

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 8

meeting date: 29 JUNE 2011  
title: STATEMENT OF ACCOUNTS 2010/2011  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

## 1 PURPOSE

- 1.1 To approve the draft (subject to audit) Statement of Accounts for the financial year 2010/11.

## 2 BACKGROUND

- 2.1 The Accounts and Audit Regulations 2011 require Members to approve the statutory accounts by 30 September following the financial year end.
- 2.2 This is a change from the previous Accounts and Audit Regulations 2003 (amended) which required members to approve the draft Statement of Accounts by 30 June and the final audited Statement of Accounts by the end of September.
- 2.3 At its meeting in March, this committee agreed as good practice that the Statement of Accounts continue to be presented in their draft format for approval before the end of June, as previously, prior to audit.

## 3 NEXT STEPS

- 3.1 The Council's external auditors, the Audit Commission, will be within the council offices carrying out their annual audit over the next few weeks.
- 3.2 Once the audit has been completed and any agreed amendments which may be required have been made, the Statement of Accounts will be presented again in an audited format for approval once more by this committee.
- 3.3 The approval of the final audited Statement of Accounts will take place at the next meeting of this committee on the 24 August 2011. It is important that all members endeavour to attend in order to ensure that the meeting is quorate.

## 4 RECOMMENDED THAT COMMITTEE

- 4.1 Approve the Statement of Accounts 2010/11 as attached.

LAWSON ODDIE  
HEAD OF FINANCIAL SERVICES


AA14-11/LO/AC  
29 June 2011




# Statement of Accounts [Draft] 2010/2011

Ribble Valley Borough Council

This document can be made available in alternative formats or languages. Anyone wishing to request this document in an alternative format or language should contact the Head of Financial Services

 01200 425111

 [lawson.oddie@ribblevalley.gov.uk](mailto:lawson.oddie@ribblevalley.gov.uk)

 Ribble Valley Borough Council, Head of Financial Services, Church Walk,  
Clitheroe, Lancashire, BB7 2RA

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STATEMENT OF ACCOUNTS 2010/11

**Independent Auditors' Report to members of Ribble Valley Borough Council**

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STATEMENT OF ACCOUNTS 2010/11

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STATEMENT OF ACCOUNTS 2010/11

**Independent Auditors' Report to members of Ribble Valley Borough Council**

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# Explanatory Foreword

## 1 INTRODUCTION

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The Council's statement of accounts for the year ended 31 March 2011 is set out on the following pages. These have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom and are based on International Financial Reporting Standards. The statements produced for 2010/11 are:

**Statement of Responsibilities** *The code requires that the chief financial officer should sign and date the Statement of Accounts under a statement that the accounts give a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year then ended.*

**Movement in Reserves Statement** *The Movement in Reserves Statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:*

- *the increase or decrease in the net worth of the council as a result of incurring expenses and generating income.*
- *the increase or decrease in the net worth of the council as a result of movements in the fair value of its assets.*
- *movements between reserves to increase or reduce the resources available to the council according to statutory provisions.*

**Comprehensive Income and Expenditure Statement** *This statement consolidates all the gains and losses experienced by the council during the financial year. As councils do not have any equity in their Balance Sheets, these gains and losses will reconcile to the overall movement in net worth. The statement has two sections:*

- *Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the council as a result of incurring expenses and generating income.*
- *Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or decrease in the net worth of the council as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.*



## Explanatory Foreword

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**Balance Sheet** *The Balance Sheet summarises the council's financial position at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As councils do not have equity, the bottom half is comprised of reserves that show the nature of the council's net worth, falling into two categories*

- *Usable Reserves - which include the revenue and capital resources available to meet future expenditure*
- *Unusable Reserves – unrealised gains and losses, particularly the revaluation of property plant and equipment (e.g. the Revaluation Reserve) and adjustment accounts such as the Capital Adjustment Account.*

**Cash Flow Statement** *The Cash Flow Statement summarises the flows of cash that have taken place into and out of the council's bank accounts over the financial year. It separates the flows into:*

- *those that have occurred as a result of the council's operations.*
- *those arising from the council's investing activities.*
- *those attributable to financing decisions*

**Collection Fund Statement** *This reflects the statutory requirement for billing authorities, such as Ribble Valley Borough Council, to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and National Non-Domestic Rates (NNDR).*

*There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances are distributed across the Balance Sheets of the billing authority, the Government and precepting bodies.*

**Code of Practice on Local Authority Accounting in the United Kingdom 2010/11  
(Based on International Financial Reporting Standards)**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the council.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on the following hierarchy of standards:

- International Financial Reporting Standards (IFRSs) (including International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations) as adopted by the European Union (i.e. EU-adopted IFRS).
- International Public sector Accounting Standards (IPSASs)
- UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts).

By following the Code, the 2010/11 financial statements are the first to be prepared on an International Financial Reporting Standards basis. There are substantive changes to the Statement of Accounts. The main areas of change are:

- Grants and contributions for capital purposes are now recognised as income immediately rather than being deferred and released to revenue to match depreciation.
- The main financial statements have changed, and there are additional requirements regarding segment reporting.
- There is a greater emphasis on component accounting, and a greater emphasis on derecognising parts of an asset that are replaced.
- Property leases are classified and accounted for as separate leases of land and buildings. Local authorities have also needed to assess whether other arrangements contain the substance of a lease.
- Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve.
- Impairment losses are taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.
- The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification.
- All employee benefits are accounted for as they are earned by the employee. This has required accruals for items such as holiday pay.
- The definition of associates is based on the ability to control rather than actual control, and can lead to a change in the group boundary.

## Explanatory Foreword

### 2 GENERAL FUND

Whilst the Comprehensive Income and Expenditure Statement is presented in accordance with the Best Value Accounting Code of Practice (BVACOP) it is also possible to analyse our spending in accordance with the Council's committee structure.

The Council's General Fund services are partly paid for by government grants and contributions from pooled business rates with the balance being funded from council tax. Shown below is a summary of the general fund accounts comparing actual expenditure with the original and revised budgets for the year.

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,758	3,649	3,438	320	211
Policy & Finance	3,024	3,248	1,976	1,048	1,272
Planning & Development	527	697	557	-30	140
Health & Housing	771	801	683	88	118
<b>Committee Expenditure</b>	<b>8,080</b>	<b>8,395</b>	<b>6,654</b>	<b>1,426</b>	<b>1,741</b>
Interest Payable	26	26	26	0	0
Parish Precepts	373	373	373	0	0
Interest Received	-15	-15	-21	6	6
<b>Net Operating Expenditure</b>	<b>8,464</b>	<b>8,779</b>	<b>7,032</b>	<b>1,432</b>	<b>1,747</b>
Precept from Collection Fund (including parish precepts)	-3,519	-3,519	-3,519	0	0
Deficit on Collection Fund	11	11	11	0	0
General Government Grants	-554	-560	-560	6	0
Business Rates Redistribution	-3,616	-3,616	-3,616	0	0
<b>Deficit/(Surplus) for year</b>	<b>786</b>	<b>1,095</b>	<b>-652</b>	<b>1,438</b>	<b>1,747</b>
Depreciation	-777	-792	-774	-3	-18
Minimum Revenue Provision	132	133	133	-1	0
Net Transfer to/from earmarked reserves	-99	-638	1,066	-1,165	-1,704
<b>Deficit/(Surplus) for year</b>	<b>42</b>	<b>-202</b>	<b>-227</b>	<b>269</b>	<b>25</b>

**Amendments to our budget in the year**

During the preparation of the revised estimate a number of changes were made to the budget. These were:

Item	£'000
Increase in General Government Grants Receivable	-6
Increased use of earmarked reserves	-539
Net increase in Service Committee costs	301
<b>Net increase in amount to take from balances for the year</b>	<b>-244</b>

**Financial Performance and Outlook**

The government announced substantial reductions in the level of funding that it will provide to local authorities in 2011/12 and 2012/13, with no indication of what level of funding will be provided in the longer term.

The Council has long been preparing for these difficult times and has operated a strict review by the Corporate Management Team of any post vacancies that have arisen over the past years, recruiting on a fixed term basis where necessary. With resources from central government reducing, the council has recognised that it must review its structure in order to increase the efficiency of the organisation and achieve greater value for money.

A review of the senior management took place in the 2010/11 financial year and achieved substantial savings. This was part of a longer-term review, which is expected to be completed in September 2011. This restructuring will enable the council to meet its financial challenges more effectively.

Through the review of post vacancies and a freeze on all non-essential expenditure within the 2010/11 financial year, the council has achieved a number of savings in year on staffing, and supplies and services.

The council continues to work collaboratively on procurement with other Lancashire authorities and also nationally and has been able to secure savings within 2010/11 and for future years through joint working.

The council has seen the impact of the current economic climate affect many of its services, and prudent budget setting for the revised estimate forecast continuing low levels of income, particularly in the areas of planning, building control, land charges and licensing. Fortunately the outturn has not been as low as forecast, with some services realising income in excess of the low estimates.

Investment income continues to be a low provider of financial support for the council, with only marginally higher income earned in year than had been expected. The Council is anticipating that there may be a slight upturn in interest rates later in the 2011/12 financial year. However, it is predicted that this will only provide modest levels of support in the region of £30,000.

## Explanatory Foreword

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Reductions in income inevitably put a strain on services to identify savings in order to achieve an affordable and balanced budget. With government aims to substantially reduce Britain's budget deficit, local government will inevitably be required to identify further savings still. The council is currently undergoing a structure review, which will better place it in facing the challenges that will be approaching in the coming years.

With the ongoing structure review and knowledge of future planned changes to local government that have been announced by the Government, the council has again taken the opportunity to prepare, with a number of transfers made in 2010/11 to its earmarked reserves.

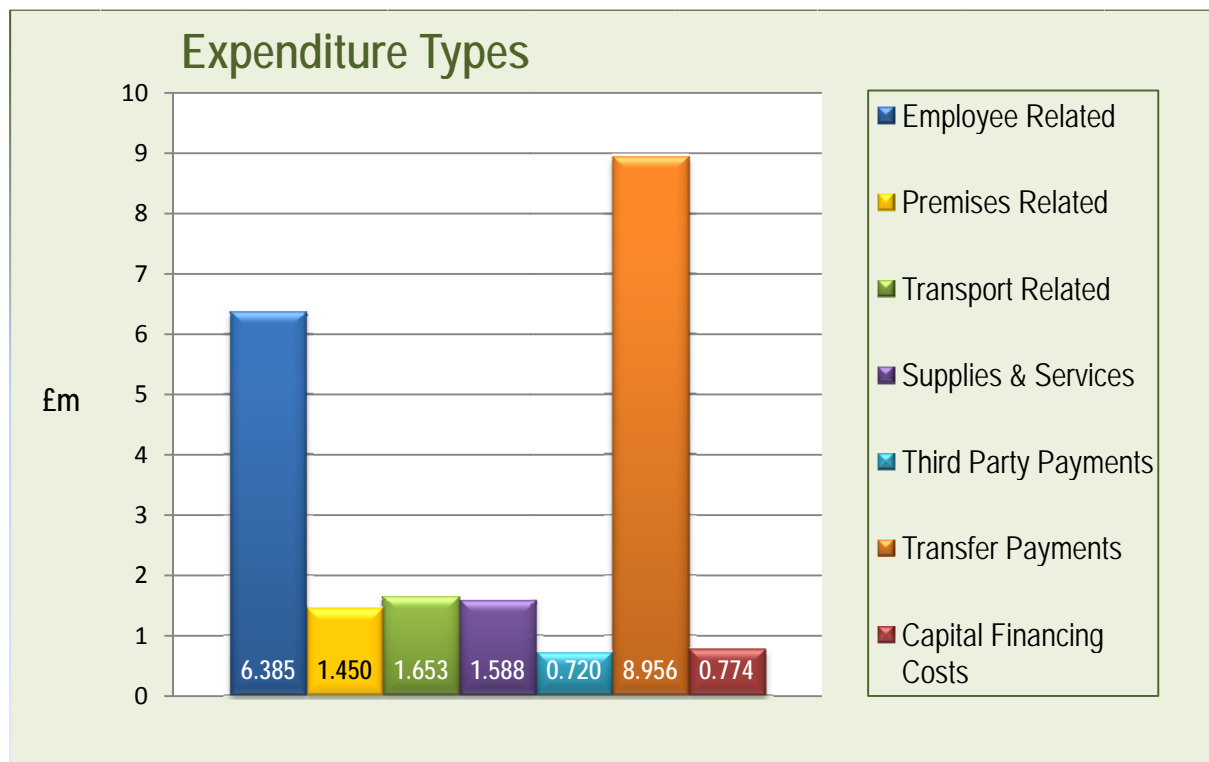
During 2010/11 there were many variances identified when we monitored our budget. The main variations affecting our final position compared with the revised estimate can be summarised as:

Variation	£'000
Salaries	83
Indirect employee expenses, including training	26
Energy and Utilities	24
Repairs and Maintenance	31
Transport Costs	43
Concessionary Travel	68
IT Hardware and Software	25
Equipment and Materials	31
Audit Fees	12
Consultants/Bailiffs	8
Printing, Stationery, Statutory Notices, Promotions	17
Increased Benefit and Admin Grant	69
Land Charges Grant	34
Flood Grant (Admin funding)	10
Increased Recycling Credits Income	18
School Sports Partnership and Children's Trust Grants	30
Increased Planning Income	35
Increased 'Other' Income such as Licensing and Rents	26
VAT shelter monies received	472
Unspent earmarked Grants/Contributions which will be used in 2011/12	375
Final receipt of Performance Reward Grant	169
Fleming VAT Claim	58
Grant for Contact Centre work with DEFRA	20
Other Service Underspends transferred to Reserves	39
	<b>1,723</b>
Increased Interest Received	6
Extra Transfers to Earmarked Reserves	-1,704
<b>Increase in amount to take from balances</b>	<b>25</b>

