

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 28 AUGUST 2013
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2012/13
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2012/13, following completion of the audit.

1.2 Relevance to the Council's ambition and priorities

- Community Objectives – none identified
- Corporate Priorities – to continue to be a well-managed Council, providing efficient services based on customer need and meets the objective within this priority of maintaining critical financial management controls, ensuring the authority provides council tax payers with value for money
- Other Consideration – none identified

2 BACKGROUND

2.1 Approval of the Statement of Accounts is within the terms of reference of this committee

2.2 At your meeting on 26 June 2013 this committee approved the Statement of Accounts for 2012/13, **subject to audit**.

2.3 This preceded the period of audit of the accounts by our external auditors, which commenced this year on 1 July 2013 and is now completed.

2.4 The final approved version following any amendments must be published by the end of September.

3 AMENDMENTS TO DRAFT VERSION OF THE STATEMENT OF ACCOUNTS FOR 2012/13

3.1 The clearance meeting with Grant Thornton was held on 31 July 2013. The purpose of the meeting is for the auditors to report their findings during the audit of the accounts and for agreement to be reached with ourselves on any adjustments to be carried out. Following the clearance meeting a number of amendments have been made to the Statement of Accounts as referred to in the Letter of Representation report, which is included elsewhere on the agenda for this meeting.

3.2 We are very pleased that in the main there have been only minor amendments to the draft accounts recommended by our auditors. The few amendments made were changes to the presentation of items of information contained in the notes to the accounts and had no impact on the overall figures stated in the main statements.

3.3 The main changes made were an amended overall total of grants credited to services in note 29 on page 88, as the overall total in the 'subject to audit' version of the accounts did not include the subtotal for capital grants at the bottom of page 87. Secondly, note 32 in the 'subject to audit' version of the accounts showed the classification of leases by expiry date rather than showing the values classified by payment due date.

4 STATEMENT OF ACCOUNTS FOR 2012/13

4.1 The final statement of accounts for 2012/13 is attached to this report. Following receipt of the auditor's opinion, we will publish the accounts on our website prior to the deadline of 30 September 2013. A summary version of the accounts will also be prepared and published on our website.

4.2 Once again, from the Council's perspective, the early audit of the accounts has progressed very smoothly and timely, and the deadline for the approval of the audited Statement of Accounts at this meeting has been met. We are very pleased to have met this deadline once again.

5 RISK ASSESSMENT

5.1 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 demonstrated its commitment to best practice. The early completion of the audit and approval of the final audited Statement of Accounts at this meeting with minimal amendment can only be good for the Council's reputation.
- 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.

6 CONCLUSION

6.1 Due to a considerable amount of time and effort by our finance team the closure of the council's accounts for 2012/13 has proceeded well.

6.2 The planned early closedown and audit of the Statement of Accounts has been completed as planned, which is extremely pleasing.

7 RECOMMENDED THAT THE ACCOUNTS AND AUDIT COMMITTEE

7.1 Approve the audited Statement of Accounts for 2012/13.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA14-13/LO/AC
16 August 2013

BACKGROUND PAPERS

Closedown Working Papers – Final Accounts 2012/13

Report to Accounts and Audit Committee 26 June 2013 - Draft Statement of Accounts 2012/13

For further information please ask for Lawson Oddie, extension 4541



Statement of Accounts

[Audited]

2012/2013

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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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 2013 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 2012/13 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 2012/13
(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 sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statement of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2011.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England.

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).

There are no major areas of change that impact on this Council's 2012/13 Statement of Accounts.

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 | 3,309 | 3,256 | 3,112 | -197 | -144 |
| Policy & Finance | 1,910 | 1,774 | 1,619 | -291 | -155 |
| Planning & Development | 600 | 630 | 421 | -179 | -209 |
| Health & Housing | 672 | 718 | 650 | -22 | -68 |
| Committee Expenditure | 6,491 | 6,378 | 5,802 | -689 | -576 |
| Interest Payable | 20 | 20 | 20 | 0 | 0 |
| Parish Precepts | 372 | 372 | 372 | 0 | 0 |
| Interest Received | -30 | -30 | -27 | 3 | 3 |
| Net Operating Expenditure | 6,853 | 6,740 | 6,167 | -686 | -573 |
| Precept from Collection Fund (including parish precepts) | -3,528 | -3,528 | -3,528 | 0 | 0 |
| Deficit on Collection Fund | 10 | 10 | 10 | 0 | 0 |
| New Homes Bonus | -167 | -180 | -180 | -13 | 0 |
| Council Tax Freeze Concession | -79 | -79 | -79 | 0 | 0 |
| Revenue Support Grant | -55 | -55 | -55 | 0 | 0 |
| Business Rates Redistribution | -2,847 | -2,847 | -2,847 | 0 | 0 |
| Contingency | 75 | 0 | 0 | -75 | 0 |
| Deficit/(Surplus) for year | 262 | 61 | -512 | -774 | -573 |
| Depreciation | -688 | -656 | -656 | 32 | 0 |
| Minimum Revenue Provision | 148 | 140 | 140 | -8 | 0 |
| Net Transfer to/from earmarked reserves | 299 | 525 | 945 | 646 | 420 |
| Deficit/(Surplus) for year | 21 | 70 | -83 | -104 | -153 |

