

# Statement of Accounts 2010/2011





## 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 30 June 2011.

### ACCOUNTING CHANGES

This is the first year in which these statements have been produced in compliance with the new Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 known as The Code, which is based on International Financial Reporting Standards (IFRS). This has resulted in significant changes in the appearance and format of the statements and notes, but relatively few changes in the actual figures presented within them. As this is the first year of preparing the statements using IFRS the major statements show the balances re-stated as at 31 March 2009 in order to enable consistent comparisons to be made between last year (2009/10) and this year (2010/11). Until 2010/11 the Statement of Accounts would have been approved in draft by the Audit Committee by 30 June and then submitted to the External Auditor for inspection and auditing. The requirement is now that the Chief Finance Officer approves the Statement of Accounts in June and Audit Committee approves the Statement in September in completion of the external audit process.

The main IFRS changes in the figures are as follows:-

- inclusion of an accrual for holiday entitlement outstanding at 31/3/2011 in the sum of £0.125m;
- re-classification of two leases as finance leases. This has resulted in the deletion of two fixed assets and the introduction of long term debtors, but there is only a negligible impact on the revenue account.
- Government grants and other contributions towards capital expenditure (totalling £0.931m in 2010/11 and £1.461m in 2009/10) now appear directly in the Comprehensive Income and Expenditure Statement in the year of receipt. Previously these amounts were released as income as assets depreciated over a period of time.

It is important to note that these changes do not impact on the charges to council tax payers as the regulations require compensating adjustments to be made to reserves. These are detailed in the Movement in Reserves Statement and in note 7 to the accounts.

### 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 55 **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 2010/11

### General Fund - Revenue Account Summary

The Council's revenue account bears the cost of providing services and this section of the forward will include the following:

#### Actual Spend Compared to the Budget

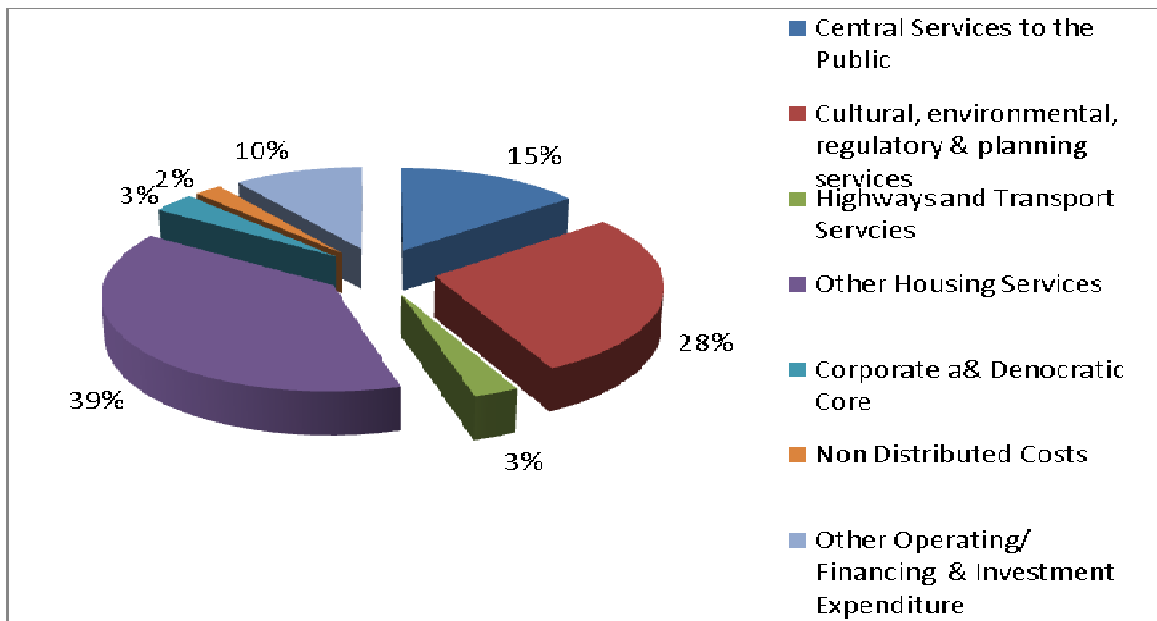
At the end of 2010/11 the Council's net expenditure was £337,000 below budget after taking into account items committed in 2011/12. This was mainly attributable to the following:-

- Savings on employee costs as a result of vacant posts and capitalisation
- Additional Department of Communities and Local Government Grant received with regard to older people and focussing on reducing the impact of fuel poverty
- Additional income received for car parking permits
- Savings achieved by reducing the volume of waste disposal, for example the chipping of green waste
- Reduced cost of external contractors by carrying out work in-house
- Budgetary savings generated by effective procurement activity

Budget Variation By Directorate	2009/10			2010/11		
	Cash Budget £'000	Actual £'000	Cash Variation £'000	Cash Budget £'000	Actual £'000	Cash Variation £'000
Chief Executive's Office	568	548	(20)	523	445	(78)
Partnerships, Planning & Policy	1,496	1,635	139	1,764	1,842	78
People & Places	6,163	6,168	5	5,988	5,751	(237)
Transformation	6,675	6,464	(211)	6,207	5,982	(225)
<b>Directorate Expenditure</b>	<b>14,902</b>	<b>14,815</b>	<b>(87)</b>	<b>14,482</b>	<b>14,020</b>	<b>(462)</b>
Revenue Financing of Capital Expenditure	541	347	(194)	1,447	709	(738)
Provision to Repay Debt	358	229	(129)	464	1,131	667
Interest payable & Similar Charges	263	730	467	77	213	136
Interest & Investment Income	(160)	(573)	(413)	(6)	(211)	(205)
Other Income	0	(697)	(697)	(1,460)	(1,606)	(146)
General Government Grants	(180)	(438)	(258)	(157)	(205)	(48)
Transfers to/(from) Earmarked Reserves	(569)	172	741	(278)	324	602
Transfer to/(from) General Balances	(508)	62	570	220	414	194
<b>Chorley Council Expenditure</b>	<b>14,647</b>	<b>14,647</b>	<b>0</b>	<b>14,789</b>	<b>14,789</b>	<b>0</b>
Parish Precepts	594	594	0	595	595	0
<b>BUDGET REQUIREMENT</b>	<b>15,241</b>	<b>15,241</b>	<b>0</b>	<b>15,384</b>	<b>15,384</b>	<b>0</b>
Formula Grant	(8,357)	(8,357)	0	(8,487)	(8,487)	0
Council Tax	(6,900)	(6,900)	0	(6,917)	(6,917)	0
Share of Collection Fund (Surplus)/Deficit	16	16	0	20	20	0
<b>Total Financing</b>	<b>(15,241)</b>	<b>(15,241)</b>	<b>0</b>	<b>(15,384)</b>	<b>(15,384)</b>	<b>0</b>

### Where the Money was Spent

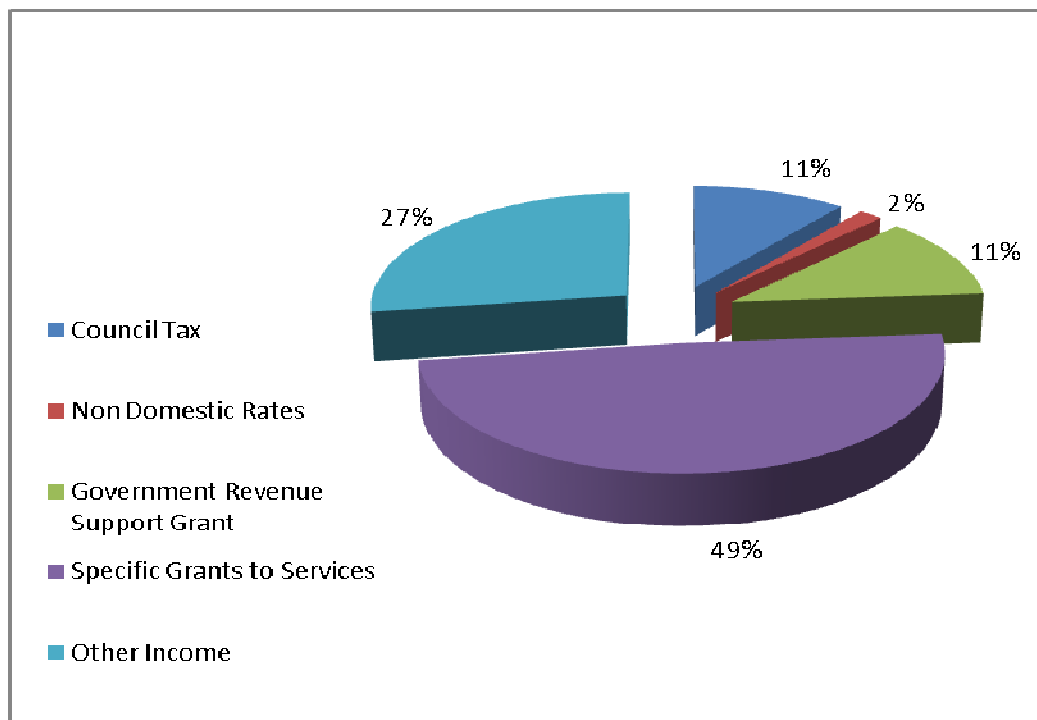
The Gross Expenditure for the Council is set out in the Comprehensive Income and Expenditure and shows the cost in year of providing services.



