

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 6

meeting date: 27 JUNE 2012
title: STATEMENT OF ACCOUNTS FOR 2011/12
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To formally approve the Statement of Accounts for 2011/12 (subject to audit).

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified
- Corporate Priorities – the maintenance of critical financial management and controls is a key objective of the corporate priority to be a well-managed Council providing efficient services based on identified customer needs.
- Other Considerations – none identified

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 The first year of this change was for the 2010/11 Statement of Accounts, which were also the first statements to be prepared on an International Financial Reporting Standards (IFRS) basis. Last year committee agreed to continue to receive the draft statements for approval in the June meeting by way of good practice.

2.4 The Director of Resources retains responsibility for the preparation of the Statement of Accounts and must certify that they are a true and fair view of the financial position of the Council.

2.5 Members' role in approval is to demonstrate their ownership of the statements, their confidence in the Director of Resources (section 151 officer) and the process by which accounting records are maintained and the statements prepared.

3 CHANGES TO THE STATEMENT OF ACCOUNTS FOR 2011/12

Code of Practice Changes

3.1 There have been a number of changes in the preparation and presentation for local authority accounts for 2011/12. These are explained below:

- Additional disclosures in respect of remuneration and exit packages. Disclosure of remuneration and pension contributions in respect of senior employees is required in England and Wales; this requirement was introduced in amendments to the Accounts and Audit Regulations. In addition the Code has introduced a requirement to disclose the number and cost of exit packages agreed.
- Requirement that, within the Annual Governance Statement the Council includes a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government*.
- Amendments to the related party disclosures that are required, and also includes greater guidance on its definition.
- The adoption of the requirements of FRS 30 *Heritage Assets*. The Code of Practice introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in the summary of significant accounting policies in the Statement of Accounts on **page 23**, the Council is now required to have heritage assets carried in the balance sheet at valuation.

4 STATEMENT OF ACCOUNTS FOR 2011/12

4.1 The full statement of accounts for 2011/12 is attached to this report. Obviously the accounts are very detailed and do contain a considerable amount of technical information. It is crucial however that members consider the important aspects of the various statements and therefore the highlights of the 2011/12 accounts are set out below.

4.2 Whilst the Statement of Accounts sets out the accounting statements according to the Code of Practice and the Service Reporting Code of Practice (***Comprehensive Income and Expenditure Statement on page 39***), we have shown below a comparison of the actual expenditure with the budget in our management reporting format (i.e. by service committees). This information will also be reported to individual service committees in the next cycle giving full details for individual over/underspends.

General Fund Outturn Performance:

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,700	3,427	3,345	-355	-82
Policy & Finance	2,508	2,449	2,342	-166	-107
Planning & Development	613	725	578	-35	-147
Health & Housing	751	632	529	-222	-103
Committee Expenditure	7,572	7,233	6,794	-778	-439
Interest Payable	26	23	23	-3	0
Parish Precepts	372	372	372	0	0
Interest Received	-30	-30	-22	8	8
Net Operating Expenditure	7,940	7,598	7,167	-773	-431
Precept from Collection Fund (including parish precepts)	-3,519	-3,519	-3,519	0	0
Deficit on Collection Fund	15	15	15	0	0
New Homes Bonus	-60	-62	-62	-2	0
Council Tax Freeze Concession	-79	-79	-79	0	0
Revenue Support Grant	-764	-764	-764	0	0
Business Rates Redistribution	-2,473	-2,473	-2,473	0	0
Deficit/(Surplus) for year	1,060	716	285	-775	-431
Accounting Adjustment for Overpaid Benefits recovered from ongoing benefit	0	0	-74	-74	-74
Depreciation	-799	-768	-763	36	5
Minimum Revenue Provision	140	144	144	4	0
Net Transfer to/from earmarked reserves	-215	-66	240	455	306
Deficit/(Surplus) for year	186	26	-168	-354	-194

- 4.3 You will see we have made a surplus of £168,000 during the year compared with the Revised Estimate which showed a deficit of £26,000, and the Original Estimate which showed a deficit of £186,000. When the Revised Estimates were considered in January we explained the main differences between the Original and Revised Estimates. During the preparation of the revised estimate a number of changes were made to the budget:

Item	£'000
Increase in New Homes Bonus	-2
Decrease in Interest Payable	-3
Decrease in Depreciation	31
Increase in Minimum Revenue Provision	4
Decreased use of Earmarked Reserves	149
Net decrease in Service Committee costs	-339
Net increase in amount to take from balances for the year	-160

Final Position Compared to the Revised Estimate

4.4 During the 2011/12 financial year there are many variances that occur when we carry out our budget monitoring. The main variations affecting our final position compared with the revised estimate can be summarised as:

Variation	£'000
Direct Employee Costs	-45
Pension Strain Costs	43
Indirect Employee Costs	11
Energy Costs	-14
Repairs and Maintenance	-25
Transport Costs	-21
IT Software and Hardware	-14
Equipment and Materials	-59
Consultants	-30
Printing and Stationery, Promotions, Reference Books, Postages	-29
Subscriptions and Conferences	-14
Audit Fees and Legal Fees	-10
Consultants	-30
Benefit Payments	65
Warm Homes Grant payments	-46
General Grant payments	-16
CRM Contribution	-22
Increased Housing Benefit and Council Tax Benefit Subsidy Income	-76
Flood Grant Income (Admin)	-11
Increased Planning and Pre-Planning Fees Income	-62
Decreased Building Regulations Fees Income	12
Increased income from Land Rents (Sale of Freeholds)	-11
Increased 'Other Services' Income	-15
Other Service Underspends transferred to General Fund Balance	-15
	-434
Accounting Adjustment - Benefits	-74
Decreased Interest Received	8
Extra Transfers to Earmarked Reserves	306
Increase in amount to add to balances	-194

General Fund Balances

- 4.5 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. However, this has to be balanced against meeting the council's spending priorities and also very importantly setting a low council tax.

	£'000
General Fund Balances: Brought forward at 1 April 2011	1,449
Surplus in 2011/12 added to General Fund Balances	168
General Fund Balances: Carried forward at 31 March 2012	1,617

Collection Fund

- 4.6 The Collection Fund (***Statement of Accounts: page 106***) has made an in year surplus of £116,000. This is added to the deficit brought forward of £281,000 brought forward from 2010/11. The resulting overall deficit of £165,000 is recovered pro-rata to the precepts from each authority.

Capital

- 4.7 During the year the Council spent £541,000 on capital schemes. The main areas of expenditure included:

- Longridge Adventure Play Facility
- Football Pitch Drainage Works
- Improvements to Children's Play Areas
- Replacement IT Systems
- Replacement Vehicles and Plant
- Affordable Housing Initiatives
- Renovation and Disabled Facilities Grants

- 4.8 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:

- Car Parks
- Service Remodelling
- Flood Grants
- Affordable Housing Initiatives

How the Capital Programme was Financed	£'000
Government grants and contributions	363
Revenue contributions	178
	541

Balance Sheet

4.9 The Balance Sheet (**Statement of Accounts: page 41**) shows our assets, liabilities and reserves. The reserves are split in to usable and unusable and as the name suggests the unusable reserves are not available to the Council but are part of technical accounting requirements.

4.10 The main movements on the balance sheet between 2010/11 and 2011/12 are summarised below

- **Heritage Assets** are now required to be separately shown on the Council's balance sheet and would generally have previously been included under Community Assets at a nominal value. The Code of Practice required that these now be included at valuation level in a category of their own, resulting in the restating of the previous two year's accounts. For this Council the heritage assets identified were:
 - Clitheroe Castle Keep – *with nil valuation due to the nature of the asset and the cost that would be incurred in producing a valuation*
 - Ribchester Roman Baths – *again, with nil valuation due to the nature of the asset and the cost that would be incurred in producing a valuation*
 - Civic Regalia – *included at insurance valuation*
 - Clitheroe Museum Collection – *again, included at insurance valuation*
- **Assets held for Sale** are now shown at a nil value. At 31 March 2011 this asset category related to the old Whalley public conveniences and land at Padiham Road, Sabden. These sales have since completed during 2011/12.
- **Short Term Debtors** has fallen, mainly due to lower levels of central government debtors at the year end. Additionally our level of sundry debts had fallen when compared to 2010/11.
- **Cash and Cash Equivalents** is substantially higher at the 31 March 2012 due to short term investments that were in place for £1.9m. The previous year there were no short term investments in place at the 31 March.
- **Provisions** in past years related to Accumulated Absences and was in respect of untaken leave as at the year end. Last year our external auditors required that our accounting treatment of these absences be changed for 2011/12 and as a result there is no provision shown as at the 31 March 2012. Accumulated absences are now included under Short Term Creditors, which largely accounts for the movement under that category.
- **Net Pensions Liability** has increased by £3.1m to £13.3m as at the 31 March 2012. The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- **General fund Balance** has increased by £168,000 as previously detailed. This is due to the underspends experienced during the year.

- **Earmarked General Fund Reserves** have increased largely as a result of the extensive uncertainty surrounding future government support towards the council. The importance of healthy reserves has become increasingly important. The Council continues to review the level of its earmarked reserves in order to meet its future financial pressures and also a healthy level of general fund balances in light of the future uncertainties.

5 NEXT STEPS

- 5.1 Our external auditors are due to commence their final accounts audit on 2 July 2012. Public notice has been given of the audit, informing local electors of their rights to inspect the accounts and ask questions of the auditor and/or make any objections relating to the accounts.
- 5.2 Following the completion of the audit, the auditors will report back to this Committee at its meeting on **22 August 2012**. At the same time details of any amendments to the draft statements agreed with the auditors will be reported, and the final audited Statement of Accounts will be presented for approval.

6 RISK ASSESSMENT

- 6.1 The approval of this report may have the following implications:
 - Resources – none as a direct result of this report.
 - Technical, Environmental and Legal – The Code of Practice and all Financial Reporting Standards have been adhered to in the preparation of the Statement of Accounts
 - Political – none.
 - Reputation – Whilst there is no longer a requirement to present the Statement of Accounts in their draft stage to committee for approval, by doing so the Council is demonstrating its commitment to best practice.
 - Equality and Diversity – Public Notices have been placed in the local newspaper and also on the Council's website, in order to raise awareness of the impending audit.

7 CONCLUSION

- 7.1 The main impact of the change to the Code of Practice has been around Heritage Assets and the resulting restatements needed.
- 7.2 The final outturn of a surplus of £168,000 means that we have **added £168,000** to general fund balances **instead of taking £26,000** which was estimated when we prepared the Revised Estimates.

8 RECOMMENDED THAT COMMITTEE

8.1 Approve the draft (subject to audit) Statement of Accounts for 2011/12 as attached.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA12-12/LO/AC
25 June 2012

Background papers: Statement of Accounts 2011/12 – attached
Closedown Working Papers

For further information please ask for Lawson Oddie extension 4541



Statement of Accounts

[Subject to Audit]

2011/2012

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

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Clitheroe, Lancashire, BB7 2RA

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Independent Auditors' Report to Members

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Explanatory Foreword

1 INTRODUCTION

The Council's statement of accounts for the year ended 31 March 2012 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 2011/12 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

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 2011/12
(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 2011/12 financial statements are the second to be prepared on an International Financial Reporting Standards basis. The main areas of change for this Council's 2011/12 Statement of Accounts are:

- Additional disclosures in respect of remuneration and exit packages. Disclosure of remuneration and pension contributions in respect of senior employees is required in England and Wales; this requirement was introduced in amendments to the Accounts and Audit Regulations. In addition the Code has introduced a requirement to disclose the number and cost of exit packages agreed.
- Requirement that, within the annual governance statement an authority includes a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government*.
- Amends the related party disclosures required and includes greater guidance on its definition.
- Adoption of the requirements of FRS 30 *Heritage Assets*. Heritage assets are carried at valuation where possible and additional disclosures are required.