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 | -13 |
| Removal of Contingency | -75 |
| Decrease in Depreciation | 32 |
| Decrease in Minimum Revenue Provision | -8 |
| Increase in amount set aside in Earmarked Reserves | 226 |
| Net decrease in Service Committee costs | -113 |
| Net increase in amount to take from balances for the year | 49 |

Financial Performance and Outlook

The council's final outturn against budget demonstrates the achievement of the savings identified as part of the council's full service reviews that were undertaken in 2011/12, with some areas achieving further savings.

Our budget monitoring arrangements and full reporting on financial progress to our members has helped keep our spending and income targets on track, with the early ability to take corrective action where needed.

This has helped result in us adding £83,000 to our general balances rather than our revised estimate of taking £70,000 from general balances. We have also continued to review the level and need for each of our earmarked reserves in order to better prepare ourselves for known pressures that the council is likely to experience in the short to medium term.

The forthcoming Spending Review in June 2013 could potentially see further substantial cuts to local government funding. The council has always worked to minimise the impacts of reduced government funding and is already working to minimise the impact of the provisional level of government funding for 2013/14 where we will see a reduction of 12.7%. Over the last few years we have undertaken a review of senior management and more recently undertaken full service reviews which have achieved savings of £635,000.

We recognise that these changing times mean that we need to keep ahead of our service delivery methods. As part of our service reviews we fundamentally changed how we serve our customers, through a dedicated new customer services function which will achieve substantial savings through upfront investment in infrastructure.

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.

Explanatory Foreword

This is fundamental to the changes made to the manner in which local government is funded from 1 April 2013 onwards. This does increase the volatility around the council's future funding, with heavy reliance on economic growth within the borough and the potential impairment of our funding should any business cease or reduce their operations within the borough boundary. We have set aside a 'safety net' within our earmarked reserves to help mitigate the effects of any such future volatility.

As a result of the extensive uncertainty surrounding future government support towards the council, the need for 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 maintains a healthy level of general fund balances in light of the future uncertainties.

The financial impact of our Local Council Tax Support Scheme, which was first introduced from the 1 April 2013, will be closely monitored throughout the 2013/14 financial year in order to inform any future changes to the scheme from 1 April 2014.

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 immediate future.

During 2012/13 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 | -38 |
| Staff Training Costs | -19 |
| Public Conveniences | -35 |
| Building Repairs and Maintenance | -5 |
| Vehicle Running Costs | -21 |
| Staff Vehicle Mileage | -7 |
| Equipment, Materials and Admin | -23 |
| Books and Publications | -10 |
| Forest of Bowland Bridleway Scheme (<i>Scheme now to take place in 2013/14</i>) | -35 |
| Computer Equipment | -20 |
| Postages | -9 |
| Printing and Stationery | -10 |
| Planning Consultants | 35 |
| Core Strategy Consultants (<i>Costs of further consultancy work will fall in 2013/14</i>) | -38 |
| Council Meetings and Members' Allowances | -10 |