### Where the Money Came From

The Gross Income for the Council is set out in the Comprehensive Income and Expenditure Account which funds the cost of providing services, it was received from the following sources:

- Council Tax
- Non Domestic Rates from Businesses
- Government Revenue Support Grant
- Grant Specific to Services, for example, Housing Benefits and Concessionary Travel
- Other sources of income within the Comprehensive Income and Expenditure Account



## Treasury Management

The Balance Sheet and Cash Flow Statements show the turnover of cash and the final cash position as at 31 March 2011. The Council's Treasury Management Strategy 2010/11 was a key document during the year for the effective day to day management of cash resources and set out our policies with regard to investing surplus cash. The difficulties seen in the financial markets have made it essential that close regard is given to management and control of risks and therefore we have a strategy in place that limits investments to mainland British financial institutions, the UK Government and other Local Authorities in order to maximise investment income and minimise risk.

The actual average rate of return during the year was 0.65% which exceeds the benchmark (7 day LIBID rate) of 0.43%.

The Authority borrowed £8.146m during the year. This replaced recently matured debt, complied with the strategy for the year and took advantage of low interest rates. The Movement in Reserves Statement shows that the Usable Capital Grants and Contributions Reserves are £5.740m as at 31 March 2011 the vast majority of which is already committed to fund identified capital schemes.

The Council also has a deposit currently following the collapse of the Icelandic bank Landsbanki. In April the long awaited judgement of the Icelandic courts was delivered upholding the priority status of the Authority's deposit. This is still subject to further challenge so repayments are delayed until this is resolved. The book value within these statements as at 31 March 2011 is £1.57m, however, it is important to note that this value is for accounting purposes only and is not the same as the actual amount that will be repaid. Currently it is expected that £1.965m will be returned.

## Capital Spend and Financing Summary

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

- Show where capital expenditure was incurred
- Explain how this expenditure was financed

## Capital Expenditure in 2010/11

Service	Actual Capital Expenditure £'000
Housing grants to housing associations	508
Housing disabled and repair grants	459
Buckshaw railway station	145
Community centre works	72
IT related expenditure	728
Parks and play areas	164
Other	209
<b>Total Capital Expenditure</b>	<b>2,285</b>

## Capital Financing in 2010/11

<b>Financing</b>	<b>Actual Capital Financing £'000</b>
Prudential Borrowing	62
Unrestricted Capital Receipts	37
Contributions from Revenue Budget	15
Revenue Budget VAT Shelter Income	694
External Contributions - Developers	779
External Contributions - Other	174
Government Grants – Disabled Facilities Grant	239
Government Grant – Housing Capital Grant	285
<b>Total Capital Financing</b>	<b>2,285</b>

### **Reserves and Balances Summary**

The Authority's Medium Term Financial Strategy (MTFS) proposes that working balances are to be no lower than £2.0m given the budgetary challenges facing the Council and the level of budgetary savings required to reach a balanced budget position over the next three years. The Revenue Account underspend achieved of £0.337m together with income received in respect of Marginal Off Street Parking and budgeted contribution to reserves in 2010/2011 has resulted in a General Fund Balance exceeding the MTFS target. This has presented an opportunity for the Authority to make a prudent additional reserve in the sum of £0.300m to cover future one-off costs incurred in the process of delivering recurring and sustainable budgetary savings plans. After taking into account all of the above, the level of General Fund Balances as at 31 March 2011 will be £2.077m. This is reflected in the Movement in Reserves Statement.

### **Pension Fund Liability**

The pension fund liability is set out in detail within Note 43 of this statement. In summary the Council has a liability as at 31 March 2011 of £26.342m. This liability has been brought about as the present value of liabilities exceeds the fair value of assets. This has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. That said the 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 Pension Fund Liability in 2010/11 has reduced from the previous year by £11.314m mainly due to the revaluation of Past Service Costs. This is as a result of the Chancellors UK Budget Statement whereby public service pensions will now be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI).

## 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 significant reductions in funding and budgetary challenges. The 2010/11 Medium Term Financial Strategy (MTFS) recognised the serious risk that the 2010 Comprehensive Spending Review (CSR) posed in respect of potential budgetary shortfalls and set the Council on the path to achieve preparatory sustainable efficiency savings. Indeed the anticipated reduction in Government Grant came to fruition and the current MTFS for the period 2011/12 to 2014/15 forecasts the following budget gap:

Year	Budget Gap £'000	Cumulative £'000
2011/12*	0	0
2012/13	1,406	1,406
2013/14	1,014	2,420
2014/15	523	2,943

\*£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. In this respect the Council's MTFS will be to:

- Continue to restrain Council tax increases
- Deliver a balanced budget
- Identify savings required 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:

- Continue a programme of Value for Money Reviews
- Reflect the impact of the Governments Pension Review
- Review expenditure on major contract
- Review all aspects of income
- Proactively seek to restructure the debt profile by contain borrowing and minimising its financial impact

In additional to significant funding reductions the 2010 CSR limited the settlement period to a two year period. Together with the forthcoming review of Local Authority funding this has caused a degree of uncertainty with regard to medium term financial planning.

In recognition of the above financial environment and the level of sustainable efficiency savings to be achieved the Council has raised working balances to £2.077 million. By maintaining working balances this provides protection against the Council having to make reactive changes that can significantly impact on service performance.

The current economic climate may also adversely affects the ability of tax payers to pay their Council Tax bills, however the Council has successfully maintained collection rates for both household Council Tax and business Non Domestic Rates.

	2009/10	2010/11
<b>Council Tax</b>	98.4%	98.4%
<b>NNDR</b>	97.4%	97.8%



## **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 Director of Transformations Responsibilities**

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 31<sup>st</sup> March 2011 and its Income and Expenditure for the year ended 31 March 2011.

Gary Hall BA CPFA

Director of Transformation

Date

## 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 24 £'000	Total Reserves £'000
<b>Balance 31 March 2009</b>	(1,601)	(1,319)	(680)	(5,690)	(9,290)	(5,480)	(14,770)
<b><u>Movement in 2009/10</u></b>							
Deficit on provision of service.	2,993	0	0	0	2,993	0	2,993
Other Comprehensive Income & Expenditure.	0	0	0	0	0	10,633	10,633
<b>Total Comprehensive Income &amp; expenditure.</b>	<b>2,993</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,993</b>	<b>10,633</b>	<b>13,626</b>
Adjustments between accounting basis & funding basis (note 7).	(3,227)	0	680	612	(1,935)	1,935	0
<b>Net change before transfers to/from earmarked reserves.</b>	<b>(234)</b>	<b>0</b>	<b>680</b>	<b>612</b>	<b>1,058</b>	<b>12,568</b>	<b>13,626</b>
Transfers to/(from) earmarked reserves note 9	172	(172)	0	0	0	0	0
<b>(Increase)/Decrease in year.</b>	<b>(62)</b>	<b>(172)</b>	<b>680</b>	<b>612</b>	<b>1,058</b>	<b>12,568</b>	<b>13,626</b>
<b>Balance 31 March 2010</b>	<b>(1,663)</b>	<b>(1,491)</b>	<b>0</b>	<b>(5,078)</b>	<b>(8,232)</b>	<b>7,088</b>	<b>(1,144)</b>
<b><u>Movement in 2010/11</u></b>							
(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)
<b>Total Comprehensive Income &amp; expenditure.</b>	<b>(4,029)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,029)</b>	<b>(7,591)</b>	<b>(11,620)</b>
Adjustments between accounting basis & funding basis under regulation (note 7).	3,292	0	(41)	(662)	2,589	(2,589)	0
<b>Net change before transfers to/from earmarked reserves.</b>	<b>(737)</b>	<b>0</b>	<b>(41)</b>	<b>(662)</b>	<b>(1,440)</b>	<b>(10,180)</b>	<b>(11,620)</b>
Transfers to/(from) earmarked reserves note 9	323	(323)	0	0	0	0	0
<b>(Increase)/Decrease in year.</b>	<b>(414)</b>	<b>(323)</b>	<b>(41)</b>	<b>(662)</b>	<b>(1,440)</b>	<b>(10,180)</b>	<b>(11,620)</b>
<b>Balance 31 March 2011</b>	<b>(2,077)</b>	<b>(1,814)</b>	<b>(41)</b>	<b>(5,740)</b>	<b>(9,672)</b>	<b>(3,092)</b>	<b>(12,764)</b>

## Comprehensive Income and Expenditure Statement

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

2009/10				2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,803	(7,028)	1,775	Central services to the public.	8,856	(7,231)	1,625
15,116	(3,984)	11,132	Cultural, environmental, regulatory & planning services.	17,003	(4,409)	12,594
2,454	(1,638)	816	Highways and transport services.	1,739	(1,609)	130
23,096	(21,075)	2,021	Other housing services.	23,476	(22,769)	707
2,345	(15)	2,330	Corporate and democratic core.	2,089	(116)	1,973
1,410	(978)	432	Non distributed costs.	1,339	(1,042)	297
			Exceptional item – past service pension liabilities (note 43d).		(5,584)	(5,584)
<b>53,224</b>	<b>(34,718)</b>	<b>18,506</b>	<b>Cost of Services</b>	<b>54,502</b>	<b>(42,760)</b>	<b>11,742</b>
603	(753)	(150)	Other operating expenditure (note 9).	874	(1,609)	(735)
5,077	(3,283)	1,794	Financing and investment income and expenditure (note 10).	5,384	(3,838)	1,546
0	0	0	Surplus or deficit of discontinued operations.	0	0	0
0	(17,157)	(17,157)	Taxation and non-specific grant income (note 11).	0	(16,582)	(16,582)
<b>58,904</b>	<b>(55,911)</b>	<b>2,993</b>	<b>(Surplus)/deficit on provision of services.</b>	<b>60,760</b>	<b>(64,789)</b>	<b>(4,029)</b>
		(29)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets.			(1,435)
		10,659	Actuarial (gains)/losses on pension assets and liabilities.			(6,156)
		3	Other gains.			0
		<b>10,633</b>	<b>Other Comprehensive (Income) and Expenditure.</b>			<b>(7,591)</b>
		<b>13,626</b>	<b>Total Comprehensive (Income) and Expenditure.</b>			<b>(11,620)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority.

