 22 days during the year this figure was exceeded, investments peaking at £22m

16. **Icelandic Investment**

The court proceedings in Iceland were successfully concluded during the year with the confirmation of the priority status of the Council's debt. A first repayment of £596k was received in February. The following table summarises the transactions up to 31 March 2012

Icelandic Investment	£'000
Original investment	2,000
Write down – impairment	(767)
Interest accrued @ 5.81%	428
Cash received	(596)
Owing as at 31/3/2012	**1,065**

Interest continues to accrue at 5.81%, and over time this will substantially reverse the impairment loss.
In May 2012 a further repayment of £248k was received. It is now expected that 100% of the claimed amount will be recovered, but over a timescale extending to 2018. Furthermore there remains the exchange rate risk since repayments will be made in dollars and euros, with a small amount in Icelandic Krona in addition to sterling

17. **The economy and Interest rates**
The review of the year provided by the Council's consultant is at Appendix A

IMPLICATIONS OF REPORT

18. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

19. This report meets statutory requirements. Its statistical content is consistent with the Council's financial accounts for the year 2011/12

GARY HALL
CHIEF EXECUTIVE

Report Author	Ext	Date	Doc ID
G Whitehead	5485	June 12 2012	

APPENDIX A

The Economy and Interest Rates – Sector commentary

The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2011-12 was that Bank Rate would start gently rising from quarter 4 2011. However, GDP growth in the UK was disappointing during the year under the weight of the UK austerity programme, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the EU. The EU sovereign debt crisis grew in intensity during the year until February when a second bailout package was eventually agreed for Greece. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £75bn in October and another £50bn in February. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation peaked in September at 5.2% but then fell to 3.4% in February, with further falls expected to below 2% over the next two years.

Gilt yields fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of quantitative easing during the year, combined to depress PWLB rates to historically low levels.

Investment rates. Risk premiums were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the ratings of many banks and sovereigns, continued Eurozone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.