Explanatory Foreword

2 GENERAL FUND

Whilst the Comprehensive Income and Expenditure Statement is presented in accordance with the Service Reporting Code of Practice (SeRCOP) 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	3,700	3,427	3,345	-355	-82
Policy & Finance	2,508	2,449	2,342	-166	-107
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Committee Expenditure	7,572	7,233	6,794	-778	-439
Interest Payable	26	23	23	-3	0
Parish Precepts	372	372	372	0	0
Interest Received	-30	-30	-22	8	8
Net Operating Expenditure	7,940	7,598	7,167	-773	-431
Precept from Collection Fund (including parish precepts)	-3,519	-3,519	-3,519	0	0
Deficit on Collection Fund	15	15	15	0	0
New Homes Bonus	-60	-62	-62	-2	0
Council Tax Freeze Concession	-79	-79	-79	0	0
Revenue Support Grant	-764	-764	-764	0	0
Business Rates Redistribution	-2,473	-2,473	-2,473	0	0
Deficit/(Surplus) for year	1,060	716	285	-775	-431
Accounting Adjustment for Overpaid Benefits recovered from ongoing benefit	0	0	-74	-74	-74
Depreciation	-799	-768	-763	36	5
Minimum Revenue Provision	140	144	144	4	0
Net Transfer to/from earmarked reserves	-215	-66	240	455	306
Deficit/(Surplus) for year	186	26	-168	-354	-194

Explanatory Foreword

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 New Homes Bonus	-2
Decrease in Interest Payable	-3
Decrease in Depreciation	31
Increase in Minimum Revenue Provision	4
Decreased use of Earmarked Reserves	149
Net decrease in Service Committee costs	-339
Net increase in amount to take from balances for the year	-160

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 with resources from central government reducing, the council recognised that it needed to review its structure in order to increase the efficiency of the organisation and achieve greater value for money.

A full service review was completed in 2011 and the approved recommendations will achieve substantial savings of £635,160 in the 2012/13 financial year. This was the second phase of the review of the Council structure, the first of which was completed in 2010 and was the review of senior management. The first phase of the structure review achieved savings averaging £108,000 per annum over five years.

Through the early implementation of some parts of the service review recommendations and through continued prudence on all non-essential expenditure, the Council has achieved a number of savings in year on staffing, and particularly supplies and services.

Investment income continues to be a low provider of financial support for the council, with lower income earned in year than had been expected. The Council continues to exercise caution in the investment of its resources with the security of principal sums invested being paramount. It is not anticipated that interest rates will improve in the foreseeable future, particularly in light of the current extensive instability within the eurozone.

The current local government resource review looks to fundamentally change the manner in which council services are financially supported. Currently the council collects business rates, which are then pooled centrally by government and redistributed to local authorities through formula grant.

Explanatory Foreword

The government believes that local authorities should receive a financial benefit by being able to retain a proportion of business rates if they achieve local growth in business rates. It is seen that this would act as a financial incentive to local authorities to stimulate growth within their borough. The government also hopes that this will enable an increased use of Tax Increment Financing (TIF). Proposals aim to give local authorities an incentive to promote growth through their influence over their local economies, investment in infrastructure and by building strong relationships with businesses.

The proposals have the potential for the council to see an increase in retained business rates, should there be a local growth in business rates in excess of national growth forecasts. Likewise there are risks to the Council of diminished financial support should the borough see the local economy shrink.

As a result of the extensive uncertainty surrounding future government support towards the council, the importance of healthy reserves becomes increasingly important. The Council continues to review the level of its earmarked reserves in order to meet its future financial pressures and also a healthy level of general fund balances in light of the future uncertainties.

There are also further concerns around the impact of the localisation of council tax benefit and the level of impact on the council of the move to the Universal Credit.

During 2011/12 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
Direct Employee Costs	-45
Pension Strain Costs	43
Indirect Employee Costs	11
Energy Costs	-14
Repairs and Maintenance	-25
Transport Costs	-21
IT Software and Hardware	-14
Equipment and Materials	-59
Consultants	-30
Printing and Stationery, Promotions, Reference Books, Postages	-29
Subscriptions and Conferences	-14
Audit Fees and Legal Fees	-10
Consultants	-30
Benefit Payments	65
Warm Homes Grant payments	-46

Explanatory Foreword

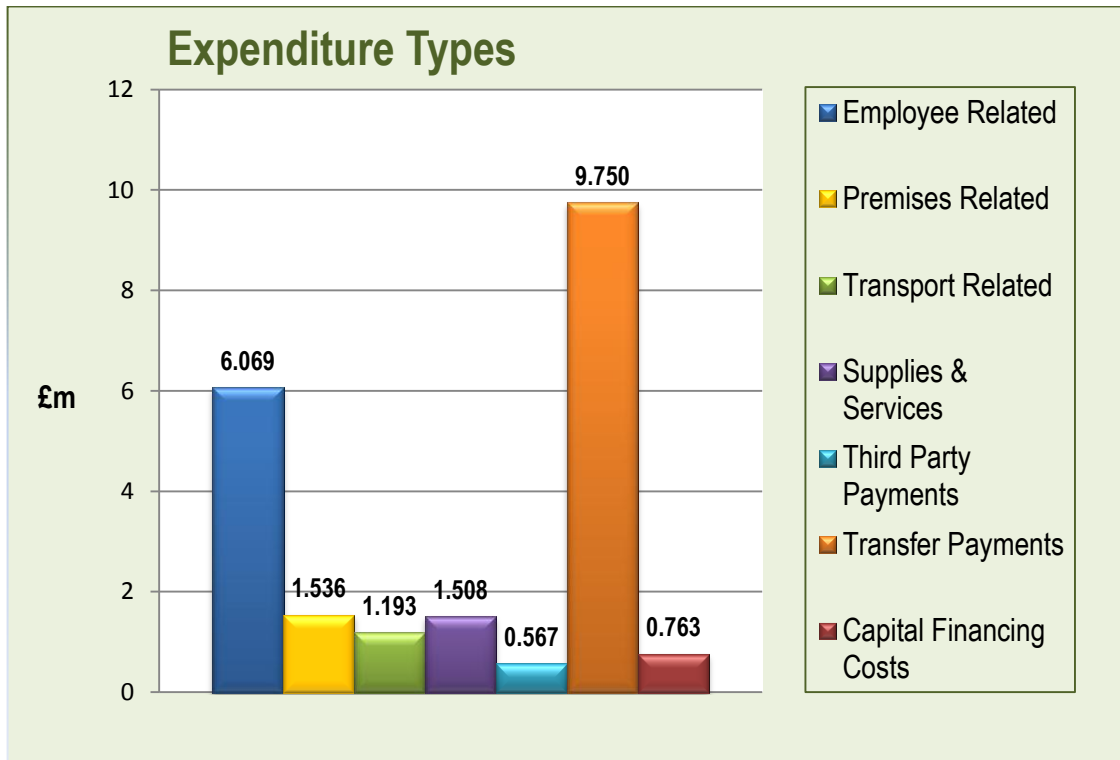
Variation	£'000
General Grant payments	-16
CRM Contribution	-22
Increased Housing Benefit and Council Tax Benefit Subsidy Income	-76
Flood Grant Income (Admin)	-11
Increased Planning and Pre-Planning Fees Income	-62
Decreased Building Regulations Fees Income	12
Increased income from Land Rents (Sale of Freeholds)	-11
Increased 'Other Services' Income	-15
Other Service Underspends transferred to General Fund Balance	-15
	-434
Accounting Adjustment - Benefits	-74
Decreased Interest Received	8
Extra Transfers to Earmarked Reserves	306
Increase in amount to add to balances	-194

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	6,069
Premises Related	1,536
Transport Related	1,193
Supplies & Services	1,508
Third Party Payments	567
Transfer Payments	9,750
Capital Financing Costs	763
Total Expenditure	21,386

Explanatory Foreword

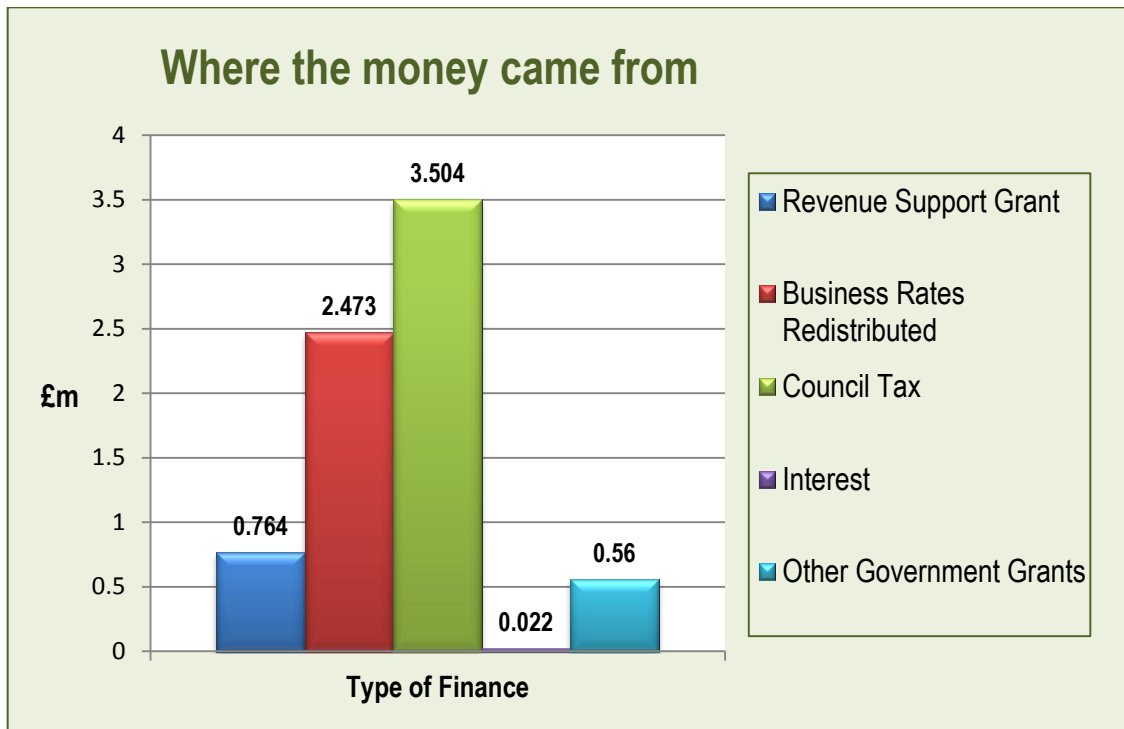


You can see that the two biggest types of expenditure are our employee costs and transfer payments. Transfer payments are payments such as housing benefits which we make on behalf of the Government.

Explanatory Foreword

How our general fund budget is financed

As shown earlier our total net expenditure for committees is £6.794m. 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 £7.323m. We finance this as follows:



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 £186,000 from general fund balances to help finance the 2011/12 spending plans. However, this was revised later in the year to taking £26,000 from general fund balances. The final position shows that the council has added £168,000 to general fund balances.

	£'000
General Fund Balances: Brought forward at 1 April 2011	1,449
Surplus in 2011/12 added to General Fund Balances	168
General Fund Balances: Carried forward at 31 March 2012	1,617

Explanatory Foreword

3 PENSIONS

The statement of accounts reflects the full adoption of International Accounting Standard 19 (IAS19). 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 2012 increased to £13.346m (31 March 2011 £10.225m).

With regard to Past Service Costs, the council saw a Past Service Credit in 2010/11 of £2.395m. This was 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 decreased at that time as a direct result of these changes.

4 CAPITAL

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.