It shows the net assets of the authority which are matched by the reserves held.

Reserves are reported in two categories. Usable reserves includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt.

Unusable reserves fall into two categories. The first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement.

1 April 2009 £'000	31 March 2010 £'000		Notes	31 March 2011 £'000
36,136	37,571	Property, Plant & Equipment	12	36,041
1,055	1,055	Investment Property	13	1,123
509	544	Intangible Assets	14	690
0	0	Assets Held for Sale		0
8	8	Long Term Investments		8
364	357	Long Term Debtors		352
<b>38,072</b>	<b>39,535</b>	<b>Long Term Assets</b>		<b>38,214</b>
1,595	1,490	Short Term Investments		4,577
0	0	Assets Held for Sale	20	0
41	41	Inventories	16	22
6,596	7,695	Short Term Debtors	18	6,538
3,349	0	Cash and Cash Equivalents	19	5,225
<b>11,581</b>	<b>9,226</b>	<b>Current Assets</b>		<b>16,362</b>
0	(82)	Cash and Cash Equivalents		0
(2,389)	(2,780)	Short Term Borrowing		(1,101)
(4,429)	(5,275)	Short Term Creditors	21	(4,512)
0	0	Provisions		0
0	0	Liabilities in Disposal Groups		0
<b>(6,818)</b>	<b>(8,137)</b>	<b>Current Liabilities</b>		<b>(5,613)</b>
0	0	Long Term Creditors		0
0	0	Provisions		0
(2,280)	(900)	Long Term Borrowing		(7,822)
(25,522)	(37,669)	Other Long Term Liabilities		(27,291)
0	0	Donated Assets Account		0
(263)	(911)	Capital Grant Receipts in Advance		(1,086)
<b>(28,065)</b>	<b>(39,480)</b>	<b>Long Term Liabilities</b>		<b>(36,199)</b>
<b>14,770</b>	<b>1,144</b>	<b>Net Assets</b>		<b>12,764</b>
9,290	8,232	Usable Reserves	Page 9	9,672
5,480	(7,088)	Unusable Reserves	24	3,092
<b>14,770</b>	<b>1,144</b>	<b>Total Reserves</b>		<b>12,764</b>

## 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.

2009/10 £'000		2010/11 £'000
(2,993)	Net surplus or (deficit) on the provision of services	4,030
1,910	Adjustments to net surplus or deficit on the provision of services for non cash movements	2,975
710	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(4,215)
(373)	Net cash flows from Operating Activities (Note 25)	2,790
(2,618)	Investing Activities (Note 26)	(1,980)
(440)	Financing Activities (Note 27)	4,497
(3,431)	Net increase or decrease in cash and cash equivalents	5,307
3,349	Cash and cash equivalents at the beginning of the reporting period	(82)
<b>(82)</b>	<b>Cash and cash equivalents at the end of the reporting period (note 19)</b>	<b>5,225</b>

## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES

#### General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (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 44 & 45.

#### Exceptional Items

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

#### Employee Benefits

##### Benefits payable during employment

These are 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 43.

### Explanation of methodology

- The liabilities of the fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds)
- The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in net pension liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income & Expenditure Statement to the services for which employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are charged to the Comprehensive Income & Expenditure Account as part of Non Distributed Costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is charged to Comprehensive Income & Expenditure Account within the Financing & Investment Income and Expenditure line
  - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return. This is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Account.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities, or events that reduce the expected future service or accrual of benefits of employees. These are charged to Non Distributed Costs within the comprehensive Income and Expenditure Account.
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Pension Reserve.
  - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

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

### Discretionary Benefits

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

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

Where an event 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.



## **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 40).

## **Overheads**

The Best Value Accounting Code of Practice (BVACOP) 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. (note 47)

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.

### Measurement

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

- Infrastructure, Community Assets, Assets under Construction, and equipment, are 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

### Depreciation

Non-current assets held for sale are not depreciated.

Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the closing value of assets. Components are separately depreciated if:

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

Depreciation periods are as follows:

	<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**

Financial Reporting Standard 30 relates to Heritage Assets (i.e. assets held principally for their contribution to knowledge and culture). This standard will not apply to Local Authority accounts until 2011/12.

The assets held by the Authority that come within this classification consist of Astley Hall, its contents and surrounding parkland. These were gifted to the Authority. They are held in the balance sheet at 31 March 2011 at a nominal value only.

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

As recommended by the Local Authority Accounting Panel in its bulletin LAAP82 Update 4 of May 2011, the Council has assumed that its investment in Landsbanki will retain priority status and, consequentially that 95% will be recovered. The risk is quantified in note 46.

The Authority has reviewed the arrangements under which 20 vehicles are provided under operating leases and 23 embedded in the contract for the provision of the refuse service. It does not consider that any meet the definition of a finance lease.

### 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 wider review of the pension arrangements for Local Authority employees currently under consideration adds to the uncertainty.	The accounts show a pension liability of £27m. The effect of changes in the assumptions are: - additional year of life £2.2m - 0.1% salary inflation £0.4m - 0.1% on discount rate (£1.5m) Every 3 years the fund is comprehensively revalued which leads to increases in the Council's contributions. These will rise by 1.5% over the next three years.
Debtors	The most significant debtor issue for the Council is its responsibility for collecting £75m 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 total £2.5m. The main risk concerns housing benefit debts totalling £0.8m. These are largely recovered against ongoing benefit, but a provision of 15% has been made. The total bad debt provision is £0.3m. The current economic climate heightens the risk that this could be exceeded.	An increase in the provision for housing benefit debts to 25% would cost an additional £80k. Debts over six months old, for which no provision has been made, total £50k.

### 5 MATERIAL ITEMS OF INCOME AND EXPENSE

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

## 6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 21 September 2011. 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 2011, 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 2011, 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.

	2010/11			
	General Fund Balance £'000	Capital Receipts Account £,000	Capital Grants £'000	Unusable Reserves £'000
<b>Adjustments involving the Capital Adjustment Account (CAA)</b>				
Reversal of debits and credits to the Comprehensive Income and Expenditure account (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
Capital grants and contributions applied				
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 CI&E				
Statutory and voluntary provision for the repayment of debt	1,131			(1,131)
Capital expenditure charged against the General Fund Balance	709			(709)
<b>Adjustments involving Capital Grants Unapplied</b>				
Capital grants and contributions unapplied credited to CI&E	2,139		(2,139)	
Grants applied to fund capital expenditure transferred to CAA			269	(269)
<b>Adjustments involving the Capital Receipts Reserve</b>				
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
<b>Adjustments involving Financial Instruments Adjustment A/c</b>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of pension charges made in CI&E	2,577			(2,577)
Employer's contributions and payments made to pensioners	1,646			(1,646)

<b>Adjustments involving the Collection Fund Adjustment A/c</b> Difference between credit to CI&E and precepted amount	62			(62)
<b>Adjustments involving the Accumulated Absences A/c</b> Difference between remuneration charged to CI&E and that chargeable per statutory requirement	(12)			12
<b>TOTAL ADJUSTMENTS</b>	<b>3,292</b>	<b>(41)</b>	<b>(662)</b>	<b>(2,589)</b>

2009/10 Comparative figures	2009/10			
	General Fund £'000	Capital Receipts £,000	Capital Grants £'000	Unusable Reserves £'000
<b>Adjustments involving the Capital Adjustment Account (CAA)</b>				
<u>Reversal of debits and credits to CI&amp;E</u>				
Charges for depreciation of non current assets	(1,074)			1,074
Charges for impairment of non current assets	(256)			256
Revaluation losses on Property, Plant and Equipment	0			0
Movements in the market value of Investment Property	0			0
Amortisation of intangible assets	(148)			148
Revenue expenditure funded from capital under statute	(2,749)		1,497	1,252
Non-current assets charged to CI&E on disposal	0			0
<u>Insertion of items not posted to the CI&amp;E</u>				
Statutory & voluntary provision for the repayment of debt	229			(229)
Capital expenditure charged against the General Fund Balance	347			(347)
<b>Adjustments primarily involving Capital Grants Unapplied</b>				
Capital grants and contributions unapplied credited to CI&E	1,461		(1,461)	
Grants applied to fund capital expenditure transferred to CAA			576	(576)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Capital receipts credited to CI&E on non current asset disposals	55	(55)		
Capital receipts used to finance new capital expenditure		732		(732)
Capital receipts credited to CI&E to finance the payment to the Government's capital receipt pool	(8)	8		
Transfer from Deferred Capital Receipts		(1)		1
Transfer from Capital Adj Account re mortgage repayments		(4)		4
<b>Adjustments involving Financial Instruments Adjustment A/c</b>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	405			(405)
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of pension charges made in the CI&E	(3,978)			3,978
Employer's contributions and payments made to pensioners	2,489			(2,489)
<b>Adjustments involving the Collection Fund Adjustment A/c</b>				
Difference between credit to CI&E and precepted amount	15			(15)
<b>Adjustments involving the Accumulated Absences A/c</b>				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	(15)			15
<b>TOTAL ADJUSTMENTS</b>	<b>(3,227)</b>	<b>680</b>	<b>612</b>	<b>1,935</b>