**Analysis of our Expenditure by Type**

We have shown in the graph below how our total general fund **expenditure** is broken down by **type**:

Type	£'000
Employee Related	6,385
Premises Related	1,450
Transport Related	1,653
Supplies & Services	1,588
Third Party Payments	720
Transfer Payments	8,956
Capital Financing Costs	774
<b>Total Expenditure</b>	<b>21,526</b>

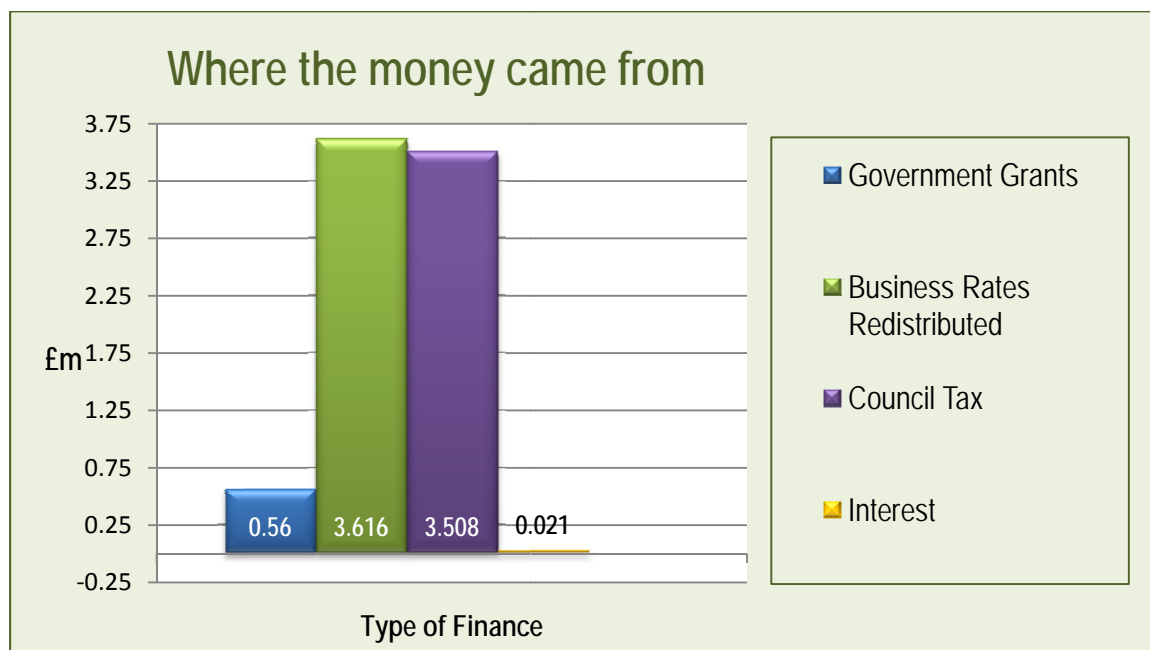


You can see that the two biggest types of expenditure are our employee costs and transfer payments. Transfer payments are payments such as housing benefits which we make on behalf of the Government.

## Explanatory Foreword

### **How our general fund budget is financed**

As shown earlier our total net expenditure for committees is £6.654m. A number of adjustments are then made to this total including the removal of depreciation from our accounts, interest payable and the transfers to/from earmarked reserves. After these adjustments we are left with expenditure to be financed for the year of £7.705m. We finance this as follows:



### **General Fund Balances**

It is obviously very important to maintain a healthy level of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning. This however has to be balanced against meeting the council's spending priorities and also very importantly setting a low council tax.

We had originally planned to take £42,000 from general fund balances to help finance the 2010/11 spending plans. However, this was revised later in the year to adding £202,000 to general fund balances. The final position shows that the council has added £227,000 to general fund balances.

In addition we are pleased that we have continued to set the lowest council tax in Lancashire and one of the lowest council taxes in the country and yet hold healthy levels of balances.

	£'000
General Fund Balances: Brought forward at 1 April 2010	1,222
Taken to fund deficit on 2010/11 income and expenditure account	227
General Fund Balances: Carried forward at 31 March 2011	1,449

### 3 PENSIONS

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The statement of accounts reflects the full adoption of Financial Reporting Standard 17 Retirement Benefits (FRS17), following its full implementation in 2003/04. This requires that:

- Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Lancashire County Pension Fund. This cost referred to as the current service cost is calculated by the fund's actuary, Mercer Ltd.
- The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the Authority's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2011 reduced to £10.225m (31 March 2010 £15.602m).

In 2009/10 the actuarial assumptions used in calculating the current service cost were substantially affected by the impact of the financial crisis, and in particular corporate bond yields were at very high levels as at 31 March 2009.

This resulted in a very high discount rate being used to calculate the 2009/10 current service costs, and the current service costs for this year were therefore very low by historic standards. This was a feature for all Local Government Pension Scheme Funds and employers, and not just Ribble Valley. The discount rate used subsequently fell from 7.1% as at 31 March 2009 to 5.6% as at 31 March 2010 as bond spreads "corrected".

With regard to Past Service Costs, the council saw a Past Service Credit in 2010/11 of £2.395m. This is due to the effect on the accrued liabilities for Ribble Valley of the changes in pension increases being calculated on a RPI basis to a CPI basis. In essence the accrued liabilities have decreased as a direct result of these changes.

### 4 CAPITAL

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We keep a separate account of all our capital expenditure and income transactions, examples of such transactions would be:

- Buying or selling land or property.
- Improvements to our existing assets.
- Building new properties.
- Purchase of refuse vehicles & plant.
- Awarding improvement grants for private sector renewal.



## Explanatory Foreword

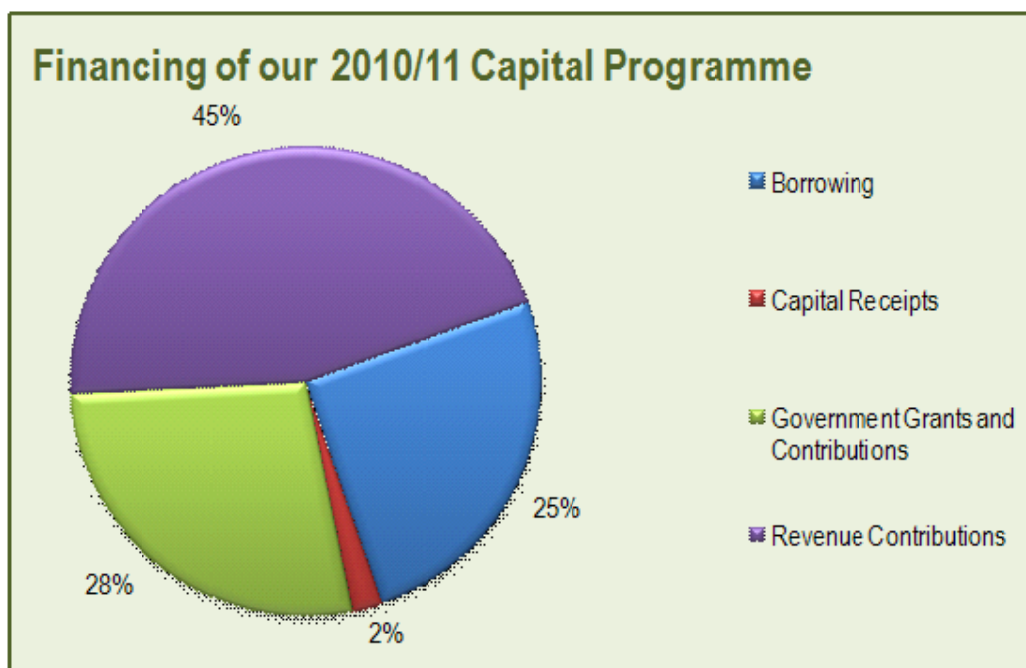
During the year the Council spent £1.874 million on capital schemes. The main areas of expenditure included:

- Calderstones Open Space
- Replacement Car Park Machines and Software
- Replacement Vehicles and Plant
- Clitheroe Cemetery Extension
- Affordable Housing Initiatives
- Renovation and Disabled Facilities Grants

At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. These schemes include the following:

- Calderstones Open Space
- Replacement Car Park Machines and Software
- Affordable Housing Initiatives

How the Capital Programme was Financed	£'000
Borrowing	473
Government grants and contributions	513
Revenue contributions	848
Capital Receipts	40
	<b>1,874</b>



**Explanatory Foreword**

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The Council financed capital expenditure totalling £473,000 from borrowing during 2010/11. We continue to make full use of advantageous lending terms that are offered by the Public Works Loan Board (PWLB).

The total PWLB loans outstanding at 31 March 2011 is £0.507m. These are included in the Balance Sheet under Short Term Borrowing and Long Term Borrowing. A detailed analysis of the Council's long term borrowing is shown in note 12 to the core financial statements.

# Statement of Responsibilities

The following responsibilities are placed upon the Authority and the Director of Resources in relation to the Council's financial affairs:

## **The Authority's Responsibilities**

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The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## **The Director of Resources' Responsibilities**

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The Director of Resources is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts the, Director of Resources has:

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

The Director of Resources has also:

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

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2011.

Jane L Pearson  
Director of Resources CPFA

## Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 37 and the Balance Sheet on page 39, were approved by the Accounts and Audit Committee at its meetings held on 29 June 2011 (unaudited).

Signed by:

Cllr John Hill  
Chairman of Accounts and Audit Committee

29 June 2011

# Statement of Accounting Policies

## 1 GENERAL PRINCIPLES

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The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

## 2 ACCRUALS OF INCOME AND EXPENDITURE

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Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

**3 CASH AND CASH EQUIVALENTS**

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Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

**4 EXCEPTIONAL ITEMS**

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When items of income and 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 how significant the items are to the understanding of the Council's financial performance.

**5 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

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Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting 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 practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**6 CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

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Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service

## Statement of Accounting Policies

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The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortizations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **7 EMPLOYEE BENEFITS**

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#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**Post Employment Benefits**

Employees of the Council are eligible to join the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

**The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Scheme attributable to Ribble Valley Borough Council 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (5.6% 31 March 2010) based on the indicative rate of return on high quality (AA rated) corporate bonds.
- The assets of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council 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 the Net Pensions Liability is analysed into seven components:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.



## Statement of Accounting Policies

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- Expected Return on Assets – the annual investment return on the fund assets attributable to Ribble Valley Borough Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or Losses on Settlements and Curtailments – the result of actions to relieve the Ribble Valley Borough Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure statement as part of Non distributed Costs.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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.

## 8 EVENTS AFTER THE BALANCE SHEET DATE

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Events after the Balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 9 FINANCIAL INSTRUMENTS

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### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

## Statement of Accounting Policies

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Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of the amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Financial assets are classified in two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale-assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Should the Council make loans at less than market rates (soft loans), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate receivable from the soft loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has made no material soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that 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.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the surplus or deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the assets has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive

## Statement of Accounting Policies

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Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **10 FOREIGN CURRENCY TRANSLATION**

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Where the Council has entered into a transaction in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **11 GOVERNMENT GRANTS AND CONTRIBUTIONS**

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Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

**12 INTANGIBLE ASSETS**

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Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the asset held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they have therefore been carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset are posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**13 INVENTORIES AND LONG TERM CONTRACTS**

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Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned at cost price with the exception of the General Stores which is valued at average cost.

## Statement of Accounting Policies

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

### **14 INVESTMENT PROPERTY**

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Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value and are not depreciated. Such assets are revalued as part of the council's revaluation procedure and any 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income together with associated expenditure. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **15 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

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Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council currently has no jointly controlled operations or jointly controlled assets.



**16 LEASES**

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

Where a lease covers both land and buildings, the land and buildings 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 Council as Lessee****Finance Leases**

Property, plant and equipment held under finance leases 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 recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.



## Statement of Accounting Policies

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### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Council as Lessor**

#### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element of the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## 17 OVERHEADS AND SUPPORT SERVICES

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The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organization
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## 18 PROPERTY, PLANT AND EQUIPMENT

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Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### *Recognition*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance ) is charged as an expense when it is incurred.

## Statement of Accounting Policies

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### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

here there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

### ***Impairments***

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where there is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that could have been charged if the loss had not been recognised.

### ***Depreciation***

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

The Council operates a straight-line method for depreciation over the useful economic life of the asset as follows:

## Statement of Accounting Policies

	Years
Buildings	50
Infrastructure	40
Large Equipment	10
Council Houses	60
Large Vehicles	8
Small Vehicles	5
Small Plant/Equipment	3

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### ***Disposals 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 its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off

against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital adjustment Account from the General fund Balance in the Movement in Reserves Statement.

## **19 PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS**

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PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council have no PFIs or similar contracts.

## **20 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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### **Provisions**

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognized as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

## Statement of Accounting Policies

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### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is possible that there will be an inflow of economic benefits or service potential.

## **21 RESERVES**

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The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement of Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

## **22 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE**

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Expenditure incurred during the year that may be capitalised under statutory provisions 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 in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

**23 VAT**

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VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's revenue and Customs. Vat receivable is excluded from income.