Explanatory Foreword

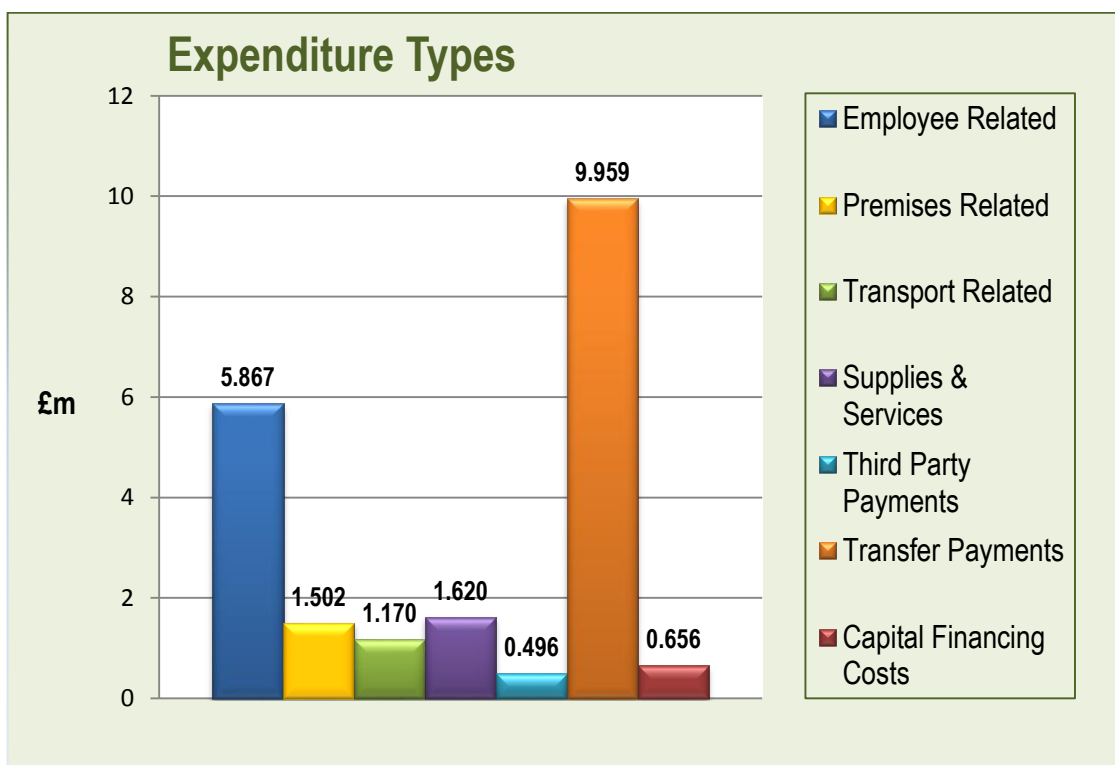
| Variation | £'000 |
|--|-------------|
| Protective Clothing and Uniforms | -4 |
| Bank and Audit Fees | -4 |
| Advertising | -12 |
| Management of Homelessness Unit | -5 |
| Management of Museum | -7 |
| Ordnance Survey Fees | -6 |
| Warm Homes Scheme | -30 |
| Payment of Grants | -22 |
| Payment of Benefits | 143 |
| Government Subsidy towards Benefits | -140 |
| Children's Trust Grant | -10 |
| Planning Fee Income | -131 |
| Building Control Income | 18 |
| Recycling Credits | -15 |
| Release of Section 106 Monies (<i>To fund two capital schemes</i>) | -19 |
| Increased income from other services | -28 |
| VAT Shelter Income | -37 |
| Other Variations | -22 |
| | -576 |
| Decreased Interest Received | 3 |
| Extra Transfers to Earmarked Reserves | 420 |
| Increase in amount to add to balances | -153 |

Explanatory Foreword

Analysis of our Expenditure by Type

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

| Type | £'000 |
|--------------------------|---------------|
| Employee Related | 5,867 |
| Premises Related | 1,502 |
| Transport Related | 1,170 |
| Supplies & Services | 1,620 |
| Third Party Payments | 496 |
| Transfer Payments | 9,959 |
| Capital Financing Costs | 656 |
| Total Expenditure | 21,270 |