## 8 TRANSFERS TO/FROM EARMARKED RESERVES

	Balance	Transfers		Balance	Transfers		Balance
	1 April	Out	(In)	31 March	Out	(In)	31 March
	2009	£'000	£'000	2010	£'000	£'000	2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	(14)	14	(13)	(13)	13	(19)	(19)
Partnerships, Planning & Policy Directorate	(214)	114	(432)	(532)	257	(267)	(542)
People and Places Directorate	(172)	16	(52)	(208)	72	(128)	(264)
Transformation Directorate	(86)	39	(143)	(190)	113	(190)	(267)
VAT Shelter Income unapplied	(476)	254	(176)	(398)	398	(347)	(347)
Service and efficiency improvements	(357)	207	0	(150)	75	(300)	(375)
<b>Total</b>	<b>(1,319)</b>	<b>644</b>	<b>(816)</b>	<b>(1,491)</b>	<b>928</b>	<b>(1,251)</b>	<b>(1,814)</b>

## 9 OTHER OPERATING EXPENDITURE

2009/10		2010/11
£'000		£'000
594	Parish council precepts	595
8	Payments to the Government's Capital Receipt Pool	1
(44)	(Gains)/losses on disposal of non current assets	274
(11)	Capital receipts from the sale of previously transferred housing stock	0
(389)	VAT shelter receipts	(1,587)
(308)	Net VAT recoveries from HM Revenues and Customs	(18)
<b>(150)</b>	<b>Total</b>	<b>(735)</b>

## 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10		2010/11
£'000		£'000
326	Interest payable and similar charges	213
2,065	Pensions interest cost net of expected return on pension assets	1,612
(597)	Interest receivable and similar income	(211)
0	Income and Expenditure in relation to investment properties and changes in their fair value	(68)
0	Other investment income	0
<b>1,794</b>	<b>Total</b>	<b>1,546</b>

## 11 TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10		2010/11
£'000		£'000
(6,899)	Council Tax income	(6,959)
(6,790)	Non Domestic Rates	(7,411)
(2,006)	Non ringfenced Government Grants	(1,281)
(1,462)	Capital grants and contributions	(931)
<b>(17,157)</b>	<b>Total</b>	<b>(16,582)</b>



## 12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 April 2010</b>	<b>29,792</b>	<b>5,035</b>	<b>459</b>	<b>4,523</b>	<b>2,345</b>	<b>42,154</b>
Additions	225	477		22		724
Revaluations recognised in Revaluation Reserve (RR)	1,161					1,161
Revaluations recognised in CI&E	(57)			(1,165)		(1,222)
De-recognition - disposals					(350)	(350)
De-recognition - other						
Assets reclassified	(2)			2		0
Other movements						
<b>At 31 March 2011</b>	<b>31,119</b>	<b>5,512</b>	<b>459</b>	<b>3,382</b>	<b>1,995</b>	<b>42,467</b>
<b>Depreciation and Impairment</b>						
<b>At 1 April 2010</b>	<b>(1,897)</b>	<b>(2,322)</b>	<b>(36)</b>	<b>(329)</b>		<b>(4,584)</b>
Depreciation charge	(609)	(788)	(54)	(122)	(0)	(1,573)
Depreciation written out of RR	331					331
Depreciation written out of CI&E				184		184
Impairment losses recognised in RR	(57)					(57)
Impairment losses recognised in CI&E	(727)					(727)
De-recognition - disposals						
De-recognition - other						
Other movements						
<b>At 31 March 2011</b>	<b>(2,959)</b>	<b>(3,110)</b>	<b>(90)</b>	<b>(267)</b>	<b>(0)</b>	<b>(6,426)</b>
<b>Net Book Value</b>						
<b>At 31 March 2010</b>	<b>27,895</b>	<b>2,713</b>	<b>423</b>	<b>4,195</b>	<b>2,345</b>	<b>37,571</b>
<b>At 31 March 2011</b>	<b>28,160</b>	<b>2,402</b>	<b>369</b>	<b>3,115</b>	<b>1,995</b>	<b>36,041</b>

Comparative Movements in 2009/10	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- Structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 April 2009</b>	<b>29,235</b>	<b>3,575</b>	<b>309</b>	<b>4,225</b>	<b>2,558</b>	<b>39,902</b>
Additions	632	1,460	150	476	19	2,737
Revaluations recognised in Revaluation Reserve (RR)	58			32	(228)	(138)
Revaluations recognised in CI&E	(341)			(2)	(4)	(347)
De-recognition - disposals						0
De-recognition - other						0
Assets reclassified	208			(208)		0
Other movements						0
<b>At 31 March 2010</b>	<b>29,792</b>	<b>5,035</b>	<b>459</b>	<b>4,523</b>	<b>2,345</b>	<b>42,154</b>
<b>Depreciation and Impairment</b>						
<b>At 1 April 2009</b>	<b>(1,608)</b>	<b>(1,961)</b>	<b>(8)</b>	<b>(189)</b>	<b>0</b>	<b>(3,766)</b>
Depreciation charge	(563)	(361)	(28)	(123)	0	(1,075)
Depreciation written out of RR	166	0	0	1	0	167
Depreciation written out of CI&E	91	0	0	0	0	91
Impairment losses recognised in RR	0	0	0	0	0	0
Impairment losses recognised in CI&E	0	0	0	0	0	0
De-recognition - disposals	0	0	0	0	0	0
De-recognition - other	0	0	0	0	0	0
Assets reclassified	17	0	0	(17)	0	0
Other movements	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>(1,897)</b>	<b>(2,322)</b>	<b>(36)</b>	<b>(328)</b>	<b>0</b>	<b>(4,583)</b>

## Fixed Assets Valuations

During 2010/11 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
<b>Carried at historical cost</b>	<b>99</b>	<b>5512</b>	<b>459</b>	<b>3156</b>	<b>0</b>	<b>9,226</b>
Valued at fair value as at:						
31 March 2011	8,454	0	0	1	0	8,455
31 March 2010	3,656	0	0	218	281	4,155
31 March 2009	4,910	0	0	0	753	5,663
31 March 2008	13,887	0	0	7	961	14,855
31 March 2007	113	0	0	0	0	113
<b>Total cost or valuation</b>	<b>31,119</b>	<b>5,512</b>	<b>459</b>	<b>3,382</b>	<b>1,995</b>	<b>42,467</b>

## Capital Commitments

The Authority does not have any significant capital projects in construction. It has however committed £3m of its usable capital reserves to the Buckshaw Station contract let by the County Council

## 13 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	2009/10 £'000
Fair value at the start of the year	1,055	1,055
Net gain from revaluation	68	0
<b>Value at year end</b>	<b>1,123</b>	<b>1,055</b>

## 14 INTANGIBLE ASSETS

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

Asset Description	Amortisation Period
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 2010/11 the amortisation charge of £175k was charged principally to Customer Services £36k, ICT Services £52k, Housing Benefits £25k, 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	2009/10 £'000
<b><u>Balance at the start of the year</u></b>		
Gross carrying amount	1,865	2,170
Accumulated amortisation	(1,321)	(1,661)
<b>Net carrying amount at year start</b>	<b>544</b>	<b>509</b>
<b><u>Movements in the year</u></b>		
Additions in year	321	182
Disposal in year	(105)	(487)
Amortisation in year	(175)	(147)
Amortisation in respect of disposals	105	487
<b>Net carrying amount at the year end</b>	<b>690</b>	<b>544</b>

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

## 15 FINANCIAL INSTRUMENTS

### 15a Categories of Financial Instrument

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

	Long Term			Current		
	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
	<b><u>Investments</u></b>					
Loans and receivables	8	8	8	4,577	1,490	1,595
<b><u>Debtors</u></b>						
Loans and receivables	352	357	364	6,913	7,695	6,596
<b><u>Borrowings</u></b>						
Financial liabilities at amortised cost	(7,822)	(900)	(2,280)	(1,101)	(2,780)	(2,389)
<b><u>Other Long Term Liabilities</u></b>						
Finance lease liabilities	0	0	0	0	0	0
Capital grant receipt in adv.	(1,086)	(911)	(263)	0	0	0
<b><u>Creditors</u></b>						
Financial liabilities carried at contract amount	0	0	0	(4,887)	(5,275)	(4,429)