During the year the Council spent £541,000 on capital schemes. The main areas of expenditure included:

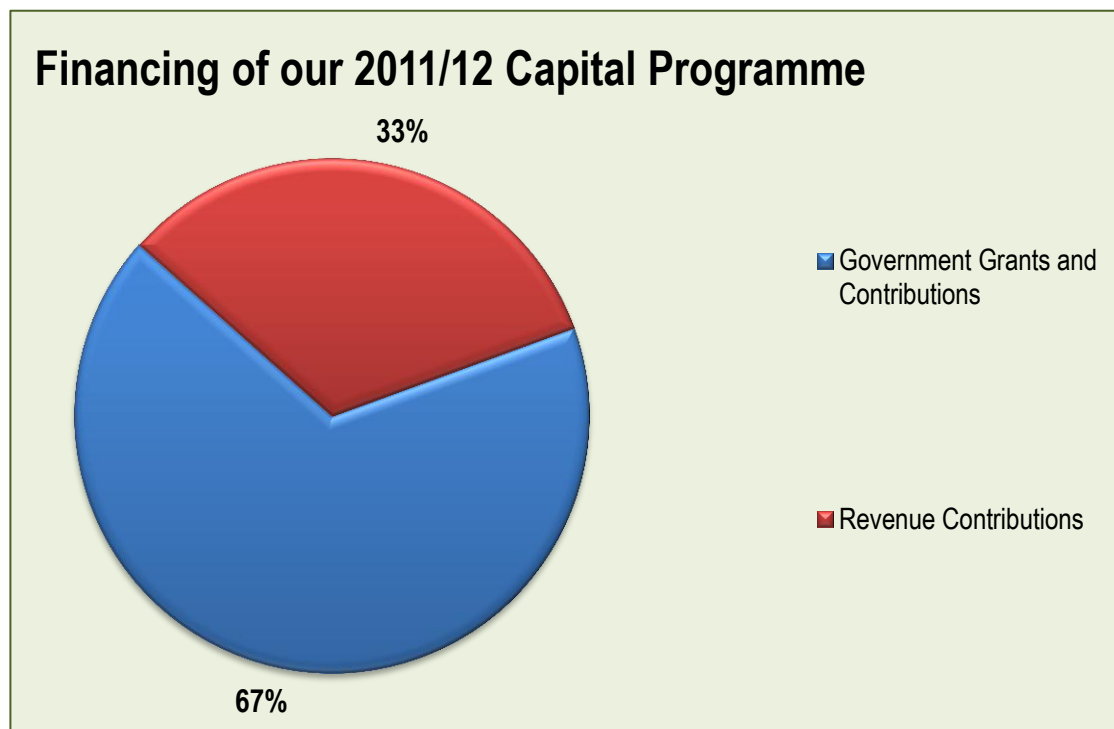
- Longridge Adventure Play Facility
- Football Pitch Drainage Works
- Improvements to Children's Play Areas
- Replacement IT Systems
- Replacement Vehicles and Plant
- Affordable Housing Initiatives
- Renovation and Disabled Facilities Grants

Explanatory Foreword

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:

- Car Parks
- Service Remodelling
- Flood Grants
- Affordable Housing Initiatives

How the Capital Programme was Financed	£'000
Government grants and contributions	363
Revenue contributions	178
	541



The Council did not finance any capital expenditure from borrowing in 2011/12. However, the Council do continue to make full use of advantageous lending terms that are offered by the Public Works Loan Board (PWLB).

The total PWLB loans outstanding as at 31 March 2012 was £0.436m. These are included in the Balance Sheet within 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

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

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

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 2012.

Jane L Pearson
Director of Resources CPFA

Approval of the Statement of Accounts

I confirm that these draft accounts (subject to audit), including the Comprehensive Income and Expenditure Statement on page 39 and the Balance Sheet on page 41, were approved by the Accounts and Audit Committee at its meeting held on 27 June 2012.

Signed by:

Cllr John Hill
Chairman of Accounts and Audit Committee

27 June 2012

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2011/12 and the Service Reporting 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

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.

Statement of Accounting Policies

3 CASH AND CASH EQUIVALENTS

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

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 an understanding of the Council's financial performance.

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

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

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 assets attributable to the service

Statement of Accounting Policies

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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

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 appropriate service 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.

Statement of Accounting Policies

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 work 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (5.5% 31 March 2011) based on the indicative rate of return on 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

- 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 – charged 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

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

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

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 would be 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.

Statement of Accounting Policies

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 an 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).

Statement of Accounting Policies

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 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

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

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 in the form of 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.

12 HERITAGE ASSETS

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as Heritage Assets)

Heritage Assets are

- Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.
- Intangible heritage assets with cultural, environmental or historical significance, such as recordings of significant historical events.

In considering assets that it holds, the Council has identified the following assets as Heritage Assets:

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

The Castle Keep at Clitheroe

- Built in 1186 by Robert de Lacy, the Norman Keep of Clitheroe Castle is said to be one of the smallest Keeps in England. The Council considers that obtaining a valuation for the Keep would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. Therefore the Council does not recognise this heritage asset on the balance sheet.

The Clitheroe Castle Museum Collection

- The Clitheroe Castle Museum Collection principally includes archaeological artifacts, geological collections, militaria and items of local social historical interest. Due to the diverse nature of the museum collection, and without accurate valuation information on any individual asset within the collection, the council has included the collection at insurance value as provided by the Lancashire County Museum Service, who act as custodians of the collection.
- Any acquisitions to the collection would generally be made by donation; however the collection has remained relatively static over recent years. Any donation of note would be recognised at valuation ascertained by the museum's curator or at insurance valuation.

Civic Regalia

- The Civic Regalia includes a number of chains of office. Some of these were passed to this Council at the time of Local Government reorganisation in 1974. These heritage assets have been included on the Council's balance sheet at insurance valuation.

Statement of Accounting Policies

The Roman Bath site at Ribchester

- The Council owned site at Ribchester consists of the archaeological remains of a Roman bath house. Due to the unique nature of the site, the Council considers that obtaining a valuation for the bath house site would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. Therefore the Council does not recognise this heritage asset on the balance sheet.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognized and measured in accordance with the Council's general policies on impairment – see *Accounting Policy 19* on Property, Plant and Equipment in this summary of significant accounting policies. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see *Accounting Policy 19* on Property, Plant and Equipment in this summary of significant accounting policies)

13 INTANGIBLE ASSETS

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 the 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 or 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 are therefore 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.

Statement of Accounting Policies

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 is 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.

14 INVENTORIES AND LONG TERM CONTRACTS

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.

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.

15 INVESTMENT PROPERTY

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 based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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 line and result in a gain for the General Fund Balance. 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.

Statement of Accounting Policies

16 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

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.

17 LEASES

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.

Statement of Accounting Policies

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 the 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.

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.

Statement of Accounting Policies

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 in 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 for 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.

18 OVERHEADS AND SUPPORT SERVICES

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 Service Reporting *Code of Practice 2011/12* (SeRCOP). 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.

Statement of Accounting Policies

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

19 PROPERTY, PLANT AND EQUIPMENT

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.

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.

Statement of Accounting Policies

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- 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.

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.

Statement of Accounting Policies

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 would 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:

	Years
Buildings	50
Infrastructure	40
Large Equipment	10
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

Statement of Accounting Policies

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 non-current 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.

20 PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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 has no PFIs or similar contracts.

21 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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.

Statement of Accounting Policies

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 recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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.

22 RESERVES

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 in 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.

Statement of Accounting Policies

23 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE

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.

24 VAT

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

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. This is 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 2011/12	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 2011	1,448,760	3,505,789	151,180	0	5,105,729	8,461,884	-29,975	4,383,057	3,915	-10,225,324	-85,826	2,507,731	7,613,460
Movement in Reserves During 2011/12													
Surplus or (deficit) on the provision of Services	67,360	0	0	0	67,360	0	0	0	0	0	0	0	67,360
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	-2,859,000	0	-2,859,000	-2,859,000
Total Comprehensive Income and Expenditure	67,360	0	0	0	67,360	0	0	0	0	-2,859,000	0	-2,859,000	-2,791,640
Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 6)	767,863	0	-92,161	192,971	868,673	-459,977	-158,776	-880	-880	-262,000	560	-868,673	0
Net Increase/Decrease before Transfers to Earmarked Reserves	835,223	0	-92,161	192,971	936,033	-459,977	-158,776	-880	-880	-3,121,000	560	-3,727,673	-2,791,640
Transfers to/from Earmarked Reserves (NOTE 7)	-667,610	667,610	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in Year	167,613	667,610	-92,161	192,971	936,033	-459,977	-158,776	-880	-880	-3,121,000	560	-3,727,673	-2,791,640
Balance at 31 March 2012	1,616,373	4,173,399	59,019	192,971	6,041,762	8,001,907	-17,575	4,224,281	3,035	-13,346,324	-85,266	-1,219,942	4,821,820
Carried Forward (NOTES 19 and 20)													

Movement in Reserves Statement

Comparative Movements in 2010/11 (Restated)	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	8,303,353	-26,057	4,351,835	7,957	-15,602,324	-89,768	-3,055,004	1,624,302
Movement in Reserves During 2010/11													
Surplus or (deficit) on the provision of Services	2,150,159	0	0	0	2,150,159	0	0	0	0	0	0	0	2,150,159
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	111,999	0	3,727,000	0	3,838,999	3,838,999
Total Comprehensive Income and Expenditure	2,150,159	0	0	0	2,150,159	0	0	111,999	0	3,727,000	0	3,838,999	5,989,158
Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 6)	-1,705,582	0	-18,154	0	-1,723,736	158,531	-3,918	-80,777	-4,042	1,650,000	3,942	1,723,736	0
Net Increase/ Decrease before Transfers to Earmarked Reserves	444,577	0	-18,154	0	426,423	158,531	-3,918	31,222	-4,042	5,377,000	3,942	5,562,735	5,989,158
Transfers to/from Earmarked Reserves (NOTE 7)	-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	158,531	-3,918	31,222	-4,042	5,377,000	3,942	5,562,735	5,989,158
Balance at 31 March 2011	1,448,760	3,505,789	151,180	0	5,105,729	8,461,884	-29,975	4,383,057	3,915	-10,225,324	-85,826	2,507,731	7,613,460
Carried Forward (NOTES 19 and 20)													

Comprehensive Income and Expenditure Statement

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 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

2010/11 Restated			2011/12				Note
Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £		
3,519,294	-2,764,685	754,609	3,460,059	-2,714,114	745,945		
3,046,093	-1,532,236	1,513,857	2,927,142	-1,541,322	1,385,820		
3,559,941	-955,842	2,604,099	3,312,299	-915,667	2,396,632		
1,264,869	-690,315	574,554	1,352,850	-711,346	641,504		
1,821,076	-1,478,524	342,552	1,350,993	-1,365,171	-14,178		
6,997,578	-6,702,496	295,082	7,708,598	-7,536,584	172,014		
60,363	-36,060	24,303	48,398	-29,227	19,171		
1,891,776	-1,130,783	760,993	1,650,032	-815,959	834,073	4	
117,271	0	117,271	166,356	0	166,356		
0	-2,395,000	-2,395,000	0	0	0	4	
22,278,261	-17,685,941	4,592,320	21,976,727	-15,629,390	6,347,337	24/29/38	
			Other Operating Expenditure				
		373,143			372,315		
		-22,617			-73,376		
		3,005			660		
			Financing and Investment Income and Expenditure				
		26,537			23,302	12	
		-20,904			-21,800		
		653,000			258,000	33	
		-67,881			-64,367	10	
		-7,033			-15,579	25	
			Taxation and Non-Specific Grant Income				
		-3,503,554			-3,516,106		
		-3,616,386			-2,472,716		
		-525,133			-764,324		
		-34,656			-140,706	29	
		-2,150,159			-67,360		
			(Surplus) or Deficit on Provision of Services				
		-111,999			0		
		-3,727,000			2,859,000	33	
		-3,838,999			2,859,000		
			Other Comprehensive Income and Expenditure				
		-5,989,158			2,791,640		
			Total Comprehensive Income and Expenditure				