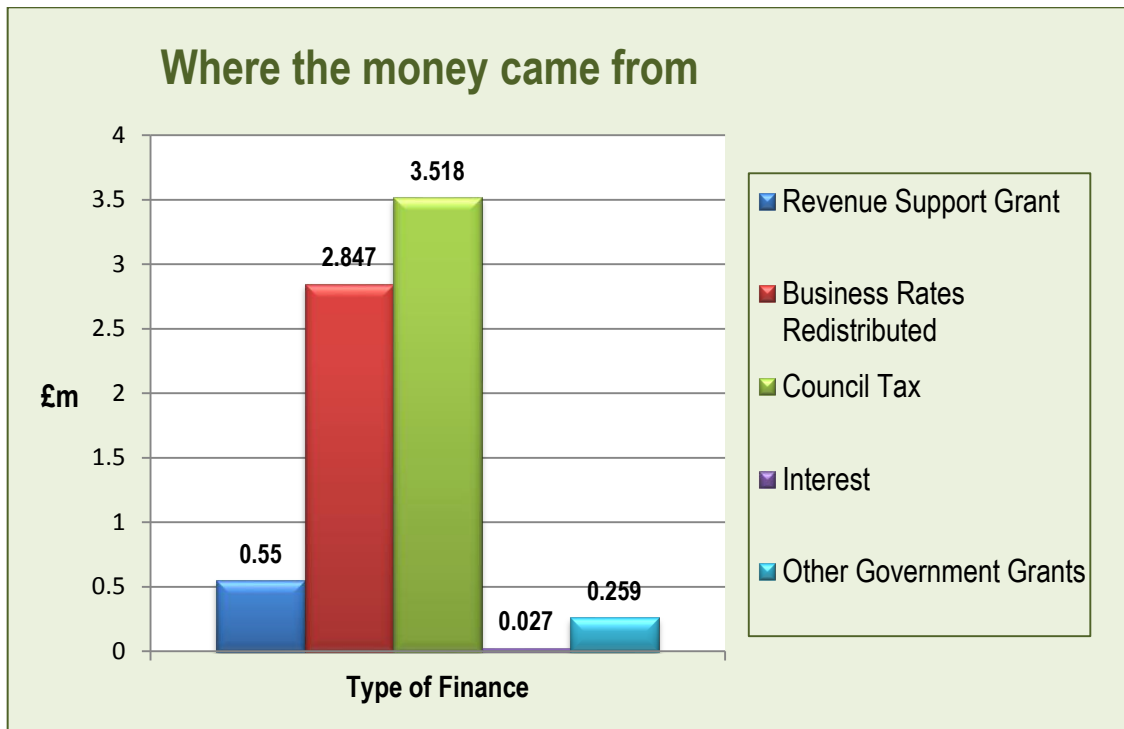


You can see that the two biggest types of expenditure are our employee costs and transfer payments. Transfer payments are payments such as housing benefits which we make on behalf of the Government.

Explanatory Foreword

How our general fund budget is financed

As shown earlier our total net expenditure for committees is £5.802m. 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 £7.201m. 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 £21,000 from general fund balances to help finance the 2012/13 spending plans. However, this was revised later in the year to taking £70,000 from general fund balances. The final position shows that the council has added £83,000 to general fund balances.

| | £'000 |
|---|-------|
| General Fund Balances: Brought forward at 1 April 2012 | 1,616 |
| Surplus in 2012/13 added to General Fund Balances | 83 |
| General Fund Balances: Carried forward at 31 March 2013 | 1,699 |

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 council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2013 increased to £16.371m (31 March 2012 £13.346m).

The main reason for the increase in net liability is due to an increase in the actuarial (gains)/losses on liabilities. Actuarial (gains)/losses on liabilities is the change in the benefit obligation (liabilities) due to changes in the actuarial assumptions between the start and end of the year.

Over 2011/12 the discount rate reduced by 0.6% (increasing the liabilities), but was offset by a reduction in inflation and pay growth of 0.4% (which reduces the liabilities). Combining these gave a change in the net position (i.e. the real discount rate above inflation) of 0.2%, resulting in an actuarial loss of £1.4m.

Over 2012/13 the discount rate reduced by a further 0.7%, offset by a 0.1% reduction in inflation and pay growth. This gives a change in the real discount rate of 0.6%. This is three times greater than the change in 2011/12, and so results in a greater actuarial loss of £4.9m (broadly three times the 2011/12 figure). Furthermore, at 31 March 2013 the fund's actuary, Mercer Ltd, amended the mortality assumption based on the latest trends and evidence in this area, and this caused a further loss of just under £0.5m.

The changes in the financial assumptions (discount rate, inflation, pay growth) over the period were driven by movements in the underlying market conditions on which they are based. For example, the discount rate is based on AA rated corporate bond yields.

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 over £1.1 million on capital schemes. The main areas of expenditure included:

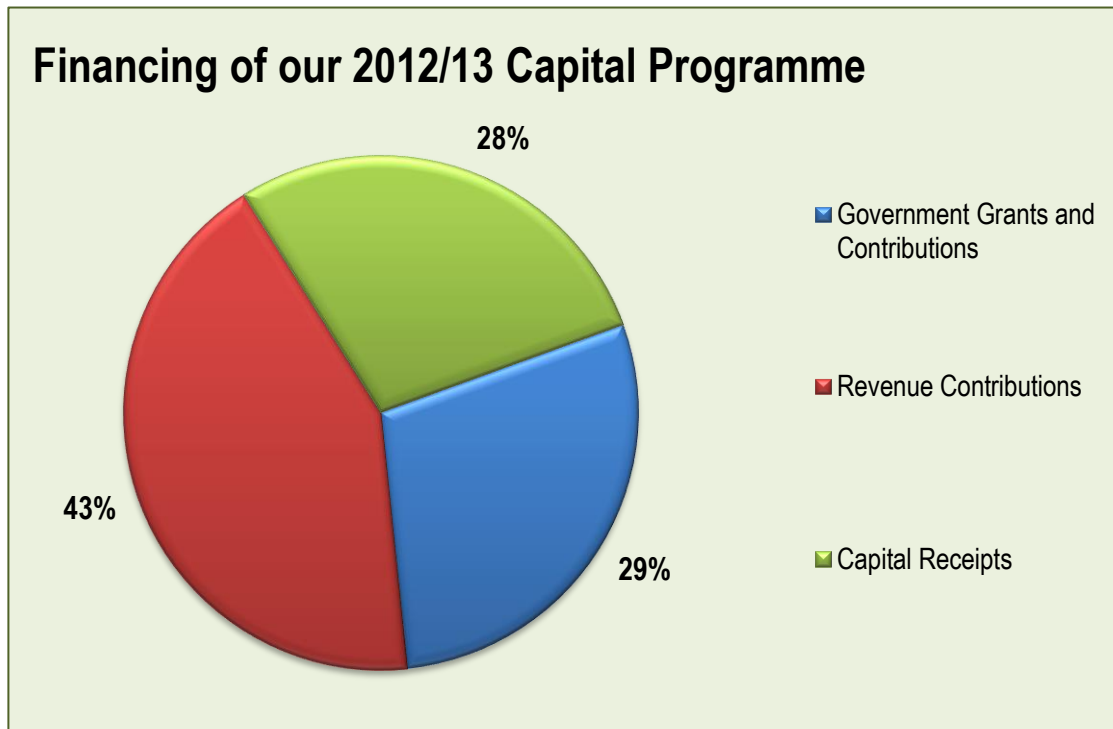
- Improvements to Children's Play Areas
- Replacement IT Systems
- Service Remodelling
- Replacement Vehicles and Plant
- Affordable Housing Initiatives
- Renovation and Disabled Facilities Grants

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

- Improvements to Children's Play Areas
- Economic Development Initiatives
- Affordable Housing Initiatives

| How the Capital Programme was Financed | £'000 |
|--|--------------|
| Government grants and contributions | 318 |
| Capital Receipts | 312 |
| Revenue contributions | 470 |
| | 1,100 |

Explanatory Foreword



The Council did not finance any capital expenditure from borrowing in 2012/13. However, the Council always look 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 2013 was £0.365m. 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

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 2013.

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 41 and the Balance Sheet on page 43, were approved by the Accounts and Audit Committee at its meeting held on 26 June 2013.

Signed by:

Cllr John Hill
Chairman of Accounts and Audit Committee

28 August 2013

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) 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 2012/13* and the *Service Reporting Code of Practice 2012/13*, 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 highly liquid 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, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

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 Fund 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 4.4% (5.1% 31 March 2012) 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 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.

Statement of Accounting Policies

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 that would be 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 or 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 due 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 or 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 denominated 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.

Statement of Accounting Policies

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 and looks to hold these assets in perpetuity:

- 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 Council maintains and preserves the Castle Keep and last undertook substantial work over the period 2006 to 2009. The Keep is open to the general public without charge and the council retains detailed information about its history much of which can be seen with chargeable admission to the Clitheroe Castle Museum.

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.

Statement of Accounting Policies

- The Clitheroe Castle Museum collection is maintained and managed by the Lancashire County Museum Service who act as custodians on behalf of the Council. A full list of the collection is retained by both the Council and Lancashire County Museum Service. Not all of the collection is on display at the Clitheroe Castle Museum due to the volume and nature of some of the items within the collection. However, those items on display at the Clitheroe Castle Museum can be seen with chargeable admission to the Museum. At this premises the collection is interspersed with items under the ownership of Lancashire County Museum Service.
- 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.
- The civic regalia can be viewed by appointment through contact with the main council offices or alternatively the current civic regalia can viewed at most mayoral functions.
- The acquisition of further Civic Regalia would not be made, and a programme of ongoing maintenance is carried out to ensure that the condition of the items is maintained.

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.
- General maintenance of the site is undertaken by the Council on a routine basis; however, no preservation works have recently been undertaken. The council would look to work together with third parties in undertaking any such works.
- Access to the site is open to the general public without charge.