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

## 15b Income, Expense, Gains and Losses

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

	2010/11			2009/10		
	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	137	0	137
impairment	0	7	7	0	189	189
	<b>206</b>	<b>7</b>	<b>213</b>	<b>137</b>	<b>189</b>	<b>326</b>
Interest income	0	(127)	(127)	0	(490)	(490)
Interest income accrued on impaired assets	0	(84)	(84)	0	(84)	(84)
<b>Total income</b>	<b>0</b>	<b>(211)</b>	<b>(211)</b>	<b>0</b>	<b>(574)</b>	<b>(574)</b>
<b>Net (gain)/loss for the year</b>			<b>2</b>			<b>(248)</b>

## 15c Fair Values of Assets and Liabilities

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

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

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

	31 March 2011		31 March 2010		31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities						
Long term borrowing	(8,923)	(8,947)	(3,680)	(3,758)	(4,669)	(4,845)
Deferred liabilities	(14)	(14)	(13)	(13)	(14)	(14)
<b>Total</b>	<b>(8,937)</b>	<b>(8,961)</b>	<b>(3,693)</b>	<b>(3,771)</b>	<b>(4,683)</b>	<b>(4,859)</b>

	31 March 2011		31 March 2010		31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets						
Long term investments	8	8	8	8	8	8
long term debtors	352	427	357	424	364	431
<b>Total</b>	<b>360</b>	<b>435</b>	<b>365</b>	<b>432</b>	<b>372</b>	<b>439</b>

## 16 INVENTORIES

	2010/11 £'000	2009/10 £'000
Balance at 1 April	41	41
Purchases	125	119
Issued in year	(143)	(119)
Written off in year	(1)	0
<b>Balance at year end</b>	<b>22</b>	<b>41</b>

## 17 CONSTRUCTION CONTRACTS

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

## 18 DEBTORS

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Central government bodies	1,959	1,878	1,193
Other local authorities	2,382	3,423	253
NHS bodies	0	0	0
Public corporations and trading funds	0	0	0
Other entities and individuals	2,499	2,967	5,918
	6,840	8,268	7,364
Less provision for bad debts	(302)	(573)	(768)
<b>Net carrying amount at the year end</b>	<b>6,538</b>	<b>7,695</b>	<b>6,596</b>

## 19 CASH AND CASH EQUIVALENTS

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

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Cash held by the Authority	0	0	0
Bank current and call accounts	5,225	(82)	3,349
Short term deposits	0	0	0
<b>Total cash and cash equivalents</b>	<b>5,225</b>	<b>(82)</b>	<b>3,349</b>

## 20 ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'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
<b>Balance outstanding at year end</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 21 CREDITORS

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Central government bodies	976	1,757	742
Other local authorities	1,070	2,017	818
NHS bodies	13		
Public corporations and trading funds			
Other entities and individuals	2,453	1,501	2,869
<b>Net carrying amount at the year end</b>	<b>4,512</b>	<b>5,275</b>	<b>4,429</b>

## 22 PROVISIONS

There are no provisions at 31/3/2010 nor at 31/3/2011.

## 23 USABLE RESERVES

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

## 24 UNUSABLE RESERVES

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Revaluation Reserve	(3,867)	(2,740)	(2,779)
Capital Adjustment Account	(26,301)	(27,675)	(28,457)
Financial Instruments Adjustment Account	0	0	405
Deferred Capital Receipts Reserve	(302)	(304)	(308)
Pensions Reserve	27,277	37,656	25,508
Collection Fund Adjustment Account	(24)	38	53
Accumulated Absences Account	125	113	98
<b>Total unusable reserves at year end</b>	<b>(3,092)</b>	<b>7,088</b>	<b>(5,480)</b>

### 24a Revaluation Reserve

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

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

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(2,740)	(2,779)
Upward revaluation of assets	(1,435)	(29)
Difference between fair value and historic cost depreciation	123	68
Accumulated gains on assets de-recognised	185	0
<b>Balance at 31 March</b>	<b>(3,867)</b>	<b>(2,740)</b>

## 24b Capital Adjustment Account

This account contains the following:-

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

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>(27,675)</b>	<b>(28,457)</b>
<u>Adjustments between accounting and regulatory funding bases (see note 7)</u>		
<i>Items relating to capital charges</i>		
Charges for depreciation of non current assets	1,573	1,074
Charges for impairment of non current assets	1,764	256
Amortisation of intangible assets	175	148
Revenue expenditure funded from capital under statute	1,241	2,749
Net cost assets disposed of	350	0
<i>Movements in the market value of Investment Properties</i>	(68)	0
<i>Capital financing applied in the year</i>		
Capital receipts used to finance new capital expenditure	(36)	(732)
Capital expenditure charged to the General Fund Balance	(709)	(347)
Statutory & voluntary provision for the repayment of debt	(1,131)	(229)
Grants used in the year to fund capital expenditure	(1,477)	(2,073)
<i>Adjustments with the Revaluation Reserve (see note 24a)</i>		
Accumulated gains on assets de-recognised	(185)	
Difference between fair value and historic cost depreciation	(123)	(68)
<i>Adjustment with Capital Receipts Reserve</i>		4
<b>Balance at 31 March</b>	<b>(26,301)</b>	<b>(27,675)</b>

## 24c Financial Instruments Adjustment Account

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

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>0</b>	<b>405</b>
Impairment charges, deferred in 2008/9, charged against the General Fund Balance	0	(405)
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

#### 24d Deferred Capital Receipts Reserve

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

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>(304)</b>	<b>(308)</b>
Transfer to Capital Receipts Reserve on receipt of cash	2	1
Transfer to Comprehensive Income & Expenditure	0	3
<b>Balance at 31 March</b>	<b>(302)</b>	<b>(304)</b>

#### 24e Pensions Reserve

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

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

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

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>37,656</b>	<b>25,508</b>
Actuarial(gains)/ losses on pension assets and liabilities	(6,156)	10,659
Reversal of charges posted to the Comprehensive Income & Expenditure Account	(2,577)	3,978
Employers contributions and direct payments to pensioners payable in the year	(1,646)	(2,489)
<b>Balance at 31 March</b>	<b>27,277</b>	<b>37,656</b>

#### 24f Collection Fund Adjustment Account

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

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>38</b>	<b>53</b>
Amount by which council tax income credited to the Comprehensive Income & Expenditure account exceeded the amount required by statute	(62)	(15)
<b>Balance at 31 March</b>	<b>(24)</b>	<b>38</b>



## 24g Accumulated Absences Account

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

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	113	98
Transfer from the General Fund Balance	12	15
<b>Balance at 31 March</b>	125	113

## 25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

	2010/11 £'000	2009/10 £'000
Interest received	538	62
Interest paid	(167)	(349)
<b>Net</b>	<b>371</b>	<b>(287)</b>

## 26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2010/11 £'000	2009/10 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(1,882)	(5,073)
Purchase of short and long term investments.	(5,000)	(21,009)
Proceeds from the sale of assets.	78	56
Proceeds from short and long term investments.	2,000	21,014
Other receipts relating to investing activity (government grants).	2,824	2,394
<b>Total investing activities</b>	<b>(1,980)</b>	<b>(2,618)</b>

## 27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2010/11 £'000	2009/10 £'000
Cash receipts from short and long term borrowing	8,146	1,400
Cash paid to reduce lease liabilities	0	0
Repayments of borrowings	(2,942)	(2,367)
Change in indebtedness relating to NNDR(due from Government) and Council Tax (due from Precepting authorities)	(707)	527
<b>Total financing activities</b>	<b>4,497</b>	<b>(440)</b>

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

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the 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 2010/11	Chief Executive £'000	Partnerships Planning & Policy £'000	People and Places £'000	Transformation £'000	Total £'000
Fees, charges & other service income	(71)	(2,340)	(2,819)	(2,078)	(7,308)
Government grants		(118)	(109)	(858)	(1,085)
<b>Total Income</b>	<b>(71)</b>	<b>(2,458)</b>	<b>(2,928)</b>	<b>(2,936)</b>	<b>(8,393)</b>
Employee expenses	444	2,856	3,829	4,785	11,914
Other service expenses	72	1,428	5,019	3,066	9,585
<b>Total Expenditure</b>	<b>516</b>	<b>4,284</b>	<b>8,848</b>	<b>7,851</b>	<b>21,499</b>
<b>Net Expenditure</b>	<b>445</b>	<b>1,826</b>	<b>5,920</b>	<b>4,915</b>	<b>13,106</b>
Directorate Income and Expenditure 2009/10	Chief Executive £'000	Partnerships Planning & Policy £'000	People and Places £'000	Transformation £'000	Total £'000
Fees, charges & other service income	(14)	(1,826)	(3,240)	(1,870)	(6,950)
Government grants		(381)	(217)	(918)	(1,516)
<b>Total Income</b>	<b>(14)</b>	<b>(2,207)</b>	<b>(3,457)</b>	<b>(2,788)</b>	<b>(8,466)</b>
Employee expenses	492	2,737	3,722	5,035	11,986
Other service expenses	70	953	5,904	2,987	9,914
<b>Total Expenditure</b>	<b>562</b>	<b>3,690</b>	<b>9,626</b>	<b>8,022</b>	<b>21,900</b>
<b>Net Expenditure</b>	<b>548</b>	<b>1,483</b>	<b>6,169</b>	<b>5,234</b>	<b>13,434</b>

## 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	2009/10 £'000
Net expenditure in the Directorate Analysis	13,106	13,434
Net expenditure of services and support services not included in the Analysis Note (a)	889	1,208
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis Note (b)	(2,253)	3,864
	<b>11,742</b>	<b>18,506</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>11,742</b>	<b>18,506</b>

### 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 2010/11, the expenditure and income reported separately included payments to the pension fund in respect of past service, concessionary fares, council tax and housing benefits, and an adjustment in respect of decriminalised parking income.
- (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.