Balance Sheet

Balance Sheet

The Balance Sheet shows the value as at the balance Sheet date of 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 2010 Restated £	31 March 2011 Restated £		31 March 2012 £	Note
		Long Term Assets		
		Property, Plant and Equipment		8
9,994,650	10,079,052	- Other Land and Buildings	9,760,228	
2,460,299	2,570,729	- Vehicles, Plant, Furniture and Equipment	2,022,005	
234,857	228,558	- Infrastructure Assets	222,258	
1,996,572	2,213,766	- Community Assets	2,238,125	
0	0	- Surplus Assets (Not for Sale)	165,787	
14,686,378	15,092,105	Total Property, Plant and Equipment	14,408,403	
806,600	806,600	Heritage Assets	806,600	9/37/38
848,250	868,108	Investment Properties	868,108	10
15,000	0	Intangible Assets	40,565	11
49,604	403,422	Long Term Debtors	388,432	
16,405,832	17,170,235	Total Long Term Assets	16,512,108	
		Current Assets		
0	119,375	Assets Held for Sale	0	16
77,830	80,116	Inventories	79,540	13
2,775,028	2,040,814	Short Term Debtors	1,383,584	3/14/36
-55,604	392,667	Cash and Cash Equivalents	2,066,521	15/36
2,797,254	2,632,972	Total Current Assets	3,529,645	
		Current Liabilities		
-89,768	-85,826	Provisions	0	18
-78,608	-78,608	Short Term Borrowing	-78,608	
-1,301,060	-1,364,073	Short Term Creditors	-1,430,193	17
-1,469,436	-1,528,507	Total Current Liabilities	-1,508,801	
		Long Term Liabilities		
-507,024	-435,916	Long Term Borrowing	-364,808	12
		Other Long Term Liabilities		
-15,602,324	-10,225,324	- Net Pensions Liability	-13,346,324	33
-16,109,348	-10,661,240	Total Long Term Liabilities	-13,711,132	
1,624,302	7,613,460	Net Assets	4,821,820	
		Usable Reserves		19
1,222,095	1,448,760	General Fund Balance	1,616,373	
3,287,877	3,505,789	Earmarked General Fund Reserves	4,173,399	7
169,334	151,180	Capital Grants Unapplied	59,019	
0	0	Usable Capital Receipts Reserve	192,971	
4,679,306	5,105,729	Total Usable Reserves	6,041,762	
		Unusable Reserves		20
8,303,353	8,461,884	Capital Adjustment Account	8,001,907	
-26,057	-29,975	Collection Fund Adjustment Account	-17,575	
4,351,835	4,383,057	Revaluation Reserve	4,224,281	
7,957	3,915	Deferred Capital Receipts Account	3,035	
-15,602,324	-10,225,324	Pension Reserve	-13,346,324	33
-89,768	-85,826	Accumulated Absences Account	-85,266	
-3,055,004	2,507,731	Total Unusable Reserves	-1,219,942	
1,624,302	7,613,460	Total Reserves	4,821,820	

Balance Sheet

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.

2010/11 Restated £		2011/12 £	Note
-2,150,159	Net (Surplus) or Deficit on the Provision of Services	-67,360	
1,027,032	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-1,436,721	
40,573	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	0	
-1,082,554	Net Cash Flows from Operating Activities	-1,504,081	21
491,130	Investing Activities	-100,811	22
143,153	Financing Activities	-68,962	23
-448,271	Net Increase or decrease in Cash and Cash Equivalents	-1,673,854	
-55,604	Cash and Cash Equivalents 1 April	392,667	
392,667	Cash and Cash Equivalents 31 March	2,066,521	

Notes to the Core Financial Statements

Notes to the Core Financial Statements

1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

IFRS 7 Financial Instruments: Disclosures

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- 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 payment 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.

Notes to the Core Financial Statements

3 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 2012 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 2012 was £13.346m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> • +0.1% p.a. discount rate as at 31 March 2012: deficit would be £12.628m • +0.1% p.a. inflation as at 31 March 2012: deficit would be £14.080m • 1 year addition to members' life expectancy as at 31 March 2012: deficit would be £14.201m
Arrears	At 31 March 2012, the Council had a balance of sundry debtors of £383,000 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £116,000 (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 £11,600

Notes to the Core Financial Statements

4 MATERIAL ITEMS OF INCOME AND EXPENSE

VAT Sharing Arrangement

As part of the Voluntary Housing 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 2011/12 financial year the Council received £445,230 from Ribble Valley Homes Ltd under these arrangements (£472,122 in 2010/11)

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. No such repayments of claims were received in 2011/12.

Past Service Cost (Gain)

With regard to Past Service Costs, the council saw a Past Service Credit in 2010/11 of £2.395m. This was 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 decreased as a direct result of these changes.

5 EVENTS AFTER THE BALANCE SHEET DATE

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

6 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.

The following sets out a description of the reserves that the adjustments are made against

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Core Financial Statements

Movements in 2011/12	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Adjustment Account				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	763,489			-763,489
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)				0
Amortisation of Intangible Assets				0
Capital Grants and Contributions Applied	-223,895			223,895
Revenue Expenditure Funded from Capital Under Statute	420,617			-420,617
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	119,375			-119,375
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</i>				
Statutory Provision for the Financing of Capital investment	-143,758			143,758
Capital expenditure charged against General Fund Balances	-178,283			178,283
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-46,631	46,631		0
Application of grants to capital financing transferred to the Capital Adjustment Account		-138,792		138,792

Notes to the Core Financial Statements

Movements in 2011/12	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-195,000		195,000	0
Use of the Capital Receipts Reserve to finance new capital expenditure			0	0
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals	2,249		-2,249	
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	660		-660	0
Transfer from deferred capital receipts reserve upon receipt of cash			880	-880
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,090,000			-1,090,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-828,000			828,000
Adjustments primarily involving the Collection Fund Adjustment Account				
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	-12,400			12,400
Adjustments primarily involving the Accumulated Absences Account				
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	-560			560
Total Adjustments	767,863	-92,161	192,971	-868,673

Notes to the Core Financial Statements

Comparative Movements in 2010/11	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>				
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
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u>				
Statutory Provision for the Financing of Capital investment	-132,769			132,769
Capital expenditure charged against General Fund Balances	-847,887			847,887
Adjustments primarily involving the Capital Grants Unapplied Account				
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

Comparative Movements in 2010/11	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Receipts Reserve				
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 towards administrative cost of Non-Current asset disposals	0		0	0
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
Adjustments primarily involving the Pensions Reserve				
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
Adjustments primarily involving the Collection Fund Adjustment Account				
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
Adjustments primarily involving the Accumulated Absences Account				
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
Total Adjustments	-1,701,261	-18,154	0	1,719,415

Notes to the Core Financial Statements

7 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 2011/12.

General Fund	Balance at 31 March 2010 £	Transfers In 2010/11 £	Transfers Out 2010/11 £	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £
Local Recreation Grants Fund <i>Used to fund recreation grants</i>	14,039	2,792		16,831	6,820		23,651
Elections Fund <i>Used to fund borough elections held once every four years</i>	68,173	4,290	-8,912	63,551	19,870	-63,869	19,552
Audit Reserve Fund <i>Used for computer audit</i>	12,335			12,335			12,335
Building Control Fund <i>Available to equalise net expenditure over a three year period</i>	37,376		-90,650	-53,274		-33,036	-86,310
Rural Development Reserve <i>Used to fund consultation work on rural housing</i>	1,631			1,631			1,631
Single Status <i>Set aside to contribute towards future costs arising from single status/job evaluation</i>	47,095		-47,095	0			0
Capital <i>Used to fund the capital programme</i>	742,552	160,000	-847,887	54,665	282,279	-12,848	324,096
Insurance <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	20,000			20,000			20,000
Christmas Lights/RV in Bloom <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>	669	2,747		3,416		-150	3,266
Community Enhancement <i>Used to fund grants to local organisations</i>	2,881			2,881			2,881
New Community Enhancement Schemes <i>Additional reserve for funding grants to local organisations</i>	6,809			6,809			6,809
Rent Deposit Reserve <i>Set aside for homeless rent deposits</i>	7,837			7,837			7,837

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2010 £	Transfers In 2010/11 £	Transfers Out 2010/11 £	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £
<u>Revenue Contributions (RCCO)</u>							
<u>Unapplied</u> <i>Used to fund capital expenditure</i>	23,134			23,134		-12,529	10,605
<u>Longridge Schemes</u> <i>Used to fund grants to schemes in Longridge</i>	5,000		-5,000	0			0
<u>Parish Schemes</u> <i>Used to fund Parish improvement schemes</i>	1,729			1,729			1,729
<u>Local Development Framework</u> <i>To finance Local Development Framework costs</i>	11,583			11,583		-7,754	3,829
<u>LALPAC Licensing System</u> <i>To fund costs of LALPAC licensing system</i>	1,866			1,866		-442	1,424
<u>Homelessness Unit Adaptations</u> <i>To fund work to make two flats at the homelessness unit self contained</i>	3,000		-3,000	0			0
<u>IT Equipment</u> <i>To fund future software and hardware upgrades</i>	1,345		-1,345	0	90,540		90,540
<u>Conservation Reserve</u> <i>To fund conservation schemes completed after the financial year end</i>	6,210			6,210			6,210
<u>Civic Regalia</u> <i>To fund refurbishment of mayoral chains</i>	4,500		-4,500	0			0
<u>Concurrent Functions</u> <i>To fund concurrent grant payments payable to parish and town councils</i>	15,960		-15,960	0			0
<u>Concessionary Travel</u> <i>To fund the transfer of the administration of the scheme to upper tier local authorities</i>	40,026			40,026			40,026
<u>Countryside Management</u> <i>To fund tree survey work</i>	4,566		-4,566	0			0
<u>Fleming VAT Claim</u> <i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	182,005	57,921		239,926			239,926
<u>Government Connect</u> <i>To fund revenue costs of Government Connect Service</i>	9,028		-3,789	5,239		-5,239	0

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2010 £	Transfers In 2010/11 £	Transfers Out 2010/11 £	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £
Repairs and Maintenance <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	12,299	21,000		33,299			33,299
Post LSVT <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	438,150			438,150			438,150
Market Town Enhancement <i>To fund grants under Market Towns Enhancement Scheme</i>	6,643			6,643			6,643
Planning Delivery <i>To fund improved delivery of housing and other planning outcomes</i>	203,832	-78,716	7,730	132,846	13,200	-146,046	0
Performance Reward Grant <i>Performance Reward Grant received and yet to be distributed to successful schemes</i>	478,384	169,062	-120,736	526,710		-98,662	428,048
Refuse Collection <i>To fund refuse collection costs of bin replacements</i>	1,800	18,000	-1,800	18,000			18,000
Restructuring Reserve <i>To fund costs resulting from the restructure review</i>	200,000	75,000		275,000	27,900	-75,359	227,541
VAT Shelter Reserve <i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	675,420	472,122	-100,000	1,047,542	445,230	-65,548	1,427,224
Revaluation of Assets Reserve <i>To contribute towards the revaluation of the Council's assets every five years.</i>	0	2,000		2,000	2,000		4,000
Clean Air Reserve <i>To fund clean air survey work</i>	0	4,500		4,500		-379	4,121
Estates Maintenance Reserve <i>To fund approved one-off boundary maintenance work to Estates asset</i>	0	2,500		2,500		-2,500	0
Equipment Reserve <i>To fund essential and urgent equipment requirements</i>	0	31,000		31,000	2,000		33,000