Movement in Reserves Statement

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## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement

Movements in 2010/11	Usable Reserves		Unusable Reserves										
	General Fund Balance £	Earmarked General Fund Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	TOTAL USABLE RESERVES £	Capital Adjustment Account £	Collection Fund Adjustment Account £	Revaluation Reserve £	Deferred Capital Receipts Reserve £	Pensions Reserve £	Accumulated Absences Account £	TOTAL UNUSABLE RESERVES £	TOTAL COUNCIL RESERVES £
Balance at 31 March 2010	1,222,095	3,287,877	169,334	0	4,679,306	8,496,197	-26,057	3,545,235	7,957	-15,602,324	-89,768	-3,668,760	1,010,546
Movement in Reserves During 2010/11													
Surplus or (deficit) on the provision of Services	2,145,838	0	0	0	2,145,838	0	0	0	0	0	0	0	2,145,838
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	111,999	3,727,000	3,727,000	0	3,838,999	3,838,999
Total Comprehensive Income and Expenditure	2,145,838	0	0	0	2,145,838	0	0	111,999	3,727,000	3,727,000	0	3,838,999	5,984,837
Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 7)	-1,701,261	0	-18,154	0	-1,719,415	154,210	-3,918	-80,777	-4,042	1,650,000	3,942	1,719,415	0
Net increase/ Decrease before Transfers to Earmarked Reserves	444,577	0	-18,154	0	426,423	154,210	-3,918	31,222	-4,042	5,377,000	3,942	5,558,414	5,984,837
Transfers to/from Earmarked Reserves (NOTE 8)	-217,912	217,912	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in Year	226,665	217,912	-18,154	0	426,423	154,210	-3,918	31,222	-4,042	5,377,000	3,942	5,558,414	5,984,837
Balance at 31 March 2011	1,448,760	3,505,789	151,180	0	5,105,729	8,650,407	-29,975	3,576,457	3,915	-10,225,324	-85,826	1,889,654	6,995,383
Carried Forward (NOTES 19 and 20)													



# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Statement consolidates all the gains and losses experienced by the Council during the financial year. As the Council's do not have any equity in their Balance Sheets, these gains and losses reconcile to the overall movement in net worth.

The Comprehensive Income and Expenditure Statement has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets and actuarial gains and losses on pension assets and liabilities

## Comprehensive Income and Expenditure Statement

2009/10 Restated				2010/11			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Note
£	£	£		£	£	£	
3,632,101	-2,738,033	894,068	Central Services to the Public	3,519,294	-2,764,685	754,609	
10,025,627	-3,773,394	6,252,233	Cultural, Environmental, Regulatory and Planning Services	7,875,224	-3,169,893	4,705,331	
2,128,562	-1,565,763	562,799	Highways and Transport Services	1,821,076	-1,487,024	334,052	
6,827,581	-6,616,224	211,357	Other Housing Services	6,997,578	-6,702,496	295,082	
58,510	-35,402	23,108	Adult Social Care	60,363	-36,060	24,303	
2,003,138	-1,723,253	279,885	Corporate and Democratic Core	1,891,776	-1,130,783	760,993	5
122,288	0	122,288	Non Distributed Costs	117,271	0	117,271	
7,000	0	7,000	Exceptional Item	0	-2,395,000	-2,395,000	5
<b>24,804,807</b>	<b>-16,452,069</b>	<b>8,352,738</b>	<b>Cost of Services</b>	<b>22,282,582</b>	<b>-17,685,941</b>	<b>4,596,641</b>	<b>1 &amp; 29</b>
			<b>Other Operating Expenditure</b>				
		367,952	Payment of Precepts to Parishes			373,143	
		0	Gains/Losses on the Disposal of Non-Current Assets			-22,617	
		1,196	Payment of Housing Capital Receipts to Government Pool			3,005	
			<b>Financing and Investment Income and Expenditure</b>				
		29,566	Interest Payable on Debt			26,537	
		-15,112	Investment Interest Income			-20,904	
		894,000	Pensions Interest Costs and Expected Return on Pension Assets			653,000	
		-176,548	(Gain)/Loss on Investment Property			-67,881	10
		393	(Gain)/Loss on Trading Accounts			-7,033	1 & 25
			<b>Taxation and Non-Specific Grant Income</b>				
		-3,423,180	Council Tax			-3,503,554	
		-3,247,113	National Non Domestic Rates (NDR)			-3,616,386	
		-749,476	Revenue Support Grant (RSG)			-525,133	
		-45,542	Other Non-Specific Grants			-34,656	29
		<b>1,988,874</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>-2,145,838</b>	
		-3,545,235	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			-111,999	
		4,385,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities			-3,727,000	
		<b>839,765</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-3,838,999</b>	
		<b>2,828,639</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-5,984,837</b>	

## Balance Sheet

The Balance Sheet shows the value as at the balance Sheet date the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

- The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## Balance Sheet

31 March 2009	31 March 2010		31 March 2011	Note
Restated	Restated			
£	£		£	
		<i>Long Term Assets</i>		
		Property, Plant and Equipment		9
9,387,301	9,994,650	- Other Land and Buildings	10,079,052	
2,611,634	2,460,299	- Vehicles, Plant, Furniture and Equipment	2,570,729	
241,157	234,857	- Infrastructure Assets	228,558	
1,513,125	2,189,416	- Community Assets	2,402,289	
724,456	848,250	Investment Properties	868,108	10
		Intangible Assets		11
38,812	15,000	- Software	0	
0	0	Assets Held for Sale	0	
53,633	49,604	Long Term Debtors	403,422	
<b>14,570,118</b>	<b>15,792,076</b>	<b>Total Long Term Assets</b>	<b>16,552,158</b>	
		<i>Current Assets</i>		
0	0	Short Term Investments	0	
0	0	Assets Held for Sale	119,375	16
59,393	77,830	Inventories	80,116	13
1,168,362	2,775,028	Short Term Debtors	1,864,914	4 & 14
1,452,387	-55,604	Cash and Cash Equivalents	392,667	15
<b>2,680,142</b>	<b>2,797,254</b>	<b>Total Current Assets</b>	<b>2,457,072</b>	
		<i>Current Liabilities</i>		
-88,566	-89,768	Provisions	-85,826	18
-78,608	-78,608	Short Term Borrowing	-78,608	
-2,111,446	-1,301,060	Short Term Creditors	-1,188,173	17
<b>-2,278,620</b>	<b>-1,469,436</b>	<b>Total Current Liabilities</b>	<b>-1,352,607</b>	
		<i>Long Term Liabilities</i>		
-578,131	-507,024	Long Term Borrowing	-435,916	
		Other Long Term Liabilities		
-10,554,324	-15,602,324	- Net Pensions Liability	-10,225,324	
<b>-11,132,455</b>	<b>-16,109,348</b>	<b>Total Long Term Liabilities</b>	<b>-10,661,240</b>	
<b>3,839,185</b>	<b>1,010,546</b>	<b>Net Assets</b>	<b>6,995,383</b>	
		<i>Usable Reserves</i>		19
2,021,660	1,222,095	General Fund Balance	1,448,760	
1,262,297	3,287,877	Earmarked General Fund Reserves	3,505,789	8
19,420	169,334	Capital Grants Unapplied	151,180	
0	0	Usable Capital Receipts Reserve	0	
<b>3,303,377</b>	<b>4,679,306</b>	<b>Total Usable Reserves</b>	<b>5,105,729</b>	
		<i>Unusable Reserves</i>		20
11,192,875	8,496,197	Capital Adjustment Account	8,650,407	
-23,986	-26,057	Collection Fund Adjustment Account	-29,975	
0	3,545,235	Revaluation Reserve	3,576,457	
9,809	7,957	Deferred Capital Receipts Account	3,915	
-10,554,324	-15,602,324	Pension Reserve	-10,225,324	
-88,566	-89,768	Accumulated Absences Account	-85,826	
<b>535,808</b>	<b>-3,668,760</b>	<b>Total Unusable Reserves</b>	<b>1,889,654</b>	
<b>3,839,185</b>	<b>1,010,546</b>	<b>Total Reserves</b>	<b>6,995,383</b>	

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the receipts of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009/10 Restated £		2010/11 £	Note
1,988,874	Net (Surplus) or Deficit on the Provision of Services	-2,145,838	
-895,696	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	1,135,329	
0	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	0	
<b>1,093,178</b>	<b>Net Cash Flows from Operating Activities</b>	<b>-1,010,509</b>	<b>21</b>
343,706	Investing Activities	491,130	22
71,107	Financing Activities	71,108	23
<b>1,507,991</b>	<b>Net Increase or decrease in Cash and Cash Equivalents</b>	<b>-448,271</b>	
1,452,387	Cash and Cash Equivalents 1 April	-55,604	
<b>-55,604</b>	<b>Cash and Cash Equivalents 31 March</b>	<b>392,667</b>	



# Notes to the Core Financial Statements

## 1 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS-based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

### Short Term Accumulating Compensated Absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. One of the most significant of these benefits covered here is Holiday Pay

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. The amounts are transferred to the accumulated Absences Account until the benefits are used.

Accruing for short-term accumulation compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

	2009/10 Statements	Adjustments Made
	£	£
Opening 1 April 2009 Balance Sheet		
Provisions	0	-88,566
Accumulated Absences Account	0	88,566

	2009/10 Statements	Adjustments Made
	£	£
31 March 2010 Balance Sheet		
Provisions	0	-89,768
Accumulated Absences Account	0	89,768

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £	Adjustments Made £
<b>Cost of Services (Net)</b>		
Central Services to the Public	895,491	3,877
Cultural, Environmental, Regulatory and Planning Services	5,110,432	-2,442
Highways and Transport Services	564,434	-1,635
Other Housing Services	371,332	1,260
Adult Social Care	23,116	-8
Corporate and Democratic Core	255,488	0
Non Distributed Costs	129,288	0
<b>Cost of Services</b>	<b>7,349,581</b>	<b>1,052</b>
Gain/Loss on Trading Accounts	-7,684	150

### Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the asset which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received and applied in 2009/10 but were not fully recognised as they were held in the Government Grants Deferred Account. The grants have now been fully recognised on the face of the Comprehensive Income and Expenditure Statement and the Capital Adjustment Account.

## Notes to the Core Financial Statements

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	2009/10 Statements £	Adjustments Made £
Government Grants Deferred Account	3,161,579	-3,161,579
Capital Adjustments Account	8,031,296	3,161,579

31 March 2010 Balance Sheet	2009/10 Statements £	Adjustments Made £
Government Grants Deferred Account	1,945,173	-1,945,173
Capital Adjustments Account	6,318,016	1,945,173

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £	Adjustments Made £
<b>Cost of Services (Net)</b>		
Central Services to the Public	895,491	-5,300
Cultural, Environmental, Regulatory and Planning Services	5,110,432	1,204,983
Highways and Transport Services	564,434	0
Other Housing Services	371,332	-157,589
Adult Social Care	23,116	0
Corporate and Democratic Core	255,488	24,397
Non Distributed Costs	129,288	0
<b>Cost of Services</b>	<b>7,349,581</b>	<b>1,066,491</b>

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

Investment Properties

There have been a number of changes required to the treatment of properties classified as Investment Properties, including changes to where they have been presented in the Comprehensive Income and Expenditure Statement and also the treatment of any previous revaluation gains.

This has resulted in the following changes being made to the 2009/10 financial statements:

31 March 2010 Balance Sheet	2009/10 Statements £	Adjustments Made £
Revaluation Reserve	3,778,243	-233,008
Capital Adjustments Account	6,318,016	233,008

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £	Adjustments Made £
<b>Cost of Services (Net)</b>		
Central Services to the Public	895,491	0
Cultural, Environmental, Regulatory and Planning Services	5,110,432	-60,741
Highways and Transport Services	564,434	0
Other Housing Services	371,332	-3,646
Adult Social Care	23,116	0
Corporate and Democratic Core	255,488	0
Non Distributed Costs	129,288	0
<b>Cost of Services</b>	<b>7,349,581</b>	<b>-64,387</b>
(Gain)/Loss on Investment Property	0	-176,548
(Gain)/Loss on Trading Accounts	-7,684	7,927
(Surplus) or deficit on Revaluation of Property, Plant and Equipment Assets	-3,778,243	233,008

## Notes to the Core Financial Statements

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

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#### Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are:

- The Castle Keep at Clitheroe
- The Clitheroe Castle Museum Collection
- Civic Regalia
- The Roman Bath site at Ribchester

The collection at the Clitheroe Castle Museum principally includes:

- Archaeological artefacts
- Geological collections
- Militaria
- Items of local social historical interest

With the exception of the Museum Collection and Civic Regalia, the above heritage assets are currently accounted for at historic cost and classified as Community Assets within Property, Plant and Equipment in the Balance Sheet. The museum collection is not currently recognised in the financial statements as no information is available on the value of these assets (the asset register for the collection is maintained by Lancashire Museum Services, who also keep detailed records on each item in the collection as is set out below, including insurance valuation information).

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Council is able to recognise more of its heritage assets in the Balance Sheet.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets within Property, Plant and Equipment at 1 April 2010 is £193,840, relating to the Castle Keep at Clitheroe.

The Lancashire Museum Services estimates that the value of the Castle Museum collection from its insurance records is £750,000 as at 1 April 2011. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £750,000, i.e. a revaluation gain.

The Council also holds information on the value of the Civic Regalia (for insurance purposes) supplied by an external valuer (Precious Metals Craft and Design Workshop) and the market value of the assets as at 1 April 2011 is £41,350. This will be recognized as a gain in the Revaluation Reserve.

The Roman Bath site at Ribchester is currently shown in the council's balance sheet at a nominal value of £1. Information is not held by the council of any accurate valuation of the site due to its unique nature and for this same reason it does not intend to include the asset at any adjusted value on the balance sheet in the future.

It is estimated therefore that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2011 (under the requirements of the 2011/12 Code) will be £984,190. This will result in a total revaluation gain recognised in the Revaluation Reserve of £791,350.