2010/11	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'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)
<b>Total Income</b>	<b>(8,393)</b>	<b>(28,806)</b>	<b>(6,767)</b>	<b>(15,071)</b>	<b>(59,037)</b>	<b>(22,029)</b>	<b>(81,066)</b>
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
<b>Total Expenditure</b>	<b>21,499</b>	<b>29,695</b>	<b>4,514</b>	<b>15,071</b>	<b>70,779</b>	<b>6,258</b>	<b>77,037</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,106</b>	<b>889</b>	<b>(2,253)</b>	<b>0</b>	<b>11,742</b>	<b>(15,771)</b>	<b>(4,029)</b>

2009/10	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(6,950)	(20)	20	(15,912)	(22,862)	(708)	(23,570)
Interest and Investment Income					0	(3,283)	(3,283)
Income from council tax					0	(6,899)	(6,899)
Government grants and contributions	(1,516)	(26,404)	152		(27,768)	(10,258)	(38,026)
<b>Total Income</b>	<b>(8,466)</b>	<b>(26,424)</b>	<b>172)</b>	<b>(15,912)</b>	<b>(50,630)</b>	<b>(21,148)</b>	<b>(71,778)</b>
Employee expenses	11,986	222	589		12,797		12,797
Other service expenses	9,914	27,410	1,620		38,944		38,944
Support Service recharges				15,912	15,912		15,912
Depreciation, amortisation & impairment			1,483		1,483		1,483
Interest Payments					0	5,077	5,077
Precepts & Levies					0	594	594
Payments to Housing Capital Receipts Pool					0	8	8
Gain or Loss on Disposal of Fixed Assets					0	(44)	(44)
<b>Total Expenditure</b>	<b>21,900</b>	<b>27,632</b>	<b>3,692</b>	<b>15,912</b>	<b>69,136</b>	<b>5,635</b>	<b>74,771</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,434</b>	<b>1,208</b>	<b>3,864</b>	<b>0</b>	<b>18,506</b>	<b>(15,513)</b>	<b>2,993</b>

## 29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no operations acquired or discontinued during the year.

## 30 TRADING OPERATIONS

The Authority has no Trading Operations.

## 31 AGENCY SERVICES

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

## 32 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

Not applicable

## 33 POOLED BUDGETS

The Council has no material pooled budget arrangements

## 34 MEMBERS ALLOWANCES

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

	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Allowances	294	286
Expenses	7	6
<b>Total</b>	<b>301</b>	<b>292</b>

### 35 OFFICERS REMUNERATION

The Council is required under Regulation 7, paragraph (2), of the Accounts and Audit Regulations 2003 to disclose the remuneration of all employees of the Authority in excess of £50,000. Regulation 4 of the Accounts and Audit (Amendment N0.2) Regulations 2009 extends this and introduces a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration for senior employees.

Remuneration band	2010/2011 Number of employees	2009/2010 Number of employees
£50,000 - £54,999	4	3
£55,000 - £59,999	-	2
£60,000 - £64,999	1	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	1
£75,000 - £79,999	-	1
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	3	-
£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	1	-
£135,000 - £139,999	-	1

The following tables set out the remuneration disclosures for Senior Officers whose salary is equal to or more than £50,000 during the 2009/2010 and 2010/2011 financial years.

<b>Post Title</b>	<b>Salary</b>	<b>Expense Allowances</b>	<b>Benefits In kind</b>	<b>Compensation for loss of office</b>	<b>Total Remuneration (excluding Pension Contributions)</b>	<b>Pension Contribution</b>	<b>Total Remuneration (including pension contributions)</b>
<b>2010/2011 Remuneration</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	123,212	11,628			134,840	23,164	158,004
Director of Partnerships, Planning and Policy	90,000	6,011			96,011	16,920	112,931
Director of Transformation	90,000	4,963	285		95,248	16,920	112,168
Director of People and Places	90,000	5,201			95,201	16,920	112,121
Head of Leisure and Neighbourhoods	30,409	1,330		33,723	65,462	5,700	71,162
Corporate Director (Business)	30,169	2,961		30,402	63,532	5,672	69,203
Head of Streetscene	34,965	3,283		24,239	62,487	6,556	69,043
Head of Shared Financial Services	54,687	6,169	285		61,141	10,264	71,405
Head of Planning	51,888	3,259			55,147	9,721	64,868
Head of Governance	48,490	6,466			54,956	9,116	64,072
Head of Customer, ICT and Transactional Services	49,893	4,265			54,158	9,315	63,473
Head of Health, Environment and Neighbourhoods	49,080	2,338			51,418	9,163	60,581
Head of Housing	45,312	6,030			51,342	8,502	59,844



Post Title	Salary	Expense Allowances	Benefits In kind	Compensation for loss of office	Total Remuneration (excluding Pension Contributions)	Pension Contribution	Total Remuneration (including pension contributions)
2009/2010 Remuneration	£	£	£	£	£	£	£
Chief Executive	123,212	12,000	-	-	135,212	21,932	157,144
Corporate Director (Governance)	69,835	7,607	-	31,577	109,019	12,431	121,450
Assistant Chief Executive (Business Transformation and Improvement)	81,997	7,071	275	-	89,343	14,595	103,938
Assistant Chief Executive (Policy and Performance)	81,997	6,738	-	-	88,735	14,595	103,330
Corporate Director (ICT and Information Management)	67,174	9,472	-	12,225	85,871	10,511	96,382
Corporate Director (Human Resources)	53,617	5,438	-	26,794	85,849	9,544	95,393
Corporate Director (People)	73,760	5,812	-	-	79,572	13,129	92,701
Corporate Director (Business)	67,458	6,007	-	-	73,465	12,007	85,472
Revenues and Benefits Manager	44,999	4,034	-	22,236	71,269	8,010	79,279
Head of Shared Financial Services	53,093	5,811	275	-	59,179	9,451	68,630
Corporate Director (Neighborhoods)	51,936	5,003	-	-	56,939	9,103	66,042
Service manager – Environment	48,226	4,507	-	-	52,733	8,553	61,286
Planning Policy Manager	50,646	1,952	-	-	52,598	9,015	61,613
Legal Services Manager	44,756	6,225	-	-	50,981	7,966	58,947

The employees listed in the table above also make contributions of between 7.2% and 7.5% to the pension fund.

In 2010/11 the Chief Executive provided services for both the Authority and Wyre Borough Council. The Chief Executive is employed by this Authority but 50% of the costs are recharged to Wyre. The Head of Shared Financial Services is part of the Shared Financial and Assurance Services Partnership - 50% of the costs are recharged to South Ribble Council

### 36 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit

	2010/11 £'000	2009/10 £'000
Fees for statutory inspection and audit	97	119
Fees for the certification of grant claims and returns	22	21
<b>Total</b>	<b>119</b>	<b>140</b>

### 37 GRANT INCOME

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

	2010/11 £'000	2009/10 £'000
<b><u>Credited to Taxation and Non Specific</u></b>		
National non domestic rates	(7,411)	(6,790)
Revenue support grant	(1,076)	(1,567)
Other revenue grants	(205)	(439)
Capital Grants – Regional Housing Pot	(80)	(645)
Capital Contributions - Section 106 Planning	(727)	0
Capital Other grants and contributions	(124)	(493)
Capital lottery grant	0	(324)
<b>Total</b>	<b>(9,623)</b>	<b>(10,258)</b>
<b><u>Credited to Services</u></b>		
Grants – benefits related	(28,116)	(26,250)
Grants – Homelessness	(51)	(144)
Grants – Concessionary fares	(734)	(282)
Grants – other	(675)	(556)
Contribution – County Council reimbursement	(842)	(817)
Contributions – other	(1,273)	(782)
<b>Total</b>	<b>(31,691)</b>	<b>(28,831)</b>

### 38 RELATED PARTIES

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

- **Central Government**

Central government has effective control over the 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 37.

- **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 34 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 2010 there were no material transactions.

- **Other Local Authorities and Precepting Bodies**

Details of Precepts in relation to the Lancashire Police Authority, Combined Fire Authority and Lancashire County Council are shown in the Collection Fund.

- **Pension Fund**

Details of payments to the Local Government Pension Scheme are set out in note 43 of the Financial Statements.

- **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 (2009/10 £0.160m). There was no income from CCH in respect of the proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants (2009/10 £0.011m). The Council received income totalling £1.587m (2009/10 £0.389m) from CCH under a VAT sharing agreement (see also note 44 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 2010/11 gross expenditure of £2.178m (2009/10 £2.052m) was incurred on the shared services which was fully funded by recharges of £1.091m (2009/10 £1.017m) to South Ribble Borough Council and £1.087m (2009/10 £1.035m) to Chorley Borough Council.