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2010 £	Transfers In 2010/11 £	Transfers Out 2010/11 £	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £
Forest of Bowland Reserve <i>To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i>	0	27,146		27,146	7,500		34,646
Invest to Save Fund <i>To fund future invest to save projects</i>	0	250,000		250,000	21,917	-7,619	264,298
Land Charges Reserve <i>To fund any potential restitution claims for personal search fees</i>	0	34,356		34,356			34,356
Land Charges System Reserve <i>To fund planned land charges system purchase</i>	0	9,000		9,000		-9,000	0
Pendle Hill User Reserve <i>To fund improvement schemes on Pendle Hill</i>	0	17,830		17,830	7,941	-8,000	17,771
Planning Reserve <i>To fund any future potential planning issues</i>	0	100,000		100,000	153,167	-103,167	150,000
Tourism Promotions Reserve <i>To fund planned tourism publicity and promotions</i>	0	6,812		6,812	1,950	-6,812	1,950
Crime Reduction Partnership Reserve <i>To fund cost of crime reduction initiatives</i>	0	16,060		16,060	10,429		26,489
Housing Benefit Reserve <i>To help meet the challenges facing the service in the coming years</i>	0	60,000		60,000	40,000		100,000
Wellbeing and Health Equality <i>To fund expenditure on Wellbeing and Health</i>	0			0	47,428		47,428
Exercise Referral Reserve <i>To fund potential residual staffing costs</i>	0			0	5,310		5,310
Clitheroe Cemetery Reserve <i>To finance any future liabilities from the cemetery extension</i>	0			0	3,640		3,640
New Homes Bonus Reserve <i>To help finance future economic development capital schemes</i>	0			0	2,046		2,046
Core Strategy Reserve <i>To fund the production of the Core Strategy</i>	0			0	87,412		87,412

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2010 £	Transfers In 2010/11 £	Transfers Out 2010/11 £	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £
<u>Emergency Planning Reserve</u> <i>To fund the production of District Emergency and Business Continuity Plans</i>	0			0	2,520		2,520
<u>CCTV Reserve</u> <i>To fund purchase of additional CCTV Equipment</i>	0			0	1,000		1,000
<u>Warm Homes Healthy People Reserve</u> <i>Residual grant received, to be committed to future grant schemes</i>	0			0	44,470		44,470
	3,287,877	1,465,422	-1,247,510	3,505,789	1,326,569	-658,959	4,173,399

Notes to the Core Financial Statements

8 PROPERTY, PLANT AND EQUIPMENT

Movements in 2011/12	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Surplus Assets (Not Held for Sale) £'000	Total Property, Plant and Equipment £'000
<u>Cost or Valuation</u>						
At 1 April 2011	11,529	6,093	294	2,277	0	20,193
Additions	22	17	0	41	0	80
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0
Assets reclassified (to)/from Surplus Assets	-166	0	0	0	166	0
At 31 March 2012	11,385	6,110	294	2,318	166	20,273
<u>Accumulated Depreciation and Impairments</u>						
At 1 April 2011	-1,450	-3,522	-66	-64	0	-5,102
Depreciation written out to the Revaluation Reserve	-52	0	0	-12	0	-64
Depreciation written out to the Surplus/Deficit on the Provision of Services	-123	-566	-6	-4	0	-699
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
At 31 March 2012	-1,625	-4,088	-72	-80	0	-5,865
<u>Net Book Value</u>						
at 31 March 2011	10,079	2,571	228	2,213	0	15,091
at 31 March 2012	9,760	2,022	222	2,238	166	14,408

Notes to the Core Financial Statements

Comparative 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
<i>Cost or Valuation</i>					
At 1 April 2010	11,232	5,421	294	2,043	18,990
Additions	321	672	0	234	1,227
Revaluation increases/(decreases) recognised in the Revaluation Reserve	112	0	0	0	112
Assets reclassified (to)/from Held for Sale	-136	0	0	0	-136
Assets reclassified (to)/from Surplus Assets	0	0	0	0	0
At 31 March 2011	11,529	6,093	294	2,277	20,193
<i>Accumulated Depreciation and Impairments</i>					
At 1 April 2010	-1,238	-2,960	-59	-47	-4,304
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	-5	-692
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-42	0	0	0	-42
At 31 March 2011	-1,450	-3,522	-66	-64	-5,102
Net Book Value					
at 31 March 2010	9,994	2,461	235	1,996	14,686
at 31 March 2011	10,079	2,571	228	2,213	15,091

Notes to the Core Financial Statements

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
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 2012 and 31 March 2011, the Council had no major capital commitments.

Effects of Changes in Estimates

In 2011/12 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The freehold and leasehold properties, which comprise the Council's property portfolio, were revalued on 1 March 2010 by the district valuer, Mr A T Snape BA(Hons) MRICS of the District Valuer Services (DVS), which is the commercial arm of the Valuation Office Agency, Preston. The valuations were made in accordance with the RICS Valuation Standards 6th 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).

An impairment review was undertaken by the district valuer, Mr A T Snape BA(Hons) MRICS and no impairments to asset values were identified.

Notes to the Core Financial Statements

9 HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council	Castle Keep at Clitheroe £'000	Clitheroe Castle Museum Collection £'000	Civic Regalia £'000	Roman Bath Site Ribchester £'000	Total Heritage Assets £'000
<i>Cost or Valuation</i>					
At 1 April 2010	0	750	57	0	807
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairments Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
Depreciation	0	0	0	0	0
At 31 March 2011	0	750	57	0	807
<i>Cost or Valuation</i>					
At 1 April 2011	0	750	57	0	807
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairments Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
Depreciation	0	0	0	0	0
At 31 March 2012	0	750	57	0	807

The Castle Keep at Clitheroe

The Castle Keep at Clitheroe was built in 1186 by Robert de Lacy and is said to be one of the smallest Norman keeps in England. As set out in the summary of significant accounting policies, the council does not consider that reliable cost or valuation information can be obtained for this site. As information on cost or value is not available, and the cost of obtaining the information outweighs any benefit from obtaining such valuation, the asset is not included on the Balance Sheet.

Notes to the Core Financial Statements

The Clitheroe Castle Museum Collection

The Clitheroe Castle Museum Collection principally includes archaeological artifacts, geological collections, militaria and items of local social historical interest. The collection is managed by Lancashire Museum Services on behalf of the Council and is insured by them. The collection is reported in the Balance Sheet at insurance valuation.

Civic Regalia

The Council's civic regalia is reported in the balance sheet at insurance valuation.

The Roman Bath site at Ribchester

The Roman Bath site at Ribchester consists of the archaeological remains of a Roman bath house. As set out in the summary of significant accounting policies, the council does not consider that reliable cost or valuation information can be obtained for this site. As information on cost or value is not available, and the cost of obtaining the information outweighs any benefit from obtaining such valuation, the asset is not included on the Balance Sheet.

Additions of Heritage Assets

There have been no additions to the council's Heritage Assets in the 2011/12 financial year.

Disposals in 2011/12 of Heritage Assets

There have been no disposals of the council's Heritage Assets in the 2011/12 financial year.

Notes to the Core Financial Statements

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.

	2010/11 £	2011/12 £
Rental income from investment property	-101,052	-98,010
Direct operating expenses arising from investment property	33,171	33,643
Movement in the Market Value of Investment Properties	0	0
Net Gain/(Loss)	-67,881	-64,367

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.

	2010/11 £'000	2011/12 £'000
Balance at the start of the year	848	868
Additions		
- Purchases	0	0
- Subsequent Expenditure	20	0
Disposals	0	0
Net Gains/Losses from Fair Value Adjustments	0	0
Transfers		
- To/from Inventories	0	0
- To/from Property, Plant and Equipment	0	0
Other Changes	0	0
Balance at end of the year	868	868

Notes to the Core Financial Statements

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 balance in 2010/11 in intangible asset related to the financial management information system which was purchased in 2005/06. The purchases made in 2011/12 are in respect of the council's land charges system and replacement Customer Relationship Management (CRM) system.

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	2010/11 £'000	2011/12 £'000
<i>Balance at start of year:</i>		
Gross carrying amount	119	119
Accumulated amortisation	-104	-119
Net carrying amount at start of year	15	0
<i>Movement in year:</i>		
Expenditure in Year	0	41
Written Off to Revenue in year	-15	0
Balance at 31 March	0	41

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 2012 £	31 March 2010 £	31 March 2011 £	31 March 2012 £
<u>Investments</u>						
Loans and receivables	0	0	0	0	280,000	1,900,000
Total Investments	0	0	0	0	280,000	1,900,000
<u>Debtors</u>						
Loans and receivables	49,604	403,422	388,432	0	0	0
Financial assets carried at contract amount	0	0	0	371,313	451,869	295,020
Total Debtors	49,604	403,422	388,432	371,313	451,869	295,020
<u>Borrowings</u>						
Financial liabilities at amortised cost	-507,023	-435,916	-364,808	-71,108	-71,108	-71,108
Total Borrowings	-507,023	-435,916	-364,808	-71,108	-71,108	-71,108
<u>Other Long Term Liabilities</u>						
Finance lease liabilities	0	0	0	0	0	0
Total Other Long Term Liabilities	0	0	0	0	0	0
<u>Creditors</u>						
Financial liabilities carried at amortised cost	0	0	0	0	0	0
Financial liabilities carried at contract amount	0	0	0	-231,971	-308,056	-373,372
Total Creditors	0	0	0	-231,971	-308,056	-373,372

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.

Notes to the Core Financial Statements

Income, Expenses, Gains and Losses

	2010/2011		2011/2012	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	26,537	3,489	23,302	4,419
Interest Income	0	-24,393	0	-26,219

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 2011 and 31 March 2012 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		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£	£	£
Financial Liabilities	578,131	624,213	507,024	552,602	435,916	510,208

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		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£	£	£
Long-term debtors	49,604	49,604	403,422	403,422	388,432	388,432

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			Total		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
	£	£	£	£	£	£	£	£	£	£	£	£
Balance outstanding at start of year	42,856	53,961	52,201	5,517	6,853	7,553	11,020	17,016	20,362	59,393	77,830	80,116
Purchases	211,418	212,890	249,823	9,794	9,428	9,387	70,610	53,742	42,137	291,822	276,060	301,347
Recognised as an expense in the year	-199,172	-214,650	-238,699	-7,939	-8,728	-13,713	-64,614	-50,396	-46,795	-271,725	-273,774	-299,207
Written Off balances	-1,141	0	-330	-519	0	-226	0	0	-2,160	-1,660	0	-2,716
Balance outstanding at year-end	53,961	52,201	62,995	6,853	7,553	3,001	17,016	20,362	13,544	77,830	80,116	79,540

14 DEBTORS

	31 March 2010	31 March 2011	31 March 2012
	£	£	£
Central government bodies	514,476	438,597	226,149
Central government bodies - Net of Impairment	514,476	438,597	226,149
Other local authorities	405,691	407,523	310,489
Other local authorities - Net of Impairment	405,691	407,523	310,489
NHS Bodies	0	23,752	22,792
NHS Bodies - Net of Impairment	0	23,752	22,792
Public corporations and trading funds	0	0	25,513
Public corporations and trading funds - Net of Impairment	0	0	25,513
Other entities and individuals			
- House Purchase and Improvement Loans	1,509	301	6
- Sundry Debtors	1,791,502	1,116,673	754,358
- Council Tax	62,259	65,998	68,443
- Prepayments	147,043	136,318	114,077
- Impairment	-147,452	-148,348	-138,243
Other entities and individuals - Net of Impairments	1,854,861	1,170,942	798,641
Total	2,775,028	2,040,814	1,383,584

Notes to the Core Financial Statements

15 CASH AND CASH EQUIVALENTS

	31 March 2010 £	31 March 2011 £	31 March 2012 £
Cash held by the Council	19,888	15,571	13,762
Bank current accounts	-75,492	97,096	152,759
Short Term Investments	0	280,000	1,900,000
Subtotal	-55,604	392,667	2,066,521

16 ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11 £	2011/12 £	2010/11 £	2011/12 £
Balance outstanding at start of year	0	119,375	0	0
Assets newly classified as held for sale:				
- Property, Plant and Equipment	136,375	0	0	0
Assets declassified as held for sale:				
Assets sold	-17,000	-119,375	0	0
Balance outstanding at year-end	119,375	0	0	0

Notes to the Core Financial Statements

17 CREDITORS

	31 March 2010	31 March 2011	31 March 2012
	£	£	£
Central government bodies	126,126	298,906	225,158
Other local authorities	358,292	268,276	319,664
NHS Bodies	0	2,164	1,566
Public corporations and trading funds	0	0	0
Other entities and individuals			
Sundry Creditors	452,194	480,670	529,364
Council Tax	41,268	38,518	46,425
Commuted Sums	25,835	51,710	60,955
Refundable Deposits	14,289	10,263	12,048
Receipts in Advance	283,056	213,566	235,013
Total	1,301,060	1,364,073	1,430,193

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.