Depreciation is currently charged on the Castle Keep. However, following consideration of the Accounting Standards that are to be adopted, it has been decided for future years that because such an asset has a useful life of such length that any depreciation charge on the asset will be negligible, such charges can be ignored on the basis of materiality.

The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for any heritage assets in future years. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

### Community Assets

As a consequence of the adoption of FRS 30 in the Code (please see the above section on Heritage Assets), the Code added the option for local authorities to extend the measurement and disclosures required by heritage assets to community assets, a sub classification of Property, Plant and Equipment in the Balance Sheet. The Council does not intend to change its accounting policy in relation to the measurement and disclosure of community assets in the financial year 2011/12.

## Notes to the Core Financial Statements

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### **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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In applying the accounting policies set at the beginning of the Statement of Accounts, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about the future levels of funding for local government services in future years. Whilst a reorganisation of the council is ongoing, which includes a review of the services that the council undertakes, no impairment of any Council facilities is seen as necessary.
- The Council has a current challenge with HM Revenue and Customs for the payment of compound interest in respect of a number of claims that have been previously settled, but with payments of simple interest. There is no sufficient certainty to treat this claim as a probable contingent asset therefore prudence requires that no adjustments are made to the Statement of Accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	<p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2011 was £10.226m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> <li>• <i>+0.1% p.a. discount rate as at 31 March 2011:</i> deficit would be £9.544m</li> <li>• <i>+0.1% p.a. salary inflation as at 31 March 2011:</i> deficit would be £10,457m</li> <li>• <i>+0.1% p.a. expected return on equities as at 31 March 2011:</i> deficit would be £10.226m</li> <li>• <i>1 year addition to members' life expectancy as at 31 March 2011:</i> deficit would be £11,206m</li> </ul>
Arrears	At 31 March 2011, the Council had a balance of sundry debtors for £472,000. A review of significant balances suggested that an impairment of doubtful debts of £127,000 (including overpaid housing benefits) was appropriate. However, in the changing current economic climate, the level of such an allowance may fluctuate in adequacy.	If collection rates were to deteriorate, a 10% increase in the impairment would equate to £12,700



## Notes to the Core Financial Statements

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### 5 MATERIAL ITEMS OF INCOME AND EXPENSE

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#### VAT Sharing Arrangement

As part of the Voluntary Stock Transfer an agreement was reached with Ribble Valley Homes Ltd to share their Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. In the 2010/11 financial year the Council received £472,122 from Ribble Valley Homes Ltd under these arrangements (£675,420 in 2009/10)

#### Cultural and Sporting Services VAT Reclaim

The Council engaged the services of consultants to pursue a number of potential VAT claims for cultural and sporting services. The claims were submitted to HM Revenue and Customs and were successful, resulting in a net receipt in 2010/11 of £57,921 (£182,005 in 2009/10).

#### Past Service Cost (Gain)

With regard to Past Service Costs, the council saw a Past Service Credit in 2010/11 of £2.395m. This is due to the effect on the accrued liabilities for Ribble Valley of the changes in pension increases being calculated on a RPI basis to a CPI basis. In essence the accrued liabilities have decreased as a direct result of these changes.

### 6 EVENTS AFTER THE BALANCE SHEET DATE

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There are no events after the balance sheet date to be reported.

## 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Movements in 2010/11	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>				
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	759,077			-759,077
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	42,111			-42,111
Amortisation of Intangible Assets	15,000			-15,000
Capital Grants and Contributions Applied	-368,676			368,676
Revenue Expenditure Funded from Capital Under Statute	627,439			-627,439
Amounts of Non-Current Assets written Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	17,000			-17,000
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</i>				
Statutory Provision for the Financing of Capital investment	-132,769			132,769
Capital expenditure charged against General Fund Balances	-847,887			847,887
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-126,001	126,001		0
Application of grants to capital financing transferred to the Capital Adjustment Account		-144,155		144,155

## Notes to the Core Financial Statements

Movements in 2010/11	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>				
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-39,617		39,617	0
Use of the Capital Receipts Reserve to finance new capital expenditure			-40,573	40,573
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	3,005		-3,005	0
Transfer from deferred capital receipts reserve upon receipt of cash	81		3,961	-4,042
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-839,000			839,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-811,000			811,000
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	3,918			-3,918
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-3,942			3,942
<b>Total Adjustments</b>	<b>-1,701,261</b>	<b>-18,154</b>	<b>0</b>	<b>1,719,415</b>

## Notes to the Core Financial Statements

Comparative Movements in 2009/10	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>				
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	706,932			-706,932
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	2,707,423			-2,707,423
Movements in the Market Value of Investment Properties	-233,008			233,008
Amortisation of Intangible Assets	23,811			-23,811
Capital Grants and Contributions Applied	-928,806			928,806
Revenue Expenditure Funded from Capital Under Statute	617,815			-617,815
Amounts of Non-Current Assets written Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement				0
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</i>				
Statutory Provision for the Financing of Capital investment	-116,190			116,190
Capital expenditure charged against General Fund Balances	-61,511			61,511
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-169,304	169,304		0
Application of grants to capital financing transferred to the Capital Adjustment Account		-19,390		19,390
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement				0
Use of the Capital Receipts Reserve to finance new capital expenditure			-398	398
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	1,196		-1,196	0
Transfer from deferred capital receipts reserve upon receipt of cash	258		1,594	-1,852
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,504,000			-1,504,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-841,000			841,000

## Notes to the Core Financial Statements

Comparative Movements in 2009/10	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>				
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	2,071			-2,071
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,202			-1,202
<b>Total Adjustments</b>	<b>3,447,897</b>	<b>149,914</b>	<b>0</b>	<b>-3,597,811</b>

**8 TRANSFERS TO/FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

General Fund	Balance at 1 April 2009 £	Transfers In 2009/10 £	Transfers Out 2009/10 £	Balance at 31 March 2010 £	Transfers In 2010/11 £	Transfers Out 2010/11 £	Balance at 31 March 2011 £
<b>Local Recreation Grants Fund</b> <i>Used to fund recreation grants</i>	20,384		-6,345	14,039	2,792		16,831
<b>Elections Fund</b> <i>Used to fund borough elections held once every four years</i>	28,617	44,274	-4,718	68,173	4,290	-8,912	63,551
<b>Audit Reserve Fund</b> <i>Used for computer audit</i>	12,335			12,335			12,335
<b>Building Control Fund</b> <i>Available to equalise net expenditure over a three year period</i>	107,957		-70,581	37,376		-90,650	-53,274
<b>Rural Development Reserve</b> <i>Used to fund consultation work on rural housing</i>	1,631			1,631			1,631
<b>Single Status</b> <i>Set aside to contribute towards future costs arising from single status/job evaluation</i>	54,630		-7,535	47,095		-47,095	0
<b>Capital</b> <i>Used to fund the capital programme</i>	832,733		-90,181	742,552	160,000	-847,887	54,665

## Notes to the Core Financial Statements

General Fund	Balance at 1 April 2009 £	Transfers In 2009/10 £	Transfers Out 2009/10 £	Balance at 31 March 2010 £	Transfers In 2010/11 £	Transfers Out 2010/11 £	Balance at 31 March 2011 £
<b><u>Insurance</u></b>							
<i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	20,000			20,000			20,000
<b><u>Christmas Lights/RV in Bloom</u></b>							
<i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>	3,560		-2,891	669	2,747		3,416
<b><u>Risk Management</u></b>							
<i>Set up to pump prime risk management issues</i>	5,818		-5,818	0			0
<b><u>Community Enhancement</u></b>							
<i>Used to fund grants to local organisations</i>	3,939		-1,058	2,881			2,881
<b><u>New Community Enhancement Schemes</u></b>							
<i>Additional reserve for funding grants to local organisations</i>	6,809			6,809			6,809
<b><u>Rent Deposit Reserve</u></b>							
<i>Set aside for homeless rent deposits</i>	7,837			7,837			7,837
<b><u>Revenue Contributions (RCCO) Unapplied</u></b>							
<i>Used to fund capital expenditure</i>	23,134			23,134			23,134
<b><u>Longridge Schemes</u></b>							
<i>Used to fund grants to schemes in Longridge</i>	94,900		-89,900	5,000		-5,000	0
<b><u>Parish Schemes</u></b>							
<i>Used to fund Parish improvement schemes</i>	4,629		-2,900	1,729			1,729
<b><u>Local Development Framework</u></b>							
<i>To finance Local Development Framework costs</i>	11,583			11,583			11,583
<b><u>LALPAC Licensing System</u></b>							
<i>To fund costs of LALPAC licensing system</i>	1,866			1,866			1,866
<b><u>Castle Museum</u></b>							
<i>To fund the costs associated with the initial setup of the Clitheroe Castle Museum</i>	7,391		-7,391	0			0
<b><u>Homelessness Unit Adaptations</u></b>							
<i>To fund work to make two flats at the homelessness unit self contained</i>	3,000			3,000		-3,000	0
<b><u>IT Equipment</u></b>							
<i>To fund time recording system</i>	2,700	1,345	-2,700	1,345		-1,345	0
<b><u>Conservation Reserve</u></b>							
<i>To fund conservation schemes completed after the financial year end</i>	6,844		-634	6,210			6,210

## Notes to the Core Financial Statements

General Fund	Balance at 1 April 2009 £	Transfers In 2009/10 £	Transfers Out 2009/10 £	Balance at 31 March 2010 £	Transfers In 2010/11 £	Transfers Out 2010/11 £	Balance at 31 March 2011 £
<b><u>Civic Regalia</u></b>							
<i>To fund refurbishment of mayoral chains</i>	0	4,500		4,500		-4,500	0
<b><u>Concurrent Functions</u></b>							
<i>To fund concurrent grant payments payable to parish and town councils</i>	0	15,960		15,960		-15,960	0
<b><u>Concessionary Travel</u></b>							
<i>To meet any potential liabilities which may result following our involvement in the National Concessionary Travel Scheme</i>	0	40,026		40,026			40,026
<b><u>Countryside Management</u></b>							
<i>To fund tree survey work</i>	0	4,566		4,566		-4,566	0
<b><u>Fleming VAT Claim</u></b>							
<i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	0	182,005		182,005	57,921		239,926
<b><u>Government Connect</u></b>							
<i>To fund revenue costs of Government Connect Service</i>	0	9,028		9,028		-3,789	5,239
<b><u>Repairs and Maintenance</u></b>							
<i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	0	12,299		12,299	21,000		33,299
<b><u>Post LSVT</u></b>							
<i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	0	438,150		438,150			438,150
<b><u>Market Town Enhancement</u></b>							
<i>To fund grants under Market Towns Enhancement Scheme</i>	0	6,643		6,643			6,643
<b><u>Planning Delivery</u></b>							
<i>To fund improved delivery of housing and other planning outcomes</i>	0	203,832		203,832	-78,716	7,730	132,846
<b><u>Performance Reward Grant</u></b>							
<i>Performance Reward Grant received and yet to be distributed to successful schemes</i>	0	478,384		478,384	169,062	-120,736	526,710
<b><u>Refuse Collection</u></b>							
<i>To fund refuse collection costs including bin replacements</i>	0	1,800		1,800	18,000	-1,800	18,000
<b><u>Restructuring Reserve</u></b>							
<i>To fund costs resulting from the restructure review</i>	0	200,000		200,000	75,000		275,000
<b><u>VAT Shelter Reserve</u></b>							
<i>To contribute towards the future financing of the capital programme</i>	0	675,420		675,420	472,122	-100,000	1,047,542

## Notes to the Core Financial Statements

General Fund	Balance at 1 April 2009 £	Transfers In 2009/10 £	Transfers Out 2009/10 £	Balance at 31 March 2010 £	Transfers In 2010/11 £	Transfers Out 2010/11 £	Balance at 31 March 2011 £
<b>Revaluation of Assets Reserve</b> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	0			0	2,000		2,000
<b>Clean Air Reserve</b> <i>To fund clean air survey work</i>	0			0	4,500		4,500
<b>Estates Maintenance Reserve</b> <i>To fund approved one-off boundary maintenance work to Estates asset</i>	0			0	2,500		2,500
<b>Equipment Reserve</b> <i>To fund essential and urgent equipment requirements</i>	0			0	31,000		31,000
<b>Forest of Bowland Reserve</b> <i>to fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i>	0			0	27,146		27,146
<b>Invest to Save Fund</b> <i>To fund future invest to save projects</i>	0			0	250,000		250,000
<b>Land Charges Reserve</b> <i>To fund any potential restitution claims for personal search fees</i>	0			0	34,356		34,356
<b>Land Charges System Reserve</b> <i>To fund planned land charges system purchase</i>	0			0	9,000		9,000
<b>Pendle Hill User Reserve</b> <i>To fund improvement schemes on Pendle Hill</i>	0			0	17,830		17,830
<b>Planning Reserve</b> <i>To fund any future potential planning issues</i>	0			0	100,000		100,000
<b>Tourism Promotions Reserve</b> <i>To fund planned tourism publicity and promotions</i>	0			0	6,812		6,812
<b>Crime Reduction Partnership Reserve</b> <i>To fund cost of crime reduction initiatives</i>	0			0	16,060		16,060
<b>Housing Benefit Reserve</b> <i>To help meet the challenges facing the service in the coming years</i>	0			0	60,000		60,000
<b>Total</b>	<b>1,262,297</b>	<b>2,318,232</b>	<b>-292,652</b>	<b>3,287,877</b>	<b>1,465,422</b>	<b>-1,247,510</b>	<b>3,505,789</b>