Statement of Accounting Policies

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 recognised 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).

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, plant 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 non-current 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 2012/13* (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 organisation
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in 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 in excess of £10,000 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.

The carrying amount of assets that would be recognised in the Statement of Accounts under the cost model are summarised in the table below:

| Property, Plant and Equipment Classification | 31 March 2013 | |
|--|--|--|
| | Revalued Amount in Balance Sheet £ | Equivalent Carrying Amount Under Cost Model £ |
| Other Land and Buildings | 10,200,738 | 6,875,961 |
| Vehicles, Plant, Furniture and Equipment | 1,999,907 | 1,999,907 |
| Infrastructure Assets | 220,491 | 220,491 |
| Community Assets | 1,552,130 | 1,536,948 |
| Surplus Assets (Not for Sale) | 74,214 | 71,194 |
| Total | 14,047,480 | 10,704,501 |

Statement of Accounting Policies

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 this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that 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.

Statement of Accounting Policies

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

Disposals and Non-current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against council tax, as the cost of 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.

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 probable that there will be an inflow of economic benefits or service potential.

Statement of Accounting Policies

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.

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 2012/13 | 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 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 |
| Movement in Reserves During 2012/13 | | | | | | | | | | | | | |
| Surplus or (deficit) on the provision of Services | 82,990 | 0 | 0 | 0 | 82,990 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 82,990 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 17,763 | 0 | 0 | -2,564,000 | 0 | -2,546,237 | -2,546,237 |
| Total Comprehensive Income and Expenditure | 82,990 | 0 | 0 | 0 | 82,990 | 0 | 17,763 | 0 | 0 | -2,564,000 | 0 | -2,546,237 | -2,463,247 |
| Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 6) | 473,776 | 0 | 276,732 | -192,971 | 557,537 | -51,233 | -63,777 | -1,342 | -461,000 | 25,155 | -557,537 | 0 | |
| Net Increase/ Decrease before Transfers to Earmarked Reserves | 556,766 | 0 | 276,732 | -192,971 | 640,527 | -51,233 | -46,014 | -1,342 | -3,025,000 | 25,155 | -3,103,774 | -2,463,247 | |
| Transfers to/from Earmarked Reserves (NOTE 7) | -473,391 | 473,391 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in Year | 83,375 | 473,391 | 276,732 | -192,971 | 640,527 | -51,233 | -46,014 | -1,342 | -3,025,000 | 25,155 | -3,103,774 | -2,463,247 | |
| Balance at 31 March 2013 Carried Forward (NOTES 19 and 20) | 1,699,748 | 4,646,790 | 335,751 | 0 | 6,682,289 | 7,950,674 | -22,915 | 4,178,267 | 1,693 | -16,371,324 | -60,111 | -4,323,716 | 2,358,573 |

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 |
| <u>Movement in Reserves</u> <u>During 2011/12</u> | | | | | | | | | | | | | |
| 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 | 12,400 | -158,776 | -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 | 12,400 | -158,776 | -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 | 12,400 | -158,776 | -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) | | | | | | | | | | | | | |

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 Councils 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