- Active Nation – are contracted as agents of the Council to manage indoor sports and leisure facilities. In 2010/11 payments totalled £0.414m (2009/10 £0.588m), and income was £0.019m (2009/10 nil).

- 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	2009/10 £'000
South Ribble Business Venture Ltd /Business Venture Group	259	71
Lancashire Economic Partnership	7	21
Groundwork Lancashire West and Wigan	0	43
The Arts Partnership	19	18
Chorley, South Ribble & District Citizen Advice Bureau	85	106
Chorley and South Ribble Shop Mobility	10	10
North West Local Authorities Employers' Organisation	4	7
Chorley & South Ribble CVS	4	8
<b>Total grants and payments</b>	<b>388</b>	<b>284</b>

### 39 CAPITAL EXPENDITURE AND FINANCING

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

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

	2010/11 £'000	2009/10 £'000
Opening Capital Financing Requirement	9,672	7,386
Capital investment		
Property, Plant and Equipment	724	2,737
Intangible Assets	321	182
Revenue Expenditure Funded from Capital under Statute	1,241	2,749
Sources of finance		
Capital Receipts	(36)	(732)
Government Grants and Other Contributions	(1,477)	(2,074)
Sums set aside from revenue		
Revenue Financing	(709)	(347)
Minimum Revenue provision - statutory	(412)	(229)
Minimum Revenue provision - voluntary	(719)	0
<b>Closing Capital Financing Requirement</b>	<b>8,605</b>	<b>9,672</b>
Explanation of movements in year		
Increase in prudential borrowing	62	2,515
Provision made for debt repayment	(1,131)	(229)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(1,069)</b>	<b>2,286</b>

## 40 LEASES

### 40a 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 2010		31 March 2009	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	647	(43)	640	(43)	676	(43)
Later than 1 yr, not later than 5	2,265	(170)	2,246	(170)	2,345	(170)
Later than 5 years	1,353	(595)	1,793	(552)	2,334	(595)
<b>Minimum lease payments</b>	<b>4,265</b>	<b>(808)</b>	<b>4,679</b>	<b>(765)</b>	<b>5,355</b>	<b>(808)</b>

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

	2010/11 £'000	2009/10 £'000
Minimum lease payments	396	401
Contingent rents	0	0
Sub-lease payments receivable	(43)	(43)
<b>Total payable rentals</b>	<b>353</b>	<b>358</b>

### 40b 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 2010 £'000	31 March 2009 £'000
Finance lease debtor (present value of minimum lease payments)	289	289	289
Unearned finance income	2,355	2,379	2,403
<b>Gross investment in the lease</b>	<b>2,644</b>	<b>2,668</b>	<b>2,692</b>

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

	Gross investment in the lease			Minimum lease payments		
	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Not later than 1 year	24	24	24	24	24	24
Later than 1 yr, not later than 5	95	95	95	95	95	95
Later than 5 years	2,525	2,549	2,573	2,549	2,549	2,573
<b>Total</b>	<b>2,644</b>	<b>2,668</b>	<b>2,692</b>	<b>2,668</b>	<b>2,668</b>	<b>2,692</b>

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 2010/11 £14k contingent rents were receivable by the Authority (2009/10 £6k).

#### Operating leases

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

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Not later than one year	330	350	304
Later than one year and not later than five years	920	1,083	984
Later than five years	9,205	9,373	9,573
<b>Total receivable rentals</b>	<b>10,455</b>	<b>10,806</b>	<b>10,861</b>

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 2010/11 £3k contingent rents were receivable by the Authority (£3k 2009/10).

#### **41 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	2009/10 £'000
Impairment loss recognised in cost of services	727	0
Impairment losses reversed in cost of services	0	0
Impairment losses taken to the Revaluation Reserve	57	0
<b>Total impairment losses</b>	<b>784</b>	<b>0</b>

Material individual impairments	Amount	Directorate	Valuation	Basis
Duxbury Park Golf Course & buildings	£0.63m	People & Places	Value in use	Income stream

## 42 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/11 incurring liabilities of £0.500 million (£1.177 million in 2009/10). Of the total in 2010/11, £0.064 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 2009/10 and 2010/11 are shown in note 35 as 'compensation for loss of office'.

## 43 DEFINED BENEFIT PENSION SCHEME

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

### 43a Transactions relating to retirement benefits

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

	2010/11 £'000	2009/10 £'000
<u>Comprehensive Income &amp; Expenditure Statement</u>		
Cost of Services		
current service cost	1,395	885
Past service cost	(5,584)	24
Settlement and curtailment	0	1,004
Financing and investment Income and Expenditure		
Interest costs	5,222	4,751
Expected return on scheme assets	(3,610)	(2,686)
<b>Total post employment benefit charged to the (Surplus)/Deficit on the Provision of Service</b>	<b>(2,577)</b>	<b>3,978</b>
<u>Other post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</u>		
Actuarial gains and losses	(6,156)	10,659
<b>Total post employment benefit charged to the Comprehensive Income &amp; expenditure Statement</b>	<b>(8,733)</b>	<b>14,637</b>
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	2,577	(3,978)
<b>Actual amount charged against the General Fund balance for pensions in the year</b>	<b>1,646</b>	<b>2,489</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is £26.342m.

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

Reconciliation of present value of the scheme liabilities

	Scheme Liabilities	
	Local Government Pension Scheme	
	2010/11	2009/10
	£'000	£'000
<b>1 April</b>	<b>(93,804)</b>	<b>(67,700)</b>
Current service cost	(1,395)	(885)
Interest cost	(5,222)	(4,751)
Contributions by scheme participants	(500)	(524)
Actuarial gains and (losses)	4,088	(21,904)
Benefits paid	2,995	2,988
Curtailement	0	(1,004)
Past service costs	5,584	(24)
<b>31 March</b>	<b>(88,254)</b>	<b>(93,804)</b>

Reconciliation of fair value of the scheme assets

	Scheme Assets	
	Local Government Pension Scheme	
	2010/11	2009/10
	£'000	£'000
<b>1 April</b>	<b>56,148</b>	<b>42,192</b>
Expected return on plan assets	3,610	2,686
Actuarial gains & (losses)	2,068	11,245
Employer contributions	2,581	2,489
Contributions by scheme participants	500	524
Benefits paid	(2,995)	(2,988)
<b>31 March</b>	<b>61,912</b>	<b>56,148</b>

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

The actual gain on scheme assets in the year was £4,535 (2009/10 gain £13.931m),



### 43c Scheme history

	2006/07 As restated £'000	2007/08 As restated £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present value of liabilities	(75,587)	(80,435)	(67,700)	(93,804)	(88,254)
Fair value of assets	57,747	52,993	42,192	56,148	61,912
<b>Surplus/(deficit) in the scheme</b>	<b>(17,840)</b>	<b>(27,442)</b>	<b>(25,508)</b>	<b>(37,656)</b>	<b>(26,342)</b>

The actuarial deficit of £26.342m at 31 March 2011 differs from that shown in the Balance Sheet of £27.277m. This is the result of a difference of £0.935m between the actual contributions charged on an accruals basis in the accounts, and the estimated cash figure used by the actuary. The actuaries statement will be corrected in 2011/12.

The liabilities show the underlying commitments that the authority has in the long term to pay post employment (retirement) benefits. The total liability of £26.3m 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 2012 is £1,720.

### 43d Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31 March 2007.

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

	Local Government Pension Scheme	
	2010/11	2009/10
Long term expected rate of return on assets in the scheme		
Equity investments	7.5%	7.5%
Government bonds	4.4%	4.5%
Other bonds	5.1%	5.2%
Property	6.5%	6.5%
Cash/liquidity	0.5%	0.5%
Other	7.5%	7.5%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.60	21.20
Women	24.20	24.10
Longevity at 65 for future pensioners		
Men	23.00	22.20
Women	25.80	25.00
Rate of inflation (RPI)	3.40%	3.30%
Rate of inflation (CPI)	2.90%	2.80%
Rate of increase in salaries	4.90%	5.05%

Rate of increase in pensions	2.90%	3.30%
Rate for discounting scheme liabilities	5.50%	5.60%
Take up option to convert pension into lump sum	50%	50%

**Exceptional Accounting Item** In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2010 public service pensions would be uprated in line with the Consumer Prices Index (CPI) rather than the retail prices index (RPI).

This has the effect of reducing the Authority's liabilities at 31 March 2011 by £5.647m, and has been recognised as a past service gain since it is considered a change in benefit entitlement. There is no impact on the General Fund.

#### 43e Analysis of scheme assets

	Proportion of Total Assets 31/03/2011 %	Proportion of Total Assets 31/03/2010 %	Proportion of Total Assets 31/03/2009 %
Equity investments	64.0	66.0	61.2
Government Bonds	7.0	7.0	7.8
Other Bonds	14.0	12.0	12.3
Property	8.0	5.0	7.4
Cash/liquidity	1.0	4.0	4.9
Other assets	6.0	6.0	6.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

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

	2006/07 As restated %	2007/08 As restated %	2008/09 %	2009/10 %	2010/11 %
Experience gains and (losses) on assets	(0.7)	(14.0)	(34.2)	20.0	3.3
Experience gains and (losses) on liabilities	0	3.9	0	0	4.7

#### 43g Prepaid or accrued pension contributions

An amount of £0.15m is included in the creditors section of the Balance Sheet. This represents accrued pension contributions as at 31 March 2011. These were paid to the Lancashire County Pension Fund in April 2011.