## Notes to the Core Financial Statements

**9 PROPERTY, PLANT AND EQUIPMENT**

Movements in 2010/11	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Total Property, Plant and Equipment £'000
<b><i>Cost or Valuation</i></b>					
At 1 April 2010	11,232	5,421	294	2,243	19,190
Additions	321	672	0	234	1,227
Donations	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	22	0	0	22
Derecognition - Disposals	0	-22	0	0	-22
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	-24	0	0	0	-24
Other movements in cost or valuation	0	0	0	0	0
<b>At 31 March 2011</b>	<b>11,529</b>	<b>6,093</b>	<b>294</b>	<b>2,477</b>	<b>20,393</b>
<b><i>Accumulated Depreciation and Impairments</i></b>					
At 1 April 2010	-1,238	-2,960	-59	-54	-4,311
Depreciation charge	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	-52	0	0	-12	-64
Depreciation written out to the Surplus/Deficit on the Provision of Services	-118	-562	-7	-9	-696
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-42	0	0	0	-42
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0
<b>At 31 March 2011</b>	<b>-1,450</b>	<b>-3,522</b>	<b>-66</b>	<b>-75</b>	<b>-5,113</b>
<b>Net Book Value</b>					
at 31 March 2010	9,994	2,461	235	2,189	14,879
at 31 March 2011	10,079	2,571	228	2,402	15,280

## Notes to the Core Financial Statements

Comparative Movements in 2009/10	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-Structure Assets	Community Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000
<b><i>Cost or Valuation</i></b>					
At 1 April 2009	10,461	5,043	294	1,560	17,358
Additions	405	378	0	102	885
Donations	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,946	0	0	600	3,546
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-2,580	0	0	-19	-2,599
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other					
Assets reclassified (to)/from Held for Sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
<b>At 31 March 2010</b>	<b>11,232</b>	<b>5,421</b>	<b>294</b>	<b>2,243</b>	<b>19,190</b>
<b><i>Accumulated Depreciation and Impairments</i></b>					
At 1 April 2009	-1,074	-2,431	-53	-47	-3,605
Depreciation charge	-164	-527	-6	-7	-704
Depreciation written out to the Revaluation Reserve	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	-2	0	0	-2
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0
<b>At 31 March 2010</b>	<b>-1,238</b>	<b>-2,960</b>	<b>-59</b>	<b>-54</b>	<b>-4,311</b>
<b>Net Book Value</b>					
at 31 March 2009	9,387	2,612	241	1,513	13,753
at 31 March 2010	9,994	2,461	235	2,189	14,879

## Notes to the Core Financial Statements

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### Depreciation

The Council charges its service accounts depreciation for all fixed assets (except freehold land) used in the provision of services. The council operates a straight-line method for depreciation. Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets. The useful economic life used for assets is as follows:

	Years
Buildings	50
Infrastructure	40
Large Equipment	10
Council Houses	60
Large Vehicles	8
Small Vehicles	5
Small Plant/Equipment	3

Assets are not depreciated in the year of acquisition but in the year of disposal. If an asset has major components with different estimated useful lives, these components are depreciated separately.

Revaluation gains are also depreciated with the difference between the current value depreciation and the historical cost depreciation being transferred from the Revaluation Reserve to the Capital Adjustment Account.

### Capital Commitments

At 31 March 2011 and 31 March 2010, the Council had no major capital commitments.

### Effects of Changes in Estimates

In 2010/11 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

### Revaluations

The freehold and leasehold properties, which comprise the authority's property portfolio, were revalued on 1 March 2010 by the district valuer, Mr A T Snape BA(Hons) MRICS of the DVS, which is the commercial arm of the Valuation Office Agency, Preston. The valuations were made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition as published by the Royal Institute of Chartered Surveyors.

For each asset under Property, Plant and Equipment an Existing Use Value (EUV) was provided.

## Notes to the Core Financial Statements

In the case of specialised properties, that is, those properties which are rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise, the valuation approach used was Depreciated Replacement Cost (DRC). The DRC approach requires an estimate of the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Such DRC valuations were made having regard to the prospect and viability of the continuance of the occupancy and use.

Investment Property, which are assets held by the council but which are not directly occupied or used in the delivery of services, were valued at Market Value (MV).

## 10 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement.

	2009/10	2010/11
	£	£
Rental income from investment property	-87,984	-101,052
Direct operating expenses arising from investment property	35,230	33,171
Movement in the Market Value of Investment Properties	-123,794	0
<b>Net Gain/(Loss)</b>	<b>-176,548</b>	<b>-67,881</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

Notes to the Core Financial Statements

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	2009/10 £'000	2010/11 £'000
<b>Balance at the start of the year</b>	<b>724</b>	<b>848</b>
<i><u>Additions</u></i>		
Purchases	0	0
Subsequent Expenditure	0	20
Disposals	0	0
Net gains/losses from fair value adjustments	124	0
<i><u>Transfers</u></i>		
To/from Inventories	0	0
To/from Property, Plant and Equipment	0	0
Other Changes	0	0
<b>Balance at end of the year</b>	<b>848</b>	<b>868</b>

**11 INTANGIBLE ASSETS**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible asset relates to the financial management information system which was purchased in 2005/06.

Amortisation is on a straight line basis over 5 years, starting on the year after purchase.

The movement on Intangible Asset balances during the year is as follows:

Purchased Software Licences	2009/10 £'000	2010/11 £'000
<i>Balance at start of year:</i>		
Gross carrying amount	119	119
Accumulated amortisation	-80	-104
<b>Net carrying amount at start of year</b>	<b>39</b>	<b>15</b>
<i>Movement in year:</i>		
Expenditure in Year	0	0
Written Off to Revenue in year	-24	-15
<b>Balance at 31 March</b>	<b>15</b>	<b>0</b>

## Notes to the Core Financial Statements

**12 FINANCIAL INSTRUMENTS****Categories of Financial Instruments**

The following categories of financial instruments are carried in the Balance Sheet:

	<u>Long-Term</u>		<u>Current</u>	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
	£	£	£	£
<b><u>Investments</u></b>				
Loans and receivables	0	0	0	280,000
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>280,000</b>
<b><u>Debtors</u></b>				
Loans and receivables	49,604	403,422	0	0
Financial assets carried at contract amount	0	0	371,313	451,869
<b>Total Debtors</b>	<b>49,604</b>	<b>403,422</b>	<b>371,313</b>	<b>451,869</b>
<b><u>Borrowings</u></b>				
Financial liabilities at amortised cost	-507,023	-435,916	-71,108	-71,108
<b>Total Borrowings</b>	<b>-507,023</b>	<b>-435,916</b>	<b>-71,108</b>	<b>-71,108</b>
<b><u>Other Long Term Liabilities</u></b>				
Finance lease liabilities	0	0	0	0
<b>Total Other Long Term Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Creditors</u></b>				
Financial liabilities carried at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	-231,971	-308,056
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>-231,971</b>	<b>-308,056</b>

The Financial Instruments categorised above represent:

- Amounts shown under debtors as 'loans and receivables' consist of mortgages, car loans and a loan to Roefield Leisure Centre.
- Amounts shown under debtors as 'financial assets carried at contract amount' represents net operational (sundry) debtors.
- Amounts shown under borrowings as 'financial liabilities at amortised cost' are loans with the Public Works Loan Board.
- Amounts shown under creditors as 'financial liabilities at contract amount' are the Council's operational creditors.

**Income, Expenses, Gains and Losses**

	2009/2010		2010/2011	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	29,566	3,331	26,537	3,489
Interest Income	0	-18,443	0	-24,393

**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.

- For loans from the Public Works Loan Board the fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2010 and 31 March 2011 respectively
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows

	31 March 2010		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	578,131	624,213	507,024	552,602

The fair value is greater than the carrying amount because the Council's portfolio of loans are at fixed interest rates and the premature repayment set of rates in force at 31 March were generally higher than the rates at which the money was borrowed.

	31 March 2010		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	49,604	49,604	403,422	403,422

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.



## Notes to the Core Financial Statements

**13 INVENTORIES**

	General Stores		Tourism Stocks		Other Stocks	
	2009/10 £	2010/11 £	2009/10 £	2010/11 £	2009/10 £	2010/11 £
<b>Balance outstanding at start of year</b>	<b>42,856</b>	<b>53,961</b>	<b>5,517</b>	<b>6,853</b>	<b>11,020</b>	<b>17,016</b>
Purchases	211,418	212,890	9,794	9,428	70,610	53,742
Recognised as an expense in the year	-199,172	-214,650	-7,939	-8,728	-64,614	-50,396
Written Off balances	-1,141	0	-519	0	0	0
<b>Balance outstanding at year-end</b>	<b>53,961</b>	<b>52,201</b>	<b>6,853</b>	<b>7,553</b>	<b>17,016</b>	<b>20,362</b>

**14 DEBTORS**

	31 March 2010 £	31 March 2011 £
Central government bodies	514,476	262,696
Impairment	0	0
<b>Central government bodies - Net of Impairment</b>	<b>514,476</b>	<b>262,696</b>
Other local authorities	405,691	407,523
Impairment	0	0
<b>Other local authorities - Net of Impairment</b>	<b>405,691</b>	<b>407,523</b>
NHS Bodies	0	23,752
Impairment	0	0
<b>NHS Bodies - Net of Impairment</b>	<b>0</b>	<b>23,752</b>
Public corporations and trading funds	0	0
Impairment	0	0
<b>Public corporations and trading funds - Net of Impairment</b>	<b>0</b>	<b>0</b>
Other entities and individuals		
- House Purchase and Improvement Loans	1,509	301
- Sundry Debtors	1,791,502	1,116,673
- Council Tax	62,259	65,998
- Prepayments	147,043	136,318
- Impairment	-147,452	-148,348
<b>Other entities and individuals - Net of Impairments</b>	<b>1,854,861</b>	<b>1,170,942</b>
<b>Total</b>	<b>2,775,028</b>	<b>1,864,913</b>

**15 CASH AND CASH EQUIVALENTS**

31 March 2010 £	31 March 2011 £
19,888 Cash held by the Council	15,571
-75,492 Bank current accounts	97,096
0 Short Term Investments	280,000
<b>-55,604 Subtotal</b>	<b>392,667</b>

**16 ASSETS HELD FOR SALE**

	<u>Current</u>		<u>Non Current</u>	
	2009/10 £	2010/11 £	2009/10 £	2010/11 £
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Assets newly classified as held for sale:</b>				
- Property, Plant and Equipment	0	24,376	0	0
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal group	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation Gains	0	111,999	0	0
Impairment Losses	0	0	0	0
<b>Assets declassified as held for sale:</b>				
- Property, Plant and Equipment	0	0	0	0
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal group	0	0	0	0
Assets sold	0	-17,000	0	0
Transfers from non-current to current	0	0	0	0
Other Movements	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>0</b>	<b>119,375</b>	<b>0</b>	<b>0</b>

## Notes to the Core Financial Statements

**17 CREDITORS**

	31 March 2010	31 March 2011
	£	£
Central government bodies	126,126	123,006
Other local authorities	358,292	268,276
NHS Bodies	0	2,164
Public corporations and trading funds	0	0
Other entities and individuals		
Sundry Creditors	452,194	480,670
Council Tax	41,268	38,518
Commuted Sums	25,835	51,710
Refundable Deposits	14,289	10,263
Receipts in Advance	283,056	213,566
<b>Total</b>	<b>1,301,060</b>	<b>1,188,173</b>

**18 PROVISIONS**

The only provision, which is shown in the table below, relates to employee compensated short term absences.

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

	Short Term Compensated Absences £
<b>Balance at 1 April 2010</b>	89,768
Additional provisions made in 2010/11	85,826
Amounts used in 2010/11	-89,768
Unused amounts reversed in 2010/11	0
Unwinding of discounting in 2010/11	0
<b>Balance at 31 March 2011</b>	<b>85,826</b>

## 19 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 19 and 20.

In summary the Usable Reserves are shown below. Detailed analysis of the council's earmarked reserves is available in Note 8.

31 March 2010 £	31 March 2011 £
1,222,095 General Fund Balance	1,448,760
3,287,877 Earmarked General Fund Reserves	3,505,789
169,334 Capital Grants Unapplied	151,180
0 Usable Capital Receipts Reserve	0
<b>4,679,306 Total Usable Reserves</b>	<b>5,105,729</b>

## Notes to the Core Financial Statements

**General Fund Balance**

The general fund balance is a usable reserve of the council which is not earmarked or set aside for any specific purpose.

It is very important to maintain healthy levels of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning.

2009/2010 £	2010/2011 £
2,021,660	1,222,095
-799,565	226,665
1,222,095	1,448,760

**Earmarked General Fund Reserves**

Unlike the general fund balance, the council's Earmarked General fund Reserves have been set aside for a specific purpose. The Council has a variety of earmarked reserves as the specific details of each one can be seen at Note 8.

The table below provides a high level summary of the movement in the Council's Earmarked General Fund Reserves

2009/2010 £	2010/2011 £
1,262,297	3,287,877
2,318,232	1,465,422
-292,652	-1,247,510
3,287,877	3,505,789

**Capital Grants Unapplied**

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account reflecting its status as a capital resource available to finance expenditure.

2009/2010 £	2010/2011 £
19,420	169,334
169,304	126,001
-19,390	-144,155
169,334	151,180

**Usable Capital Receipts Reserve**

Capital Receipts arise from the sale of assets owned by the Council. Any receipts from General Fund asset sales are credited to the Usable Capital Receipts Reserve to finance future capital expenditure.