| Gross Expenditure £ | 2011/12 | | | 2012/13 | | Note | |
|------------------------|--------------------|----------------------|---|------------------------|--------------------|------------------|----------------------|
| | Gross Income £ | Net Expenditure £ | | Gross Expenditure £ | Gross Income £ | | Net Expenditure £ |
| 3,460,059 | -2,714,114 | 745,945 | Central Services to the Public | 3,411,174 | -2,745,232 | 665,942 | |
| 2,927,142 | -1,541,322 | 1,385,820 | Cultural and Related Services | 2,607,267 | -1,322,719 | 1,284,548 | |
| 3,312,299 | -915,667 | 2,396,632 | Environmental and Regulatory Services | 3,297,376 | -939,938 | 2,357,438 | 4 |
| 1,352,850 | -711,346 | 641,504 | Planning Services | 1,532,749 | -1,083,234 | 449,515 | |
| 1,350,993 | -1,365,171 | -14,178 | Highways and Transport Services | 1,306,655 | -1,325,308 | -18,653 | |
| 7,708,598 | -7,536,584 | 172,014 | Other Housing Services | 8,132,571 | -7,686,092 | 446,479 | |
| 48,398 | -29,227 | 19,171 | Adult Social Care | 38,478 | -22,731 | 15,747 | |
| 1,650,032 | -815,959 | 834,073 | Corporate and Democratic Core | 1,737,193 | -803,635 | 933,558 | 4 |
| 166,356 | 0 | 166,356 | Non Distributed Costs | 122,307 | 0 | 122,307 | |
| 21,976,727 | -15,629,390 | 6,347,337 | Cost of Services | 22,185,770 | -15,928,889 | 6,256,881 | 24/29 |
| | | | Other Operating Expenditure | | | | |
| | | 372,315 | Payment of Precepts to Parishes | | | 371,815 | |
| | | -73,376 | Gains/Losses on the Disposal of Non-Current Assets | | | -58,469 | |
| | | 660 | Payment of Housing Capital Receipts to Government Pool | | | 1,007 | |
| | | | Financing and Investment Income and Expenditure | | | | |
| | | 23,302 | Interest Payable on Debt | | | 19,790 | 12 |
| | | -21,800 | Investment Interest Income | | | -26,835 | 12 |
| | | 258,000 | Pensions Interest Costs and Expected Return on Pension Assets | | | 424,000 | 33 |
| | | -64,367 | (Gain)/Loss on Investment Property | | | -63,211 | 10 |
| | | -15,579 | (Gain)/Loss on Trading Accounts | | | -47,159 | 25 |
| | | | Taxation and Non-Specific Grant Income | | | | |
| | | -3,516,106 | Council Tax | | | -3,513,072 | |
| | | -2,472,716 | National Non Domestic Rates (NNDR) | | | -2,846,507 | 29 |
| | | -764,324 | Revenue Support Grant (RSG) | | | -55,179 | 29 |
| | | 0 | Capital Grants and Contributions | | | -287,500 | 29 |
| | | -140,706 | Other Non-Specific Grants | | | -258,551 | 29 |
| | | -67,360 | (Surplus) or Deficit on Provision of Services | | | -82,990 | |
| | | 0 | (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets | | | -17,763 | |
| | | 2,859,000 | Actuarial (Gains)/Losses on Pensions Assets/Liabilities | | | 2,564,000 | 33 |
| | | 2,859,000 | Other Comprehensive Income and Expenditure | | | 2,546,237 | |
| | | 2,791,640 | Total Comprehensive Income and Expenditure | | | 2,463,247 | |

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:

- **Usable Reserves** are 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).
- **Unusable Reserves** are 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 2012 | | 31 March 2013 | Note |
|--------------------|--|--------------------|------------|
| £ | | £ | |
| | Long Term Assets | | |
| | Property, Plant and Equipment | | 8 |
| 10,472,657 | - Other Land and Buildings | 10,200,738 | |
| 2,022,005 | - Vehicles, Plant, Furniture and Equipment | 1,999,907 | |
| 222,258 | - Infrastructure Assets | 220,491 | |
| 1,525,696 | - Community Assets | 1,552,130 | |
| 165,787 | - Surplus Assets (Not for Sale) | 74,214 | |
| 14,408,403 | Total Property, Plant and Equipment | 14,047,480 | |
| 806,600 | Heritage Assets | 806,600 | 9/37 |
| 868,108 | Investment Properties | 819,772 | 10 |
| 40,565 | Intangible Assets | 125,602 | 11 |
| 374,869 | Long Term Debtors | 352,748 | 12 |
| 16,498,545 | Total Long Term Assets | 16,152,202 | |
| | Current Assets | | |
| 0 | Assets Held for Sale | 86,750 | 16 |
| 79,540 | Inventories | 79,939 | 13 |
| 1,397,147 | Short Term Debtors | 1,452,543 | 3/14/34/36 |
| 2,066,521 | Cash and Cash Equivalents | 2,757,193 | 15/36 |
| 3,543,208 | Total Current Assets | 4,376,425 | |
| | Current Liabilities | | |
| -78,608 | Short Term Borrowing | -78,608 | |
| -1,430,193 | Short Term Creditors | -1,426,421 | 17 |
| -1,508,801 | Total Current Liabilities | -1,505,029 | |
| | Long Term Liabilities | | |
| -364,808 | Long Term Borrowing | -293,701 | 12 |
| | Other Long Term Liabilities | | |
| -13,346,324 | - Net Pensions Liability | -16,371,324 | 33 |
| -13,711,132 | Total Long Term Liabilities | -16,665,025 | |
| 4,821,820 | Net Assets | 2,358,573 | |
| | Usable Reserves | | 19 |
| 1,616,373 | General Fund Balance | 1,699,748 | |
| 4,173,399 | Earmarked General Fund Reserves | 4,646,790 | 7 |
| 59,019 | Capital Grants Unapplied | 335,751 | |
| 192,971 | Usable Capital Receipts Reserve | 0 | |
| 6,041,762 | Total Usable Reserves | 6,682,289 | |
| | Unusable Reserves | | 20 |
| 8,001,907 | Capital Adjustment Account | 7,950,674 | |
| -17,575 | Collection Fund Adjustment Account | -22,915 | |
| 4,224,281 | Revaluation Reserve | 4,178,267 | |
| 3,035 | Deferred Capital Receipts Account | 1,693 | |
| -13,346,324 | Pension Reserve | -16,371,324 | 33 |
| -85,266 | Accumulated Absences Account | -60,111 | |
| -1,219,942 | Total Unusable Reserves | -4,323,716 | |
| 4,821,820 | Total Reserves | 2,358,573 | |