#### **44 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.

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 2011 there are 14 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 between £1m and £2m in respect of these employees remains with the Council, but this liability is matched by the VAT Shelter receipts, described in note 45, currently retained by CCH.

#### **45 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 in 2011/12. The claim is subject to a judicial review which will determine its validity. There is no indication as to when this will be finally resolved.

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 is entitled to receive a further sum, estimated at £3.4 million from Chorley Community Housing. This sum is in addition to the balance retained by CCH in respect of the pension liability referred to in note 44. It becomes payable if CCH is successful in reclaiming VAT on the qualifying works (i.e. those works it plans to do to the transferred houses over a period of roughly ten years). The cumulative total received to 31 March 2011 was £2.626 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 eleven years to run. The amount will depend on the numbers sold and cannot be predicted.

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

##### **Key risks**

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

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

## Overall procedures for managing risk

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

Prudential indicators specifying

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

An Investment Strategy specifying

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

## Credit risk

This exists in relation to debtors, and investments made as a result of the Council's treasury operations. The following table analyses relevant investments and debtors as at the date of account

<b>Investments</b>	<b>Amount at 31 March £'000</b>	<b>Default risk %</b>	<b>Exposure to default £'000</b>
Impaired bank deposit at carrying value	1,570	53	830
Other long term deposits with banks and financial institutions	3,007		0
Sundry Debtors (see separate analysis)	2,350	9.5	224
	<b>6,927</b>		<b>1,054</b>

## Impaired Bank Loan

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

<b>Bank</b>	<b>Date Invested</b>	<b>Maturity Date</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Carrying amount 31/03/2011</b>	<b>Impairment Suffered</b>
Landsbanki	09/09/2008	09/12/2008	£2m	5.81%	£1,570,845	£766,689

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

The banks affairs are being wound up under Icelandic law. In a test case, brought by other creditors, the Icelandic District Court ruled in April 2011 that wholesale deposits by, amongst other parties, UK Local Authorities have priority status. That decision is subject to an appeal to the Icelandic Supreme Court expected to be heard later this year. The impairment loss assumes priority status is retained. If it is not an additional impairment of up to £830k could be suffered.

## 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 18) are analysed in the following table (the analysis excludes arrears of council tax):-

	£'000
Not yet past due date	1,056
Up to three months past due date	279
Three to six months past due date	19
Six months to one year past due date	232
Beyond one year	764
	<b>2,350</b>

No collateral is held as security.

## **Liquidity risk**

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Council. The maturity analysis of its borrowing is as follows:

	31 March 2011 £'000	31 March 2010 £'000
Less than 1 year	1,101	2,780
Between 1 and 2 years	550	700
Between 2 and 5 years	6,049	200
More than 5 years	1,223	0
<b>Total</b>	<b>8,923</b>	<b>3,680</b>

## **Market risk**

**Interest rate risk** – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings and short term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings and investments do not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses. To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

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

	£'000
Gain - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(116)
Gain - Impact on Income and Expenditure Account	(116)
Loss - Decrease in fair value of fixed rate investments (no impact on Statement of Total Recognised Gains and Losses)	0
Gain - Decrease in fair value of fixed rate borrowing (no impact in I&E Account or STRGL)	(316)

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

#### 47 Restatement changes to meet International Financial Reporting Standards

This table summarises the changes made in the accounts as at 1/4/2009 and 1/4/2010

#### BALANCE SHEET

Category	Original 31/03/2009 £'000	Reason for Change	Change £'000	Restated 31/03/2009 £'000
Operational	32,184	Reclassify from non-op	4,282	
		Treated as disposal by finance lease	(330)	
Property Plant & Equipment				36,136
Non Operational	5,337	Reclassify as PP&E	(4,282)	
Investment Property				1,055
Long Term Debtor	75	Finance lease disposal	289	364
Short term Investments	5,009	Reclassify as cash & cash equivalent	(3,414)	1,595
Cash & Cash Equivalent	(65)	Reclassify from Short Term Investments	3,414	3,349
Creditors	(4,594)	Leave accrual	(98)	
		To Capital Grant Receipts in Advance	263	(4,429)
Capital Grant Receipts in Advance	0	From Creditors	(263)	(263)
Government Grants Deferred	(3,254)	Write off to Capital Adjustment Account	3,254	0
Unusable Reserves				
Accumulated Absences	0	Leave accrual	98	98
Capital Adjustment Account	(25,533)	From Government Grants Deferred	(3,254)	
		Finance Lease disposal	330	(28,457)
Deferred Capital Receipts	(19)	Finance lease disposal	(289)	(308)

Original Category	Original 31/03/2010 £'000	Reason for Change	Change £'000	Restated 31/03/2010 £'000
Operational	33,964	Reclassify from non-op	3,933	
		Treated as disposal by finance lease	(326)	
Property Plant & Equipment				37,571
Non Operational	4,988	Reclassify as PP&E	(3,933)	
Investment Property				1,055
Long Term Debtor	68	Finance lease disposal	289	357
Short term Investments	1,896	Reclassify as cash & cash equivalent	(406)	1,490
Cash & Cash Equivalent	(488)	Reclassify from Short Term Investments	406	(82)
Creditors	(6,073)	Leave accrual	(113)	
		To Capital Grant Receipts in Advance	911	(5,275)
Capital Grant Receipts in Advance	0	From creditors	(911)	(911)
Government Grants Deferred	(3,516)	Write off to Capital Adjustment Account	3,516	0
Unusable Reserves				
Accumulated Absences	0	Leave accrual	113	113
Capital Adjustment Account	(24,485)	From Government Grants Deferred	(3,516)	
		Finance lease disposal	326	(27,675)
Deferred Capital Receipts	(15)	Finance lease disposal	(289)	(304)

### **INCOME AND EXPENDITURE ACCOUNT**

	£'000
Original 2009/10 deficit	2,631
Net change finance lease disposal	(4)
Net change in holiday accrual	15
Net change in capital grants credited to the account	36
Delete amortisation of Government Grants Deferred	315
Comprehensive Income and Expenditure Statement Surplus on Provision of Service	<b>2,993</b>

## 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

2009/10 £'000		2010/11	
		£'000	£'000
	<b>Income</b>		
46,883	Income from Council Tax		47,578
6,244	Transfers from General Fund		
(1)	Council Tax Benefits	6,482	
	Transitional Relief	0	
6,243			6,482
22,681	Income Collectable from Business Ratepayers		20,956
<b>75,807</b>			<b>75,016</b>
	<b>Expenditure</b>		
	Precepts and Demands		
38,900	Lancashire County Council	39,017	
6,900	Chorley Borough Council	6,917	
4,987	Lancashire Police Authority	5,149	
2,191	Lancashire Combined Fire Authority	2,241	
52,978			53,324
	Distribution of Collection Fund Surplus/(Deficit)		
(91)	Lancashire County Council	(113)	
(16)	Chorley Borough Council	(20)	
(12)	Lancashire Police Authority	(15)	
(5)	Combined Fire Authority	(6)	
(124)			(154)
0	Adjustment to previous years Community Charge		0
	Business rates		
22,556	Payment to National Pool	20,826	
125	Cost of Collection Allowance	130	
22,681			20,956
	Bad and doubtful debts/appeals		
123	Write offs	97	
34	Provisions	315	
157			412
<b>75,692</b>			<b>74,538</b>
115	Surplus/(deficit) for the year		478
0	Surplus/(deficit) at 1 April		0
(15)	Transfer to/from Collection Fund Adjustment Account		(62)
(100)	Net transfer to Major Precept Debtor		(416)
<b>0</b>	<b>Surplus/(deficit) at 31 March</b>		<b>0</b>



## 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 2010/11 was calculated as follows:

Band	Dwellings	Total Equivalent dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	19	17.25	5:9	9.60
A	14,299	11,866.50	6:9	7,911.00
B	10,204	9,015.00	7:9	7,011.70
C	8,585	7,791.00	8:9	6,925.30
D	5,827	5,398.50	9:9	5,398.50
E	4,185	3,925.25	11:9	4,797.50
F	1,682	1,588.50	13:9	2,294.50
G	735	691.50	15:9	1,152.50
H	62	43.50	18:9	87.00
<b>Total</b>	<b>45,598</b>	<b>40,337.00</b>		<b>35,587.60</b>
Less adjustments for anticipated changes to the base and losses on collection				<b>(383.10)</b>
Band D Equivalent Number of Properties				<b>35,204.50</b>

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base. This results in a basic Band D charge (excluding Parish Precepts) of £1,478.21 for 2010/11 and £1,472.78 for 2009/10). 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	2009/10 £000
Lancashire County Council	39,017	38,900
Lancashire Police Authority	5,149	4,987
Lancashire Combined Fire Authority	2,241	2,190

## **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 its 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 48.1p in 2009/10 and one for larger businesses at 48.5p. 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 £29.6 million for 2010/11 (£29.6million for 2009/10).

The rateable value for the Council's area at the end of the financial year 2010/11 was £65.96million (£69.79 million in 2009/10).