2009/2010 £	2010/2011 £
0	0
Opening Usable Capital Receipts Reserve	
398	40,573
Amounts added to the Usable Capital Receipts Reserve	
-398	-40,573
Amounts taken from the Usable Capital Receipts Reserve	
0	0
Closing Usable Capital Receipts Reserve	

**20 UNUSABLE RESERVES**

31 March 2010 £	31 March 2011 £
8,496,197	8,650,407
Capital Adjustment Account	
-26,057	-29,975
Collection Fund Adjustment Account	
3,545,235	3,576,457
Revaluation Reserve	
7,957	3,915
Deferred Capital Receipts Account	
-15,602,324	-10,225,324
Pension Reserve	
-89,768	-85,826
Accumulated Absences Account	
-3,668,760	1,889,654
Total Unusable Reserves	

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings to the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Notes to the Core Financial Statements

2009/2010		2010/2011
£		£      £
11,192,875	<b>Balance at 1 April</b>	8,496,197
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement</b>	
-706,932	- Charges for depreciation and impairment of non-current assets	-759,077
-2,707,423	- Revaluation losses on Property, Plant and Equipment	-42,111
-23,811	- Amortisation of intangible assets	-15,000
-617,815	- Revenue expenditure funded from capital under statute	-627,439
0	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-17,000
<b>-4,055,981</b>		<b>-1,460,627</b>
	0 Adjusting amounts written out of the Revaluation Reserve	80,777
<b>7,136,894</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>7,116,347</b>
	<b>Capital financing applied in the year</b>	
398	- Use of the Capital Receipts Reserve to finance new capital expenditure	40,573
928,806	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	368,676
19,390	- Application of grants to capital financing from the Capital Grants Unapplied Account	144,155
116,190	- Statutory provision for the financing of capital investment charged against the General Fund	132,769
61,511	- Capital expenditure charged against the General Fund	847,887
<b>1,126,295</b>		<b>1,534,060</b>
233,008	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
<b>8,496,197</b>	<b>Balance at 31 March</b>	<b>8,650,407</b>

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/2010 £	2010/2011 £
-23,986	-26,057
Balance at 1 April	
-2,071	-3,918
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
-26,057	-29,975
Balance at 31 March	

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/2010 £	2010/2011 £
0	3,545,235
Balance at 1 April	
3,545,235	111,999
Upward revaluation of assets	
0	0
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
3,545,235	111,999
<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	
0	-63,777
Difference between fair value depreciation and historical cost depreciation	
0	-17,000
Accumulated gains on assets sold or scrapped	
0	-80,777
Amount written off to the Capital Adjustment Account	
3,545,235	3,576,457
Balance at 31 March	



## Notes to the Core Financial Statements

**Deferred Capital Receipts Account**

The Deferred Capital Receipts Account holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. Amounts received on principal that was originally less than £10,000 are transferred to the General Fund Balance

2009/2010 £	2010/2011 £
<b>9,809</b>	<b>7,957</b>
Balance at 1 April	
0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
-1,852	-4,042
Transfer to the Capital Receipts Reserve upon receipt of cash	
<b>7,957</b>	<b>3,915</b>
Balance at 31 March	

**Pension Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/2010 £	2010/2011 £
<b>-10,554,324</b>	<b>-15,602,324</b>
Balance at 1 April	
-4,385,000	3,727,000
Actuarial gains and losses on pensions assets and liabilities	
-1,504,000	839,000
Reversal of items relating to retirement benefits debited or credited to the surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	
841,000	811,000
Employer's pensions contributions and direct payments to pensioners payable in the year	
<b>-15,602,324</b>	<b>-10,225,324</b>
Balance at 31 March	

**Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General fund Balance is neutralised by transfers to or from the Account.

2009/2010		2010/2011
£		£
-88,566	Balance at 1 April	-89,768
88,566	Settlement or cancellation of accrual made at the end of the preceeding year	89,768
-89,768	Amounts accrued at the year end of the current year	-85,826
	<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure</b>	
-1,202	Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3,942
-89,768	Balance at 31 March	-85,826

**21 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

2009/2010		2010/2011
£		£
-15,112	Interest received	-20,904
29,566	Interest paid	26,537

**22 CASH FLOW STATEMENT – INVESTING ACTIVITIES**

2009/2010		2010/2011
£		£
1,503,726	Purchase of property, plant and equipment, investment property and intangible assets	1,847,266
0	Purchase of short-term and long-term investments	0
0	Other payments for investing activities	0
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-40,573
0	Proceeds from short-term and long-term investments	0
-1,160,019	Other receipts from investing activities	-1,342,563
343,707	Net cash flows from investing activities	464,130

## Notes to the Core Financial Statements

**23 CASH FLOW STATEMENT – FINANCING ACTIVITIES**

2009/2010 £	2010/2011 £
0	0
0	0
71,107	71,108
0	0
<b>71,107</b>	<b>71,108</b>

**24 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

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 Council on the basis of budget reports analysed across Committees. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- Other than depreciation, no charges are made in committee reports in relation to capital expenditure, capital grants and contributions, or revenue expenditure funded from capital under statute (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve, amortisations, revenue expenditure funded from capital under statute and Capital grants and contributions are all shown on services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Accumulated Absences costs are not included in the reports to Committees.

## Notes to the Core Financial Statements

Committee Income and Expenditure 2010/11	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,251,046	-312,842	-2,291,722	-4,186,561	-11,042,171
Government Grants	-24,529	-8,968,718	-19,807	-311,731	-9,324,785
<b>Total Income</b>	<b>-4,275,575</b>	<b>-9,281,560</b>	<b>-2,311,529</b>	<b>-4,498,292</b>	<b>-20,366,956</b>
Employee related expenditure	2,728,445	25,675	1,301,642	2,329,330	6,385,092
Other service expenses	3,100,426	8,882,720	329,160	2,084,306	14,396,612
Support Services recharges	1,229,899	1,042,160	1,234,397	1,958,515	5,464,971
Depreciation	654,437	13,596	3,657	102,387	774,077
<b>Total Expenditure</b>	<b>7,713,207</b>	<b>9,964,151</b>	<b>2,868,856</b>	<b>6,474,538</b>	<b>27,020,752</b>
<b>Net Expenditure</b>	<b>3,437,632</b>	<b>682,591</b>	<b>557,327</b>	<b>1,976,246</b>	<b>6,653,796</b>

Committee Income and Expenditure 2009/2010 Comparative Figures	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,366,209	-316,758	-2,435,178	-4,893,904	-12,012,049
Government Grants	-54,100	-8,349,490	-16,835	-255,865	-8,676,290
<b>Total Income</b>	<b>-4,420,309</b>	<b>-8,666,248</b>	<b>-2,452,013</b>	<b>-5,149,769</b>	<b>-20,688,339</b>
Employee related expenditure	2,977,161	15,019	1,302,994	2,428,847	6,724,021
Other service expenses	3,311,468	8,283,723	296,449	2,225,470	14,117,110
Support Services recharges	1,236,844	997,030	1,186,526	2,108,326	5,528,726
Depreciation	609,902	19,317	3,657	95,543	728,419
<b>Total Expenditure</b>	<b>8,135,375</b>	<b>9,315,089</b>	<b>2,789,626</b>	<b>6,858,186</b>	<b>27,098,276</b>
<b>Net Expenditure</b>	<b>3,715,066</b>	<b>648,841</b>	<b>337,613</b>	<b>1,708,417</b>	<b>6,409,937</b>

## Notes to the Core Financial Statements

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

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

	2009/2010 £	2010/2011 £
<b>Net Expenditure in the Committee Analysis</b>	<b>6,409,937</b>	<b>6,653,796</b>
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,766,646	-2,132,069
<b>Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement</b>	<b>1,766,646</b>	<b>-2,132,069</b>
<b>Cost of Services, Gain/Loss on Trading Accounts and Gain/Loss on Investment Properties in Comprehensive Income and Expenditure Statement</b>	<b>8,176,583</b>	<b>4,521,727</b>

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of Committee 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.

2010/2011	Committee Analysis	Amounts not Reported to Management for Decision Making	Cost of Services including Investment Properties and Trading Accounts	Corporate Amounts	Total
	£	£	£	£	£
Fees, charges and other service income	-11,042,171	0	-11,042,171	0	-11,042,171
Interest and investment income		0	0	-20,904	-20,904
Income from council tax		0	0	-3,503,554	-3,503,554
Government grants and contributions	-9,324,785	-494,677	-9,819,462	-4,176,175	-13,995,637
<b>Total Income</b>	<b>-20,366,956</b>	<b>-494,677</b>	<b>-20,861,633</b>	<b>-7,700,633</b>	<b>-28,562,266</b>
Employee related expenditure	6,385,092	-2,306,942	4,078,150	653,000	4,731,150
Other service expenses	14,396,612		14,396,612		14,396,612
Support Service recharges	5,464,971		5,464,971		5,464,971
Depreciation, amortisation and impairment	774,077	669,550	1,443,627		1,443,627
Interest payments			0	26,537	26,537
Precepts and levies			0	373,143	373,143
Payments to Housing Capital Receipts Pool			0	3,005	3,005
Gain or loss on disposal of fixed assets			0	-22,617	-22,617
<b>Total Expenditure</b>	<b>27,020,752</b>	<b>-1,637,392</b>	<b>25,383,360</b>	<b>1,033,068</b>	<b>26,416,428</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>6,653,796</b>	<b>-2,132,069</b>	<b>4,521,727</b>	<b>-6,667,565</b>	<b>-2,145,838</b>

## Notes to the Core Financial Statements

2009/2010 Comparative Figures	Committee Analysis	Amounts not Reported to Management for Decision Making	Cost of Services including Investment Properties and Trading Accounts	Corporate Amounts	Total
	£	£	£	£	£
Fees, charges and other service income	-12,012,049	0	-12,012,049	0	-12,012,049
Interest and investment income	0	0	0	-15,112	-15,112
Income from council tax	0	0	0	-3,423,180	-3,423,180
Government grants and contributions	-8,676,290	-1,098,110	-9,774,400	-4,042,131	-13,816,531
<b>Total Income</b>	<b>-20,688,339</b>	<b>-1,098,110</b>	<b>-21,786,449</b>	<b>-7,480,423</b>	<b>-29,266,872</b>
Employee related expenditure	6,724,021	-229,798	6,494,223	894,000	7,388,223
Other service expenses	14,117,110	0	14,117,110	0	14,117,110
Support Service recharges	5,528,726	0	5,528,726	0	5,528,726
Depreciation, amortisation and impairment	728,419	3,094,554	3,822,973	0	3,822,973
Interest payments	0	0	0	29,566	29,566
Precepts and levies	0	0	0	367,952	367,952
Payments to Housing Capital Receipts Pool	0	0	0	1,196	1,196
Gain or loss on disposal of fixed assets	0	0	0	0	0
<b>Total Expenditure</b>	<b>27,098,276</b>	<b>2,864,756</b>	<b>29,963,032</b>	<b>1,292,714</b>	<b>31,255,746</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>6,409,937</b>	<b>1,766,646</b>	<b>8,176,583</b>	<b>-6,187,709</b>	<b>1,988,874</b>

**25 TRADING OPERATIONS**

The Council has established 2 trading units where the Head of Service is required to operate in a commercial environment and balance their budget by generating income from other organisations. Details of these units are as follows:

		2009/2010		2010/2011	
		£	£	£	£
<b>Clitheroe Market</b>	Turnover	-109,908		-104,922	
<i>The Council own and operate the Clitheroe Market site, offering 41 cabins for rent to market traders together with 31 stalls and numerous additional pitches.</i>	Expenditure	102,957		97,889	
	Impairment	7,344		0	
	<b>Surplus</b>		<b>393</b>		<b>-7,033</b>

The net surplus on Trading Operations, as above, is shown under Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement.

In 2009/10 the Clitheroe Market shows a loss of £393 which is due to an impairment in the value of the asset following a revaluation of all of the Council's assets. Without this impairment in 2009/10 the Clitheroe Market made a Surplus in 2009/10 of £6,951.

**26 MEMBERS' ALLOWANCES**

During the year an amount of £194,979 (2009/2010 – £194,669) was paid to members in respect of allowances.



## Notes to the Core Financial Statements

**27 OFFICERS' EMOLUMENTS**

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000, was

	2009/2010	2010/2011
£50,000 - £54,999		
£55,000 - £59,999		
£60,000 - £64,999		
£65,000 - £69,999		
£70,000 - £74,999	2	
£75,000 - £79,999		2
£80,000 - £84,999	1	1
£85,000 - £89,999		
£90,000 - £94,999	1	1

The table above sets out the remuneration disclosures for Senior Officers. Whilst the table above shows those employees with a total remuneration (excluding pension contributions) of above £50,000, a further disclosure is required where the salary element within that remuneration is greater than £50,000.

**Remuneration Disclosure (excluding Pension Contributions)**

Post Holder Information	2009/2010			2010/2011		
	Salary £	Benefits in Kind £	Total Remuneration excluding Pension Contributions £	Salary £	Benefits in Kind £	Total Remuneration excluding Pension Contributions £
Chief Executive	87,409	6,815	94,224	88,257	6,155	94,412
Director of Community Services	73,233	7,618	80,851	73,233	6,983	80,216
Director of Development	70,122	3,369	73,491	71,559	3,488	75,047
Director of Resources	67,005	6,583	73,588	68,565	6,785	75,350
	<b>297,769</b>	<b>24,385</b>	<b>322,154</b>	<b>301,614</b>	<b>23,411</b>	<b>325,025</b>

In both financial years there were no employees with a salary of more than £150,000. For the Chief Executive post the salary amount includes receipts for Acting Returning Officers Fees.

Where an employee is a member of the Local Government Pension Scheme a contribution is made by the council to the pension scheme in addition to the

## Notes to the Core Financial Statements

employee's own contribution. The employee's contributions for all staff are made on a sliding scale dependant upon salary level as shown in the table below.