The treatment of these adjustments in 2011/12 financial year has changed and the entry is now shown in the accounts as a creditor rather than through a provision. The net effect on the accounts remains the same; however, the adjustment for 2011/12 now appears in a different part of the balance sheet, but still within Current Liabilities.

Notes to the Core Financial Statements

Short Term Compensated Absences	2010/11 £	2011/12 £
Balance at 1 April	89,768	85,826
Additional provisions made in the year	85,826	0
Amounts used in the year	-89,768	-85,826
Unused amounts reversed in the year	0	0
Unwinding of discounting in the year	0	0
Balance at 31 March	85,826	0

19 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6, 19 and 20.

In summary the Usable Reserves are shown below. Detailed analysis of the council's earmarked reserves is available in Note 7.

31 March 2010 £	31 March 2011 £		31 March 2012 £
1,222,095	1,448,760	General Fund Balance	1,616,373
3,287,877	3,505,789	Earmarked General Fund Reserves	4,173,399
169,334	151,180	Capital Grants Unapplied	192,971
0	0	Usable Capital Receipts Reserve	59,019
4,679,306	5,105,729	Total Usable Reserves	6,041,762

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.

2010/2011 £	2011/2012 £
1,222,095 Opening General Fund balance	1,448,760
226,665 Net amount added to (taken from) General Fund balance	167,613
1,448,760 Closing General Fund balance	1,616,373

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 7.

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

2010/2011 £	2011/2012 £
3,287,877 Opening Earmarked General Fund Reserves	3,505,789
1,465,422 Amounts added to Earmarked General Fund Reserves	1,326,569
-1,247,510 Amounts taken from Earmarked General Fund Reserves	-658,959
3,505,789 Closing Earmarked General Fund Reserves	4,173,399

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.

2010/2011 £	2011/2012 £
169,334 Opening Capital Grants Unapplied	151,180
126,001 Amounts added to Capital Grants Unapplied	46,631
-144,155 Amounts taken from Capital Grants Unapplied	-138,792
151,180 Closing Capital Grants Unapplied	59,019

Notes to the Core Financial Statements

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.

2010/2011 £		2011/2012 £
0	Opening Usable Capital Receipts Reserve	0
40,573	Amounts added to the Usable Capital Receipts Reserve	192,971
-40,573	Amounts taken from the Usable Capital Receipts Reserve	0
0	Closing Usable Capital Receipts Reserve	192,971

20 UNUSABLE RESERVES

31 March 2010 £	31 March 2011 £		31 March 2012 £
8,303,353	8,461,884	Capital Adjustment Account	8,001,907
-26,057	-29,975	Collection Fund Adjustment Account	-17,575
4,351,835	4,383,057	Revaluation Reserve	4,224,281
7,957	3,915	Deferred Capital Receipts Account	3,035
-15,602,324	-10,225,324	Pension Reserve	-13,346,324
-89,768	-85,826	Accumulated Absences Account	-85,266
-3,055,004	2,507,731	Total Unusable Reserves	-1,219,942

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 6 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

2010/2011 £		2011/2012 £	£
8,303,353	Balance at 1 April		8,461,884
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement		
-754,756	- Charges for depreciation and impairment of non-current assets	-763,489	
-42,111	- Revaluation losses on Property, Plant and Equipment	0	
-15,000	- Amortisation of intangible assets	0	
-627,439	- Revenue expenditure funded from capital under statute	-420,617	
-17,000	- 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	-24,376	
-1,456,306			-1,208,482
80,777	Adjusting amounts written out of the Revaluation Reserve		63,777
6,927,824	Net written out amount of the cost of non-current assets consumed in the year		7,317,179
	Capital financing applied in the year		
40,573	- Use of the Capital Receipts Reserve to finance new capital expenditure	0	
368,676	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	223,895	
144,155	- Application of grants to capital financing from the Capital Grants Unapplied Account	138,792	
132,769	- Statutory provision for the financing of capital investment charged against the General Fund	143,758	
847,887	- Capital expenditure charged against the General Fund	178,283	
1,534,060			684,728
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
8,461,884	Balance at 31 March		8,001,907

Notes to the Core Financial Statements

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.

2010/2011 £	2011/2012 £
-26,057	-29,975
Balance at 1 April	
-3,918	12,400
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	
-29,975	-17,575
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.

2010/2011 £	2011/2012 £
4,351,835	4,383,057
Balance at 1 April	
111,999	0
Upward revaluation of assets	
0	0
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
111,999	0
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	
-63,777	-63,777
Difference between fair value depreciation and historical cost depreciation	
-17,000	-94,999
Accumulated gains on assets sold or scrapped	
-80,777	-158,776
Amount written off to the Capital Adjustment Account	
4,383,057	4,224,281
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

2010/2011 £	2011/2012 £
7,957 Balance at 1 April	3,915
-4,042 Transfer to the Capital Receipts Reserve upon receipt of cash	-880
3,915 Balance at 31 March	3,035

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.

2010/2011 £	2011/2012 £
-15,602,324 Balance at 1 April	-10,225,324
3,727,000 Actuarial gains and (losses) on pensions assets and liabilities	-2,859,000
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	-1,090,000
811,000 Employer's pensions contributions and direct payments to pensioners payable in the year	828,000
-10,225,324 Balance at 31 March	-13,346,324

Notes to the Core Financial Statements

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.

2010/2011 £		2011/2012 £
-89,768	Balance at 1 April	-85,826
89,768	Settlement or cancellation of accrual made at the end of the preceeding year	85,826
-85,826	Amounts accrued at the year end of the current year	-85,266
3,942	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	560
-85,826	Balance at 31 March	-85,266

21 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/2011 £		2011/2012 £
-20,904	Interest received	-21,800
26,537	Interest paid	23,302

22 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2010/2011 £		2011/2012 £
1,874,266	Purchase of property, plant and equipment, investment property and intangible assets	540,969
-40,573	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-192,971
-1,342,563	Other receipts from investing activities	-448,809
491,130	Net cash flows from investing activities	-100,811

Notes to the Core Financial Statements

23 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2010/2011 £	2011/2012 £
71,108	71,108
72,045	-140,070
143,153	-68,962

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 Service Reporting 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 2011/12	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,795,980	-308,799	-656,985	-4,726,661	-10,488,425
Government Grants	-106	-9,921,484	-20,847	-90,104	-10,032,541
Total Income	-4,796,086	-10,230,283	-677,832	-4,816,765	-20,520,966
Employee related expenditure	3,072,586	3,570	67,862	2,925,096	6,069,114
Other service expenses	3,115,425	9,714,242	257,669	1,497,670	14,585,006
Support Services recharges	1,284,651	953,530	926,257	2,052,778	5,217,216
Depreciation	668,836	13,597	3,657	77,400	763,490
Total Expenditure	8,141,498	10,684,939	1,255,445	6,552,944	26,634,826
Net Expenditure	3,345,412	454,656	577,613	1,736,179	6,113,860

Committee Income and Expenditure 2010/11 Comparative Figures	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,251,046	-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
Total Income	-4,275,575	-9,281,560	-2,311,529	-4,498,292	-20,366,956
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	650,116	13,596	3,657	102,387	769,756
Total Expenditure	7,708,886	9,964,151	2,868,856	6,474,538	27,016,431
Net Expenditure	3,433,311	682,591	557,327	1,976,246	6,649,475

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.

	2010/2011 £	2011/2012 £
Net Expenditure in the Committee Analysis	6,649,475	6,113,860
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-2,132,069	153,531
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-2,132,069	153,531
Cost of Services, Gain/Loss on Trading Accounts and Gain/Loss on Investment Properties in Comprehensive Income and Expenditure Statement	4,517,406	6,267,391

Notes to the Core Financial Statements

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.

2011/2012	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	-10,488,425	0	-10,488,425	0	-10,488,425
Interest and investment income	0	0	0	-21,800	-21,800
Income from council tax	0	0	0	-3,516,106	-3,516,106
Government grants and contributions	-10,032,541	-270,526	-10,303,067	-3,377,746	-13,680,813
Total Income	-20,520,966	-270,526	-20,791,492	-6,915,652	-27,707,144
Employee related expenditure	6,069,114	3,440	6,072,554	258,000	6,330,554
Other service expenses	14,585,006	0	14,585,006	0	14,585,006
Support Service recharges	5,217,216	0	5,217,216	0	5,217,216
Depreciation, amortisation and impairment	763,490	420,617	1,184,107	0	1,184,107
Interest payments	0	0	0	23,302	23,302
Precepts and levies	0	0	0	372,315	372,315
Payments to Housing Capital Receipts Pool	0	0	0	660	660
Gain or loss on disposal of Non-Current assets	0	0	0	-73,376	-73,376
Total Expenditure	26,634,826	424,057	27,058,883	580,901	27,639,784
Surplus or Deficit on the Provision of Services	6,113,860	153,531	6,267,391	-6,334,751	-67,360

Notes to the Core Financial Statements

2010/2011 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	-11,042,171	0	-11,042,171	0	-11,042,171
Interest and investment income	0	0	0	-20,904	-20,904
Income from council tax	0	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
Total Income	-20,366,956	-494,677	-20,861,633	-7,700,633	-28,562,266
Employee related expenditure	6,385,092	-2,306,942	4,078,150	653,000	4,731,150
Other service expenses	14,396,612	0	14,396,612	0	14,396,612
Support Service recharges	5,464,971	0	5,464,971	0	5,464,971
Depreciation, amortisation and impairment	769,756	669,550	1,439,306	0	1,439,306
Interest payments	0	0	0	26,537	26,537
Precepts and levies	0	0	0	373,143	373,143
Payments to Housing Capital Receipts Pool	0	0	0	3,005	3,005
Gain or loss on disposal of Non-Current assets	0	0	0	-22,617	-22,617
Total Expenditure	27,016,431	-1,637,392	25,379,039	1,033,068	26,412,107
Surplus or Deficit on the Provision of Services	6,649,475	-2,132,069	4,517,406	-6,667,565	-2,150,159

Notes to the Core Financial Statements

25 TRADING OPERATIONS

The Council has established one trading unit where the Head of Service is required to operate in a commercial environment and balance their budget by generating income from other organisations. Detail of this unit is as follows:

		<u>2010/2011</u>		<u>2011/2012</u>	
		£	£	£	£
Clitheroe Market					
<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>	Turnover	-104,922		-108,874	
	Expenditure	97,889		93,295	
	Surplus		-7,033		-15,579

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

26 MEMBERS' ALLOWANCES

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

	<u>2010/2011</u>	<u>2011/2012</u>
	£	£
Basic Allowance	106,263	106,543
Special Responsibility Allowances	80,580	80,859
Expenses	8,136	7,079
	194,979	194,481

Notes to the Core Financial Statements

27 OFFICERS' EMOLUMENTS

Shown in the tables below are details of those officers where the **salary** element within officer remuneration is greater than £50,000.

Remuneration Disclosure (excluding Pension Contributions)

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions
	2010/2011 £	2010/2011 £	2010/2011 £	2011/2012 £	2011/2012 £	2011/2012 £
Chief Executive*	88,257	6,155	94,412	95,859	6,496	102,355
Director of Community Services	73,233	6,983	80,216	73,233	6,889	80,122
Director of Development	71,559	3,488	75,047	0	0	0
Director of Resources	68,565	6,785	75,350	70,122	8,010	78,132
	301,614	23,411	325,025	239,214	21,395	260,609

*Please note that the values for the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year*

In both financial years there were no employees with a salary of more than £150,000. Please note that the figures shown above for the Chief Executive post includes receipts for Acting Returning Officers Fees.

Following a structure review at the Council the post of Director of Development was removed from the establishment with effect from the 1 April 2011. All reporting responsibilities of the remaining Directors and the Chief Executive were reviewed overall, and were redistributed with effect from 1 April 2011.

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 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.

Notes to the Core Financial Statements

Salary Banding 2010/2011	Salary Banding 2011/2012	Employee Contribution Rate
£0 - £12,600	£0 - £13,500	5.5%
> £12,600 - £14,700	> £13,500 - £15,800	5.8%
> £14,700 - £18,900	> £15,800 - £20,400	5.9%
> £18,900 - £31,500	> £20,400 - £34,000	6.5%
> £31,500 - £42,000	> £34,000 - £45,500	6.8%
> £42,000 - £78,700	> £45,500 - £85,300	7.2%
> £78,700	> £85,300	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 2010/2011 and 2011/2012 were:

Elements of Contribution Rate	2010/2011	2011/2012
Common Rate	13.3%	12.5%
Ribble Valley Adjustment amount	2.3%	3.6%
Total Contribution Rate	15.6%	16.1%

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
	2010/2011		2010/2011	2011/2012		2011/2012
	£	£	£	£	£	£
Chief Executive*	94,412	11,738	106,150	102,355	11,982	114,337
Director of Community Services	80,216	9,740	89,956	80,122	9,154	89,276
Director of Development	75,047	74,575	149,622	0	0	0
Director of Resources	75,350	9,119	84,469	78,132	8,765	86,897
	325,025	105,172	430,197	260,609	29,901	290,510

Please note that the values for the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year

Notes to the Core Financial Statements

The Council's employees receiving more than £50,000 **remuneration** for the year (excluding employer's pension contributions) were paid the following amounts:

	2010/2011	Staff who have left	2011/2012
£50,000 - £54,999			2
£55,000 - £59,999			
£60,000 - £64,999			
£65,000 - £69,999			
£70,000 - £74,999			
£75,000 - £79,999	2	-1	1
£80,000 - £84,999	1		1
£85,000 - £89,999			
£90,000 - £94,999	*1		
£95,000 - £99,999			
£100,000 - £104,999			*1

Please note that the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year

28 EXTERNAL AUDIT COSTS

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

	2010/2011 £	2011/2012 £
Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	85,673	80,820
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	25,100	22,470
Total	110,773	103,290

Notes to the Core Financial Statements

29 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2010/2011 £	2011/2012 £
<i>Credited to Taxation and Non Specific Grant Income</i>		
National Non Domestic Rates	-3,616,386	-2,472,716
Revenue Support Grant	-525,133	-764,324
Area Based Grant	-34,656	0
New Homes Bonus	0	-64,046
Council Tax Freeze Grant	0	-78,660
Total Credited to Taxation and Non Specific Grant Income	-4,176,175	-3,379,746
<i>Credited to Services</i>		
<i>Grants Received for Capital Purposes</i>		
Disabled Facilities Grant	-112,100	-136,940
Regional Housing Capital Pot	-126,000	0
Big Lottery Children's Play	-40,000	-79,796
Sport England	0	-20,000
Flood Protection Grant	-71,875	-790
DCLG Mortgage Rescue Programme	0	-30,000
Other Capital Grants and Contributions	-144,701	-3,000
Total Grants Rreceived for Capital Purposes	-494,676	-270,526

Notes to the Core Financial Statements

	2010/2011 £	2011/2012 £
<u>Grants Received for Revenue Purposes</u>		
Habitats and Climate Change Grant	-16,835	-16,835
DEFRA Flood Grant	-6,202	-10,846
National Concessionary Travel	-160,738	0
CRM Development	-20,000	0
NNDR Administration	-84,196	-85,061
Small Business Rate Relief	-8,422	-2,995
Land Charges Restitution	-34,356	0
DCMS - Free Swimming Grant	-22,529	0
Lancashire Children's Trust	-20,000	-20,000
LAA and LSP Crime Reduction	-69,887	-37,332
Lancashire Highways Partnership	-61,900	-61,900
East Lancashire Primary Care Trust	-129,988	-155,690
Sport England	-21,590	-14,660
School Sports Partnership	-10,000	0
Ribble Valley Community Safety Partnership	-27,839	-15,999
Council Tax Benefit subsidy	-2,277,207	-2,323,979
Rent Allowance Subsidy	-6,424,454	-7,189,406
Council Tax and Housing Benefit Administration	-246,920	-271,107
Performance Reward Grant	-169,062	0
Performance Reward Grant toward Dog Warden Service	-9,370	-4,000
FSA Scores on the Doors	-6,956	0
DoH - Warm Homes Grant	0	-108,251
DCLG Homelessness Grant	0	-50,000
Other Grants	-36,018	-34,905
Total Grants Received for Revenue Purposes	-9,864,469	-10,402,966
Total Credited to Services	-10,359,145	-10,673,492

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

30 RELATED PARTY TRANSACTIONS

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 2011/2012 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 interests. With regard to the award of grants, £84,510 was awarded in the year to bodies in which 10 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, £1,550 was awarded in the year to bodies in which 2 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.

	2010/2011 £	2011/2012 £
Opening Capital Financing Requirement	3,701,041	4,041,248
<u>Capital Investment</u>		
Property, Plant and Equipment	1,226,970	79,788
Investment Properties	19,858	0
Intangible Assets	0	40,564
Revenue Expenditure Funded from Capital Under Statute	627,439	420,617
<u>Sources of Finance:</u>		
Capital Receipts	-40,573	0
Government Grants and Other Contributions	-512,831	-362,687
Sums set aside from revenue:		
- Revenue Contributions	-847,887	-178,282
- Minimum Revenue Provision	-132,769	-143,758
Closing Capital Financing Requirement	4,041,248	3,897,490
<u>Explanation of Movements in Year</u>		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	340,207	-143,758
Increase/(Decrease) in Capital Financing Requirement	340,207	-143,758

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:

	2010/2011 £	2011/2012 £
Not later than one year	20,031	14,224
Later than one year and not later than five years	78,972	89,860
Later than five years	487,534	480,952
	586,537	585,036

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £78,667 (£87,124 in 2010/11).

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:

	2010/2011 £	2011/2012 £
Not later than one year	-3,780	-4,315
Later than one year and not later than five years	-44	-2,023
Later than five years	-385,822	-403,703
	-389,646	-410,041

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

In 2011/12 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £37,445. (£37,385 in 2010/11).

33 DEFINED BENEFIT PENSION SCHEMES

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	
	2010/2011 £'000	2011/2012 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- current service costs	903	783
- past service costs/(gain)	-2,395	0
- settlements and curtailments	0	49
Financing and Investment Income and Expenditure		
- interest cost	2,393	2,168
- expected return on scheme assets	-1,740	-1,910
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	-839	1,090
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- actuarial gains and losses	-3,727	1,429
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account	-4,566	2,519
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or deficit for the Provision of Services for post employment benefits in accordance with the Code	839	-1,090
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to the scheme	811	828

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £1,429,000 (31 March 2011 gain of £3,727,000).

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 decreased as a direct result of these changes.

Notes to the Core Financial Statements

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

Local Government Pension Scheme	2010/2011 £'000	2011/2012 £'000
1 April	42,813	39,687
Current Service Cost	903	783
Interest Cost	2,393	2,168
Contributions by scheme participants	302	280
Actuarial (gains)/losses on liabilities	-2,972	1,430
Benefits paid	-1,357	-1,588
Past Service Costs (gain)	-2,395	0
Settlements and Curtailments	0	49
31 March	39,687	42,809

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme	2010/2011 £'000	2011/2012 £'000
1 April	27,210	29,461
Expected return on plan assets	1,740	1,910
Actuarial gains/(losses) on assets	755	-1,429
Employer contributions	811	828
Settlements	0	0
Member contributions	302	280
Benefits/Transfers paid	-1,357	-1,588
31 March	29,461	29,462

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 6.54% (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. As at 31 March 2012 this yield was 3.1% p.a.

Notes to the Core Financial Statements

The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect risk of default in the corporate bond yield. This means that the expected return on corporate bond investments is lower than the discount rate used in the calculations. As at 31 March 2012 the expected return of 4.1% p.a. is calculated as the relevant yield of 4.6% p.a. on 1Boxx corporate bonds over 15 years duration less an allowance for the risk of default of 0.5% p.a.

It is generally accepted that the yield on equity investments will contain an 'equity risk premium' in addition to the yield on Government bonds, which are perceived as the 'least-risk' investment class, in order to compensate investors for the additional risk of holding this type of investment. Historical excess equity returns over more than 100 years have been approximately 4% per annum on average. However, the level of equity risk premium can vary from time to time dependant on market levels and expectations for future returns. The scheme's actuary, Mercer Limited have taken the overall expected return on equities as at 31 March 2012 as 7% p.a., implying an equity risk premium on equities of c.4% over and above the gilt yield of 3.1%.

The Appropriate level for the equity risk premium has been the subject of much debate in the financial community. The scheme's actuary, Mercer Limited historically based assumptions on an internal model linked to company earnings and market prices. However, in light of the recent substantial falls in gilt yields, and considering other models which could be used to determine an appropriate assumption, the equity risk premium which has been used is slightly higher than in previous year ends. The overall effect is to achieve more stability of expected equity returns looking forward.

The actual return on scheme assets in the year was £0.480m (£2.187m return in 2010/11)

Scheme History

Local Government Pension Scheme	2007/2008 As restated £'000	2008/2009 £'000	2009/2010 £'000	2010/2011 £'000	2011/2012 £'000
Present Value of Liabilities	-39,119	-31,755	-42,812	-39,687	-42,809
Fair Value of Assets	28,338	21,200	27,210	29,461	29,462
Surplus/(Deficit) in the scheme	-10,781	-10,555	-15,602	-10,226	-13,347

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £13.347m 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 2013 are £808,000.

Notes to the Core Financial Statements

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 fund being based on the latest full valuation of the scheme on 31 March 2010.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2010/2011	2011/2012
Long term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.0%
Government Bonds	4.4%	3.1%
Other Bonds	5.1%	4.1%
Property	6.5%	6.0%
Cash/Liquidity	0.5%	0.5%
Other	7.5%	7.0%
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	21.6 years	21.7 years
Women	24.2 years	24.3 years
Longevity at 65 for future pensioners:		
Men	23.0 years	23.1 years
Women	25.8 years	25.9 years
Rate of CPI Inflation	2.90%	2.50%
Rate of increase in salaries	4.90%	4.50%
Rate of increase in pensions	2.90%	2.50%
Rate for discounting scheme liabilities	5.50%	4.90%
Take-up 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 2011 %	31 March 2012 %
Equity investments	64.0	58.0
Government Bonds	7.0	5.0
Other Bonds	14.0	15.0
Property	8.0	10.0
Cash/Liquidity	1.0	5.0
Other	6.0	7.0
Total	100.0	100.0

Notes to the Core Financial Statements

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

Local Government Pension Scheme	2007/2008 %	2008/2009 %	2009/2010 %	2010/2011 %	2011/2012 %
	Restated				
Experience gains/losses on assets	10.9	34.3	20.3	2.6	4.9
Experience gains/losses on liabilities	2.3	0.0	0.0	7.4	0.0

34 CONTINGENT LIABILITIES

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

35 CONTINGENT ASSETS

VAT Sharing Arrangement

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share the 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 total reclaimable VAT is likely to be in the region of £4.5m over 15 years with the first payment having been received 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.