Salary Banding 2009/2010	Salary Banding 2010/1011	Employee Contribution Rate
£0 - £12,600	£0 - £12,600	5.5%
> £12,600 - £14,700	> £12,600 - £14,700	5.8%
> £14,700 - £18,900	> £14,700 - £18,900	5.9%
> £18,900 - £31,500	> £18,900 - £31,500	6.5%
> £31,500 - £42,000	> £31,500 - £42,000	6.8%
> £42,000 - £78,700	> £42,000 - £78,700	7.2%
> £78,700	> £78,700	7.5%

The contribution to the pension scheme which the council make is based upon the employee's salary and the rate consists of two elements. The two elements of the contribution rate for Ribble Valley Borough Council in 2009/2010 and 2010/2011 were:

Elements of Contribution Rate	2009/2010	2010/2011
Common Rate	13.3%	13.3%
Ribble Valley Adjustment amount	2.3%	2.3%
<b>Total Contribution Rate</b>	<b>15.6%</b>	<b>15.6%</b>

The table below sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year, together with the council's pension contributions. The pension contributions shown exclude those which were made by the employee and are based on the Common Rate.

## Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total	Pension Contributions	Total	Total	Pension Contributions	Total
	Remuneration excluding Pension Contributions		Remuneration including Pension Contributions	Remuneration excluding Pension Contributions		Remuneration including Pension Contributions
	2009/2010		2009/2010	2010/2011		2010/2011
	£	£	£	£	£	£
Chief Executive	94,224	11,625	<b>105,849</b>	94,412	11,738	<b>106,150</b>
Director of Community Services	80,851	9,740	<b>90,591</b>	80,216	9,740	<b>89,956</b>
Director of Development	73,491	9,326	<b>82,817</b>	75,047	74,575	<b>149,622</b>
Director of Resources	73,588	8,912	<b>82,500</b>	75,350	9,119	<b>84,469</b>
	<b>322,154</b>	<b>39,603</b>	<b>361,757</b>	<b>325,025</b>	<b>105,172</b>	<b>430,197</b>

## Notes to the Core Financial Statements

**28 AUDIT COSTS**

The Council has incurred the following fees in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors:

	2009/2010 £	2010/2011 £
Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	87,000	85,673
Fees payable to the Audit Commission in respect of statutory inspections	8,317	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	25,445	25,100
<b>Total</b>	<b>120,762</b>	<b>110,773</b>

**29 GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2009/2010 £	2010/2011 £
<i>Credited to Taxation and Non Specific Grant Income</i>		
National Non Domestic Rates	-3,247,113	-3,616,386
Revenue Support Grant	-749,476	-525,133
Local Government Business Growth Incentive Scheme	-13,731	0
Area Based Grant	-22,811	-34,656
Housing and Planning Delivery Grant	-9,000	0
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>-4,042,131</b>	<b>-4,176,175</b>
<i>Credited to Services</i>		
<u><i>Grants Received for Capital Purposes</i></u>		
Disabled Facilities Grant	-84,000	-112,100
Regional Housing Capital Pot	-347,000	-126,000
Big Lottery Children's Play		-40,000
Flood Protection Grant		-71,875
Donations and Sponsorship towards Castle Scheme	-163,752	
Heritage Lottery Fund	-264,639	
SITA Grant towards Castle Scheme	-149,241	
Other Capital Grants and Contributions	-89,478	-144,701
<b>Total Grants Rreceived for Capital Purposes</b>	<b>-1,098,110</b>	<b>-494,676</b>

	2009/2010 £	2010/2011 £
<b>Credited to Services</b>		
<b><u>Grants Received for Revenue Purposes</u></b>		
Habitats and Climate Change Grant	-16,835	-16,835
DEFRA Flood Grant	0	-6,202
National Concessionary Travel	-156,412	-160,738
CRM Development	0	-20,000
NNDR Administration	-83,911	-84,196
Business Rate Deferral Scheme	-11,773	0
Small Business Rate Relief	0	-8,422
Land Charges Restitution	0	-34,356
DCMS - Free Swimming Grant	-54,100	-22,529
Lancashire Children's Trust	0	-20,000
LAA and LSP Crime Reduction	-60,378	-69,887
Myerscough College	-6,500	0
Lancashire Highways Partnership	-62,401	-61,900
East Lancashire Primary Care Trust	-154,487	-129,988
Global Recycling	-15,000	0
Sport England	-43,750	-21,590
School Sports Partnership	-2,500	-10,000
Ribble Valley Community Safety Partnership	-27,521	-27,839
Council Tax Benefit subsidy	-2,228,531	-2,277,207
Rent Allowance Subsidy	-5,814,708	-6,424,454
Council Tax and Housing Benefit Administration	-268,101	-246,920
Housing Subsidy	-38,150	0
Performance Reward Grant	-478,385	-169,062
Performance Reward Grant toward Dog Warden Service	0	-9,370
FSA Scores on the Doors	0	-6,956
Other Grants	-7,647	-36,018
<b>Total Grants Received for Revenue Purposes</b>	<b>-9,531,090</b>	<b>-9,864,469</b>
<b>Total Credited to Services</b>	<b>-10,629,200</b>	<b>-10,359,145</b>

Where the Council receives grants, contributions and donations which have conditions attached to them that will require the monies or property to be returned to the giver, such grants, contributions and donations are not recognised as income in the Comprehensive Income and Expenditure Statement. At the end of both financial years there have been no such grants, contributions and donations.

## Notes to the Core Financial Statements

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### 30 RELATED PARTY TRANSACTIONS

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The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the 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 operation of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 24 on reporting for resources allocation decisions.

Transactions with central government have been disclosed within both the income and expenditure account and the cash flow statement, as well as in notes to the core financial statements.

#### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/2011 is shown at Note 26.

Within the year each member completed a 'Register of Members' Interests' form, the details of which are retained in the Register of Members Interests, which is open to public inspection at the Council Offices, Clitheroe. A number of members represent the Council on external bodies and organisations. Four members of the Council are Board Members of Ribble Valley Homes to whom the council transferred its housing stock on 31 March 2008.

There have been no financial transactions between the Council and any of the declared business interest. With regard to the award of grants, £225,092 was awarded in the year to bodies in which 11 members had declared an interest on the 'Register of Members' Interests', but the relevant members did not take part in any discussions or decisions relating to the grants.

#### Officers

Within the year each member of staff completed a 'Register of Officer Interests' form.

There have been no financial transactions between the Council and any of the declared business interest. With regard to the award of grants, £10,961 was awarded in the year to bodies in which 5 members of staff had declared an interest. However, the relevant members of staff did not take part in any discussions or decisions relating to the grants.

**Other Public Bodies**

The main transactions that have taken place with other public bodies are the payment of precepts to:

- Lancashire County Council
- Lancashire Police Authority
- Lancashire Fire and Rescue
- Precepting Parish and Town Councils

**31 CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2009/2010	2010/2011
	£	£
<b><i>Opening Capital Financing Requirement</i></b>	<b>3,323,610</b>	<b>3,701,041</b>
<b><u>Capital Investment</u></b>		
Property, Plant and Equipment	885,911	1,246,828
Investment Properties	0	0
Intangible Assets	0	0
Revenue Expenditure Funded from Capital Under Statute	617,815	627,439
<b><u>Sources of Finance:</u></b>		
Capital Receipts	-398	-40,573
Government Grants and Other Contributions	-948,196	-512,831
Sums set aside from revenue:		
- Revenue Contributions	-61,511	-847,573
- Minimum Revenue Provision	-116,190	-132,769
<b>Closing Capital Financing Requirement</b>	<b>3,701,041</b>	<b>4,041,562</b>
<b><u>Explanation of Movements in Year</u></b>		
Increase in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	377,431	340,521
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>377,431</b>	<b>340,521</b>

## Notes to the Core Financial Statements

**32 LEASES****The Council as Lessee****Finance Leases**

There are no finance leases within the Council where the Council acts as Lessee.

**Operating Leases**

The council holds a number of vehicles and pieces of land on operating leases. The majority of these are for three year terms.

The future minimum lease payments due are:

	2009/2010 £	2010/2011 £
Not later than one year	14,701	20,031
Later than one year and not later than five years	106,945	78,972
Later than five years	497,886	487,534
	<b>619,532</b>	<b>586,537</b>

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £87,124 (£90,182 in 2009/10).

**The Council as Lessor****Finance Leases**

There are no finance leases within the Council where the Council acts as Lessor.

**Operating Leases**

The council leases out property under operating leases for community services such as sports and leisure.

The future minimum lease payments receivable are:

	2009/2010 £	2010/2011 £
Not later than one year	-3,459	-3,780
Later than one year and not later than five years	-537	-44
Later than five years	-309,341	-385,822
	<b>-313,337</b>	<b>-389,646</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 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £37,385. (£29,586 in 2009/10).

### **33 DEFINED BENEFIT PENSION SCHEMES**

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#### **Participation in Pension Scheme**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government pension scheme. The scheme is administered by Lancashire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

#### **Transactions relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves statement during the year:



## Notes to the Core Financial Statements

	Local Government Pension Scheme	
	2009/2010 £'000	2010/2011 £'000
<i>Comprehensive Income and Expenditure Statement</i>		
<b>Cost of Services</b>		
- current service costs	603	903
- past service costs/(gain)	7	-2,395
- settlements and curtailments	0	0
<b>Financing and Investment Income and Expenditure</b>		
- interest cost	2,216	2,393
- expected return on scheme assets	-1,322	-1,740
<b>Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,504</b>	<b>-839</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- actuarial gains and losses	4,385	-3,727
<b>Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>	<b>5,889</b>	<b>-4,566</b>
<i>Movement in Reserves Statement</i>		
- reversal of net charges made to the Surplus or deficit for the Provision of Services for post employment benefits in accordance with the Code	-1,504	839
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
- employers' contributions payable to the scheme	841	811

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £3,727,000 (31 March 2010 loss of £4,385,000).

In 2009/10 the actuarial assumptions used in calculating the current service cost were substantially affected by the impact of the financial crisis, and in particular corporate bond yields were at very high levels as at 31 March 2009.

This resulted in a very high discount rate being used to calculate the 2009/10 current service costs, and the current service costs for this year were therefore very low by historic standards. This was a feature for all Local Government Pension Scheme Funds and employers, and not just Ribble Valley. The discount rate used subsequently fell from 7.1% as at 31 March 2009 to 5.6% as at 31 March 2010 as bond spreads "corrected".

With regard to Past Service Costs, the council saw a Past Service Credit in 2010/11 of £2.395m. This is due to the effect on the accrued liabilities for Ribble Valley of the changes in pension increases being calculated on a RPI basis to a CPI basis. In essence the accrued liabilities have decreased as a direct result of these changes.

**Assets and Liabilities in relation to Post-employment Benefits**

## Reconciliation of present value of the scheme liabilities:

Local Government Pension Scheme	2009/2010 £'000	2010/2011 £'000
<b>1 April</b>	<b>31,755</b>	<b>42,813</b>
Current Service Cost	603	903
Interest Cost	2,216	2,393
Contributions by scheme participants	311	302
Actuarial (gains)/losses on liabilities	9,920	-2,972
Benefits paid	-1,999	-1,357
Past Service Costs (gain)	7	-2,395
Settlements	0	0
<b>31 March</b>	<b>42,813</b>	<b>39,687</b>

## Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme	2009/2010 £'000	2010/2011 £'000
<b>1 April</b>	<b>21,200</b>	<b>27,210</b>
Expected return on plan assets	1,322	1,740
Actuarial gains/(losses) on assets	5,535	755
Employer contributions	841	811
Settlements	0	0
Member contributions	311	302
Benefits/Transfers paid	-1,999	-1,357
<b>31 March</b>	<b>27,210</b>	<b>29,461</b>

The expected return on assets represents the allowance made, calculated at the start of the accounting year for the anticipated investment return to be earned on the assets during the year. Typically an investment return of 6.5% (net of expenses) on the existing assets is anticipated for accounting purposes.

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation.

The assumed investment return on government bonds is the yield on 20 year fixed interest gilts at the relevant date.

The Appropriate level for the equity risk premium has been the subject of much debate in the financial community. The assumption used is based on a model linked to company earnings and market prices.

The actual return on scheme assets in the year was £2,187m (£6.857m return in 2009/10)

## Notes to the Core Financial Statements

**Scheme History**

Local Government Pension Scheme	2006/2007 As restated £'000	2007/2008 As restated £'000	2008/2009 £'000	2009/2010 £'000	2010/2011 £'000
Present Value of Liabilities	-35,578	-39,119	-31,755	-42,812	-39,687
Fair Value of Assets	29,348	28,338	21,200	27,210	29,461
<b>Surplus/(Deficit) in the scheme</b>	<b>-6,230</b>	<b>-10,781</b>	<b>-10,555</b>	<b>-15,602</b>	<b>-10,226</b>

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £10.226m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 are £832,000.

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the scheme on 31 March 2007.