Trade Waste Service VAT Reclaim

The Council engaged the services of consultants to pursue a potential VAT claim for trade waste services. The claim remains outstanding at the 31 March 2012 and is currently being considered by HM Revenue and Customs. If successful this challenge could potentially lead to reimbursement of around £132,000 of VAT plus additional interest. It is anticipated a decision will be made within the 2012/13 financial year.

36 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 to 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

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 credit criteria as detailed in 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 credit criteria in respect of financial assets held by the council are detailed as below:

- Investments to Building Societies limited to top 8 based on total assets
- Institutions must have a short term Fitch IBCA rating of F2 or above
- Institutions are UK based

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 2011 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 £138,243 of which £13,237 relates to sundry debts (£115,916 including impairment for total Housing Benefit recovery impairment). The balance is in respect of this Council's share of the Council Tax impairment of debts.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies at the 31 March was nil, based on past and current experience. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2012 that this was likely.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. Shown in the table is a provision for 'bad and doubtful debts' which the council is confident is more than adequate to cover for future losses due to default.

Notes to the Core Financial Statements

	Amount at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default and uncollectability at 31 March 2012	Estimated maximum exposure at 31 March 2011
	£	%	%	£	£
	A	B	C	(A x C)	
Deposits with banks and building societies	1,900,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits)	382,678	22.80%	30.29%	115,916	127,022

The council expects settlement terms from debtors of no greater than 14 days. On this basis £247,000 of the sundry debtor balance at 31 March 2012 is past its due date for payment; however a proportion of this is being paid on an agreed alternative payment plan. The full sundry debtor balance due but not impaired can be analysed by age as follows:

Aged Sundry Debt - 31 March 2012	£'000
Less than 30 days	102,077
30 days to 59 days	16,733
60 days to 89 days	9,744
90 days to 119 days	2,698
120 days +	177,005
	308,257

Liquidity risk

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the Public Works Loans Board. There is 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, such as 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

Notes to the Core Financial Statements

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 2011 £'000	31 March 2012 £'000
Less than one year	71	71
Between 1 and 2 years	71	71
Between 2 and 5 years	160	124
Between 5 and 10 years	89	65
More than 10 years	116	105
	507	436

Market Risk

Interest Rate Risk

The Council has limited exposure to interest rate movements on its borrowings and investments, particularly as its long term borrowing is on fixed rates.

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 in March 2011, 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%

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 £40,000. 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.

Notes to the Core Financial Statements

37 HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS

There have been no acquisitions, donations, disposals or impairments for any of the Council's heritage assets in the current, or previous four, financial years.

38 HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

The Code of Practice on Local Authority Accounting 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in the summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at a nominal value of £1 or at the valuation of work undertaken on the asset) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The council's accounting policies for recognition and measurement of heritage assets are set out in the council's summary of significant accounting policies (See page 23).

In applying the new accounting policy, the council has identified that two assets that were previously held as community assets within property, plant and equipment at £188,522 within the 2010/11 Statement of Accounts should now be recognised as heritage assets but with a nil valuation due to the nature of the assets, these being the Clitheroe Castle Keep and the Ribchester Roman Baths. The previous asset values related to work that had been undertaken on the renovation of the Keep some years previous and a nominal value of £1 for the Roman Baths, and did not reflect the value of the assets themselves.

Two further groups of assets were previously not included in the Council's balance sheet at any value, but have now been included at insurance valuation. These assets are the Civic Regalia at £56,600 and the Clitheroe Museum Collection at £750,000. This increase will be recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

Notes to the Core Financial Statements

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £806,600. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £192,844. The revaluation reserve has increased by £806,600
- The fully restated 1 April 2010 Balance Sheet is provided on page 41. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010	Opening Balances as at 1 April 2010	Restatement	Restatement required to opening balances as at 1 April 2010
	£	£	£
Property, Plant and Equipment	14,879,222	14,686,378	-192,844
Heritage Assets	0	806,600	806,600
Long Term Assets	15,792,076	16,405,833	613,757
Total Net Assets	1,010,546	1,624,303	613,757
Unusable Reserves	-3,668,760	-3,055,004	613,756
Net Worth/Total Reserves	1,010,546	1,624,302	613,756

Comprehensive Income and Expenditure Statement

The following restatement has been made to the Comprehensive Income and Expenditure Statement. This restatement relates to depreciation charges that were previously charged on the work that had been undertaken on the renovation of the Clitheroe Castle Keep some years previous.

Effect on Comprehensive Income and Expenditure Statement 2010/11	2010/11 Statements	Restatement	Restatement Required to the 31 March 2012 Statements
	£	£	£
Cost of Services (Net)			
Cultural Related Services	1,518,178	1,513,857	-4,321
Cost of Services	22,282,582	22,278,261	-4,321
(Surplus) or Deficit on Provision of Services	-2,145,838	-2,150,159	-4,321
Total Comprehensive Income and Expenditure	-5,984,837	-5,989,158	-4,321

Notes to the Core Financial Statements

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As Previously Stated 31 March 2011 £'000	As Restated 31 March 2011 £'000	Restatement 2011 £'000
Balance as at the end of the previous reporting period - 31 March 2010	-3,668,760	-3,055,004	613,756
Surplus or Deficit on the Provision of Services	2,145,838	2,150,159	4,321
Other Comprehensive Income and Expenditure	3,838,999	3,838,999	0
Adjustments between the accounting basis and the funding basis under regulations	1,719,415	1,723,736	4,321
Increase/(decrease) in the year	5,558,414	5,562,735	4,321
Balance at the end of the current reporting period 31 March 2011	1,889,654	2,507,731	618,077

The resulting restated Balance Sheet for 31 March 2011 is provided on page 41. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011	As Previously Stated 31 March 2011 £'000	As Restated 31 March 2011 £'000	Restatement 2011 £'000
Property, Plant and Equipment	15,277,628	15,092,105	-185,523
Heritage Assets	0	806,600	806,600
Long Term Assets	16,552,158	17,170,235	618,077
Total Net Assets	6,995,383	7,613,460	618,077
Unusable Reserves	1,889,654	2,507,731	618,077
Net Worth/Total Reserves	6,995,383	7,613,460	618,077

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £806,600 on the Balance Sheet resulting in an increase to the Revaluation Reserve of £806,600. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £185,523.

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.

	2010/2011 £'000	2011/2012 £'000
<i>Income</i>		
Council Tax	30,632	30,721
Transfers From General Fund - Council Tax Benefits	2,252	2,302
Business Rates	11,218	12,473
Share of Estimated Deficit		
- Lancashire County Council	80	106
- Ribble Valley Borough Council	11	15
- Lancashire Police Authority	10	14
- Lancashire Combined Fire Authority	5	6
	44,208	45,637
<i>Expenditure</i>		
Precepts and Demands:		
- Lancashire County Council	24,778	24,786
- Ribble Valley Borough Council	3,519	3,519
- Lancashire Police Authority	3,270	3,271
- Lancashire Combined Fire Authority	1,423	1,423
Business Rates - Payment to National Pool	11,134	12,388
- Costs of Collection	84	85
Provision for Bad/Doubtful Debts	35	49
	44,243	45,521
(Deficit)/Surplus for the Year	-35	116
Deficit Brought Forward	-246	-281
Deficit Carried Forward	-281	-165

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:

	2010/2011 £	2011/2012 £
Gross Rates	14,092,891	15,608,095
Less Allowances and Other Adjustments	-2,875,119	-3,134,970
Income Collectable From Business Ratepayers	11,217,772	12,473,125
Less Cost of Collection	-84,196	-85,061
Net Payment to National Pool	11,133,576	12,388,064

The total non-domestic rateable value at 31 March 2012 was £36,924,018 compared to £35,897,687 at 31 March 2011 based on the 2010 listing.

The national non-domestic multiplier (rate in the pound) for the year 2011/12 was 43.3 pence compared to 41.4 pence in the year 2010/11.

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	4.50	2.5
A	6/9	3,285	2,783.75	1,855.8
B	7/9	4,634	4,115.00	3,200.6
C	8/9	4,677	4,227.25	3,757.6
D	1	4,304	3,979.00	3,979.0
E	11/9	3,183	2,989.75	3,654.1
F	13/9	2,008	1,907.50	2,755.3
G	15/9	1,820	1,742.50	2,904.2
H	18/9	176	170.00	340.0
Totals		24,092	21,919.25	22,449.10
			Adjustments	-85.10
			Council Tax Base	22,364

Collection Fund

4 BAND D COUNCIL TAX

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

	2010/2011 £	2011/2012 £
Lancashire County Council Precept	24,778,240	24,785,998
Lancashire Police Authority Precept	3,270,201	3,271,167
Lancashire Combined Fire Authority Precept	1,423,023	1,423,469
Ribble Valley Borough Council Demand (excluding Parishes)	3,145,440	3,146,391
Total to be Met From Council Tax	32,616,904	32,627,025
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,357	22,364
Band D Council Tax (Average excluding Parishes)	£1,458.91	£1,458.91

5 PROVISION FOR LOSSES

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

	Council Tax £	NNDR £	Total £
Opening Balance	200,000	220,000	420,000
Write Offs in Year	-38,961	-128,030	-166,991
Increase to Provision	48,961	158,030	206,991
Closing Balance	210,000	250,000	460,000

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	2010/2011 Share of 31			2011/2012 Share of 31		
	March Deficit	Total		Precept	March Deficit	Total
	£'000	£'000		£'000	£'000	£'000
24,778	211	24,989	Lancashire County Council	24,786	124	24,910
3,270	28	3,298	Lancashire Police Authority	3,271	17	3,288
1,423	12	1,435	Lancashire Combined Fire Authority	1,423	7	1,430
3,145	30	3,175	Ribble Valley Borough Council	3,147	17	3,164

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.

Accruals Basis

An accounting concept which requires that income and expenditure are accrued (i.e. recognised as they are earned or incurred, not as they are received or paid). Under this concept therefore, inclusion or exclusion of an item of income or expenditure will depend on the period to which it relates, not the period in which it was received or performed.

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.

Amortisation

The loss in value of an intangible asset due to its use by the organisation.

Glossary of Terms

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.

Capital Receipt

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

Carrying Amount

The amount at which an asset is recognised in the balance sheet after deducting accumulated depreciation and accumulated impairment losses.

Collection Fund

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

Glossary of Terms

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.

Financial Instrument

A contract that gives rise to a financial asset of one entity and a financial liability of another entity.

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.

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.

Intangible Asset

This is a non-physical fixed asset. Intangible fixed assets include patents, brands, etc.

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.

Inventories

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.

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 Current Assets

Assets that can be expected to be consumed or realised over a period greater than the next accounting period.

Operating Lease

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

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.

Glossary of Terms

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.

Prepayment

The payment of a debt obligation before it is due

Provision

A liability of uncertain timing or amount

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.

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.

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.

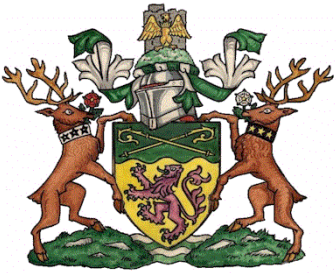
Useful Life

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

Abbreviations used within the Statement of Accounts

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

Glossary of Terms



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