## Notes to the Core Financial Statements

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2009/2010	2010/2011
<b>Long term expected rate of return on assets in the scheme:</b>		
Equity investments	7.5%	7.5%
Government Bonds	4.5%	4.4%
Other Bonds	5.2%	5.1%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%
Other	7.5%	7.5%
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners:		
Men	21.2 years	21.6 years
Women	24.1 years	24.2 years
Longevity at 65 for future pensioners:		
Men	22.2 years	23.0 years
Women	25.0 years	25.8 years
Rate of RPI Inflation	3.30%	3.40%
Rate of CPI Inflation	2.80%	2.90%
Rate of increase in salaries	5.05%	4.90%
Rate of increase in pensions	3.30%	2.90%
Rate for discounting scheme liabilities	5.60%	5.50%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Local Government Pension Scheme	31 March 2010 %	31 March 2011 %
Equity investments	66.0	64.0
Government Bonds	7.0	7.0
Other Bonds	12.0	14.0
Property	5.0	8.0
Cash/Liquidity	4.0	1.0
Other	6.0	6.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Notes to the Core Financial Statements

**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 2011.

Local Government Pension Scheme	2006/2007 %	2007/2008 % Restated	2008/2009 %	2009/2010 %	2010/2011 %
Differences between the expected and actual return on assets	0.7	10.9	34.3	20.3	2.6
Experience gains and losses on liabilities	0.0	2.3	0.0	0.0	7.4

**34 CONTINGENT LIABILITIES**

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**Housing Stock Transfer Warranties****Collateral warranty by the Council in favour of Security Trustee (Prudential Trustee Company Ltd)**

The Council has given a number of warranties for up to 30 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Unlimited warranty for up to 30 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 30 years from 1 April 2008 in respect of claims relating to asbestos pollution, except that this shall not apply in respect of the first £381,000 of costs and expenses incurred in aggregate by the Trustees and Ribble Valley Homes in relation to works.

**Warranties by the Council in favour of Ribble Valley Homes**

The Council has given a number of warranties for up to 22 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Warranty not exceeding £27m for up to 25 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 15 years from 1 April 2008 in respect of claims relating to asbestos pollution, except in respect of the first £381,000 of costs and expenses in aggregate incurred in relation to the removal and treatment works.
- Unlimited warranty for an unlimited period in respect of claims relating to exposure to asbestos.
- Unlimited warranty for an unlimited period in respect of vires claims.
- Warranty for any losses arising as a result of incorrect application of the 2012 rent convergence.

## Notes to the Core Financial Statements

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### 35 CONTINGENT ASSETS

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#### VAT Sharing Arrangement

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share their Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. Ribble Valley's share of reclaimable VAT is likely to be in the region of £4.8m over 15 years with the first payment having been made in 2009/10.

#### Receipts from Former Council House Sales

We have agreed to share any proceeds of former Council House Sales if they are subsequently sold by Ribble Valley Homes Ltd. The arrangement for sharing council house sales receipts lasts for 10 years from 1 April 2008 and the amount received will depend on the number of sales each year.

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

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

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out within the Council's Financial Services team, under policies approved by the Council in the annual treasury management strategy.

The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* and has set treasury management indicators to control key financial instrument risks.

**Overall Procedures for Managing Risk**

Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving a Treasury Management Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

The Prudential Indicators are required to be reported and approved at or before the Council's annual Council Tax setting budget in early March. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported half yearly to Members.

Treasury Management activity is monitored by the Accountancy Section. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

This Council's treasury portfolio is not of a significant size to provide significant treasury risk.



## Notes to the Core Financial Statements

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### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum within the Council's treasury management practices. The Council maintains strict credit criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults.

The Council maintains an approved list of organisations for investment purposes, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and sector.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31 March 2010 can be analysed by age as shown in the table below. Note 14 to the accounts shows a total provision for the impairment of debts of £148,348 of which £20,258 relates to sundry debts (£127,020 including impairment for total Housing Benefit recovery impairment).

Aged Sundry Debt - 31 March 2011	£'000
Less than 30 days	250
30 days to 59 days	28
60 days to 89 days	8
90 days to 119 days	4
120 days +	182
	<b>472</b>

### Liquidity risk

The Council has ready access to borrowings from the Public Works Loan Board for Long Term Borrowing and the Money Markets to cover any day-to-day cash flow need. 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 above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategy addresses the main risks and the accountancy section address the operational risks within the approved parameters. The maturity analysis of financial liabilities is as follows:

Financial Liabilities by Maturity Risk	31 March 2010 £'000	31 March 2011 £'000
Less than one year	71	71
Between 1 and 2 years	71	71
Between 2 and 5 years	195	160
Between 5 and 10 years	115	89
More than 10 years	126	116
	<b>578</b>	<b>507</b>

### Market Risk

#### **Interest Rate Risk**

The Council has limited exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or Deficit on the Provision of services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The aim of the prudential indicators is to contain the activity of the treasury function within certain limits thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions that could impact negatively on the Council's overall financial position. These new indicators, which were approved as part of the annual budget, are as follows:

Limits in Interest Rate Exposure	2011/2012 Upper	2012/2013 Upper	2013/14 Upper
Maximum Principal Sums Borrowed >364 Days	£7.601m	£7.562m	£7.425m
Limits on Fixed Interest Rates	100%	100%	100%
Limits on Variable Interest Rates	20%	20%	20%

## Notes to the Core Financial Statements

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The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Accountancy Section monitors market and forecast interest rates within the year to adjust exposures appropriately.

If all lending interest rates had been 1% higher with all other variables held constant the financial effect would impact on the interest receivable on variable rate investments by approximately £30,000. All other interest payable and receivable are fixed.

### **Price risk**

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

### **Foreign exchange risk**

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## Collection Fund

The Collection Fund 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.

	2009/2010 £'000	2010/2011 £'000
<b><u>Income</u></b>		
Council Tax	30,473	30,632
Transfers From General Fund - Council Tax Benefits	2,207	2,252
Business Rates	11,467	11,220
Share of Estimated Deficit:		
- Lancashire County Council	68	80
- Ribble Valley Borough Council	9	11
- Lancashire Police Authority	9	10
- Lancashire Combined Fire Authority	4	5
	<b>44,237</b>	<b>44,210</b>
<b><u>Expenditure</u></b>		
Precepts and Demands:		
- Lancashire County Council	24,762	24,778
- Ribble Valley Borough Council	3,435	3,519
- Lancashire Police Authority	3,174	3,270
- Lancashire Combined Fire Authority	1,394	1,423
Business Rates - Payment to National Pool	11,383	11,136
- Costs of Collection	84	84
Provision for Bad/Doubtful Debts	23	35
	<b>44,255</b>	<b>44,245</b>
<b>Deficit for the Year</b>	<b>-18</b>	<b>-35</b>
Deficit Brought Forward	-228	-246
<b>Deficit Carried Forward</b>	<b>-246</b>	<b>-281</b>

## Collection Fund

**1 STATUTORY POSITION**

These accounts represent the transactions of the collection fund for which there is a statutory requirement contained in the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates. Collection fund balances are consolidated in the balance sheet.

**2 INCOME FROM BUSINESS RATES**

Under the arrangements for the administration of uniform business rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts can be analysed as follows:

	2009/2010 £	2010/2011 £
Gross Rates	13,374,986	14,092,891
Less Allowances and Other Adjustments	-1,907,598	-2,872,776
<b>Income Collectable From Business Ratepayers</b>	<b>11,467,388</b>	<b>11,220,115</b>
Less Cost of Collection	-83,911	-84,196
<b>Net Payment to National Pool</b>	<b>11,383,477</b>	<b>11,135,919</b>

The total non-domestic rateable value at 31 March 2011 was £28,226,025 compared to £28,333,855 at 31 March 2010. The national non-domestic multiplier (rate in the pound) for the year 2010/11 was 41.4 pence compared to 48.5 pence in the year 2009/10.

The income collectable from business ratepayers differs from the yield; based on the total rateable value due to the award of transitional adjustments, empty property relief and mandatory relief.

### 3 COUNCIL TAX BASE

The gross amount of council tax payable for a property is determined by reference to a band that is allocated to the property by the Listing Officer who is an official of the Inland Revenue. There are eight property bands, A to H, each of which attracts a different level of council tax based upon the charge at band D.

The Council set a band D council tax of £1,458.91 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Lancashire Police Authority and Lancashire Combined Fire Authority precept by the council tax base. The council tax base is the number of band D equivalent properties in the Council's area and it represents the amount of income that would be raised from a council tax levy of £1.00 at band D level. The council tax base has been calculated as follows:

Band	Ratio to Band D	Total No of Properties	Total Equivalent No After Discounts	Band D Equivalents
A (entitled to disabled relief)	5/9	5	4.75	2.6
A	6/9	3,272	2,775.75	1850.5
B	7/9	4,584	4,076.25	3170.4
C	8/9	4,661	4,219.25	3750.4
D	1	4,315	3,989.75	3989.8
E	11/9	3,192	3,005.75	3673.7
F	13/9	2,006	1,910.50	2759.6
G	15/9	1,822	1,745.50	2909.2
H	18/9	174	167.00	334.0
<b>Totals</b>		<b>24,031</b>	<b>21,894.50</b>	<b>22,440.20</b>
			Adjustments	-83.20
			<b>Council Tax Base</b>	<b>22,357</b>

## Collection Fund

**4 BAND D COUNCIL TAX**

The band D council tax set by the Council has been calculated as follows:

	2009/2010 £	2010/2011 £
Lancashire County Council Precept	24,761,612	24,778,240
Lancashire Police Authority Precept	3,174,433	3,270,201
Lancashire Combined Fire Authority Precept	1,394,364	1,423,023
Ribble Valley Borough Council Demand (excluding Parishes)	3,066,770	3,145,440
<b>Total to be Met From Council Tax</b>	<b>32,397,179</b>	<b>32,616,904</b>
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,342	22,357
<b>Band D Council Tax (Average excluding Parishes)</b>	<b>£1,450.05</b>	<b>£1,458.91</b>

**5 PROVISION FOR LOSSES**

An analysis of the collection fund bad debt provision is set out below:

	Council Tax £	NNDR £	Total £
Opening Balance	185,000	180,000	365,000
Write Offs in Year	-19,928	-109,063	-128,991
Increase to Provision	34,928	149,063	183,991
<b>Closing Balance</b>	<b>200,000</b>	<b>220,000</b>	<b>420,000</b>

**6 PRECEPTS AND DEMANDS ON THE COLLECTION FUND**

From 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year must be the accrued income for the year. The table below shows the precept for each major precepting body for the year and the accrued deficit at the 31 March.

Precept	2009/2010 Share of			2010/2011 Share of 31		Total
	31 March Deficit	Total		Precept	March Deficit	
£'000	£'000	£'000		£'000	£'000	£'000
24,762	185	24,947	Lancashire County Council	24,778	211	24,989
3,174	24	3,198	Lancashire Police Authority	3,270	28	3,298
1,394	11	1,405	Lancashire Combined Fire Authority	1,423	12	1,435
3,425	26	3,451	Ribble Valley Borough Council	3,145	30	3,175

# Glossary of Terms

## **Accounting Period**

The period of time covered by the accounts, normally 12 months commencing on 1st April for local authorities.

## **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through

- I. recognising,
- II. selecting measurement bases for, and
- III. presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

## **Accruals**

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

## **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- I. events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- II. the actuarial assumptions have changed.

## **Balances**

The total level of funds the council has accumulated over the years, available to support revenue expenditure within the year (also known as reserves)

## **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## **Capital Financing Costs**

The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.



## Glossary of Terms

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### **Capital Receipt**

Income from the sale of capital assets such as land or buildings.

### **Collection Fund**

A separate account held by billing authorities in to which council tax and national non-domestic rates (NDR) are paid.

### **Community Assets**

Assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

### **Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

### **Contingent Liability**

A contingent liability is either:

- I. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control, or
- II. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are an elected, multi-purpose council. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **Creditors**

Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

### **Current Assets**

Assets which can be expected to be consumed or realised during the next accounting period.

**Current Liabilities**

Amounts which will become due or could be called upon during the next accounting period.

**Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**Debtor**

Amounts owed to the Council, which are collectable or outstanding at 31st March.

**Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Expected Rate of Return on Pensions Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Finance Lease**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

**Fixed Asset**

Assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

**Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

## Glossary of Terms

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### **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

### **Impairment**

A reduction in the value of a fixed asset to a value below its carrying amount on the Balance Sheet.

### **Infrastructure Assets**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investment Properties**

Property (land or a building, or part of a building or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- I. use in the production or supply of goods or services or for administrative purposes, or
- II. sale in the ordinary course of operations.

### **Long-term Contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods.

### **Net Book Value**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net Debt**

The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference is made to net funds rather than net debt.

### **Net Realisable Value**

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**Non-operational Assets**

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale.

It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.

**Operating Lease**

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

**Past Service Cost**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Precepts**

The amount which local authorities which cannot levy a council tax directly on the public (i.e. County Council, Fire Authority, Police Authority or Parish Council) requires to be collected on its behalf.

**Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**Reserves**

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

**Residual Value**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

## Glossary of Terms

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### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

### **Revenue Expenditure**

Spending on day-to-day items including employees' pay, premises costs and supplies and services.

### **Revenue Expenditure Funded from Capital Under Statute**

Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

### **Revenue Support Grant**

The main grant paid by central government to a local authority towards the costs of its services.

### **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date.

### **Stocks**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

### **Tangible Fixed Assets**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

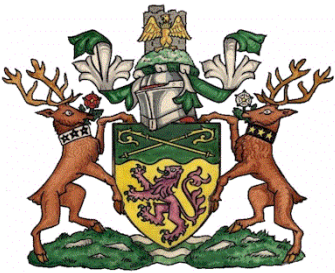
### **Useful Life**

The period over which the local authority will derive benefits from the use of a fixed asset.

### **Abbreviations used within the Statement of Accounts**

BVACOP	Best Value Accounting Code of Practice
CIPFA	Chartered Institute of Public Finance and Accountancy
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
IFRIC	International Financial Reporting Interpretations Committee
LASAAC	Local Authority Accounts Advisory Committee
NNDR	National Non-Domestic Rates
PWLB	Public Works Loan Board
RSL	Registered Social Landlord
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice





**Ribble Valley Borough Council**  
Council Offices  
Church Walk  
Clitheroe  
Lancashire  
BB7 2RA

Telephone: 01200 425111

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[www.ribblevalley.gov.uk](http://www.ribblevalley.gov.uk)

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