Notes to the Core Financial Statements

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.

| 2011/12 £ | | 2012/13 £ | Note |
|-------------------|---|------------------|-----------|
| -67,360 | Net (Surplus) or Deficit on the Provision of Services | -82,990 | |
| -1,629,692 | Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements | -792,623 | 21 |
| 192,971 | Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 118,804 | 21 |
| -1,504,081 | Net Cash Flows from Operating Activities | -756,809 | 21 |
| -100,811 | Investing Activities | -83,761 | 22 |
| -68,962 | Financing Activities | 149,898 | 23 |
| -1,673,854 | Net Increase or decrease in Cash and Cash Equivalents | -690,672 | |
| 392,667 | Cash and Cash Equivalents 1 April | 2,066,521 | |
| 2,066,521 | Cash and Cash Equivalents 31 March | 2,757,193 | 15 |

Notes to the Core Financial Statements

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

Amendments to IAS 19 Employee Benefits

On 16 June 2011, the IASB issued a revised version of IAS 19 Employee benefits, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

The amendments are applicable to accounting periods starting on or after 1 January 2013. The pension fund's actuary, Mercer Ltd, has provided estimates of the likely impact of the revised standard as shown below.

| | Current IAS19 Disclosure £'000 | Revised IAS19 Disclosure £'000 | Difference £'000 |
|---|--------------------------------------|--------------------------------------|---------------------|
| <i>Changes in benefit obligation during period to 31 March 2013</i> | | | |
| Benefit obligation at the beginning of the period | 42,809 | 42,809 | 0 |
| Current Service Cost | 826 | 846 | 20 |
| Interest on Pensions liabilities | 2,091 | 2,071 | -20 |
| Member contributions | 274 | 274 | 0 |
| Actuarial (gains)/losses on liabilities | 5,344 | 0 | -5,344 |
| Remeasurements (liabilities) | 0 | 5,344 | 5,344 |
| Benefits/transfers paid | -1,357 | -1,357 | 0 |
| Benefit obligation at the end of the period | 49,987 | 49,987 | 0 |

| | Current IAS19 Disclosure £'000 | Revised IAS19 Disclosure £'000 | Difference £'000 |
|--|--------------------------------------|--------------------------------------|---------------------|
| <i>Changes in plan assets during the period to 31 March 2013</i> | | | |
| Fair value of plan assets at beginning of period | 29,462 | 29,462 | 0 |
| Expected return on plan assets | 1,667 | 0 | -1,667 |
| Interest on plan assets | 0 | 1,436 | 1,436 |
| Remeasurements (assets) | 0 | 3,028 | 3,028 |
| Administration expenses | 0 | -17 | -17 |
| Actuarial gains/(losses) on assets | 2,780 | 0 | -2,780 |
| Employer contributions | 789 | 789 | 0 |
| Member contributions | 274 | 274 | 0 |
| Benefits/transfers paid | -1,357 | -1,357 | 0 |
| Fair value of plan assets at end of period | 33,615 | 33,615 | 0 |

Notes to the Core Financial Statements

| | Current IAS 19 Disclosure £'000 | Revised IAS 19 Disclosure £'000 | Difference £'000 |
|---|---------------------------------------|---------------------------------------|---------------------|
| <i>Components of pension cost for period to 31 March 2013</i> | | | |
| Current service costs | 826 | 846 | 20 |
| Interest on pension liabilities | 2,091 | 0 | -2,091 |
| Net interest costs | 0 | 635 | 635 |
| Expected return on assets | -1,667 | 0 | 1,667 |
| Administration expenses | 0 | 17 | 17 |
| Total pension cost recognised in Surplus or Deficit on Provision of Services | 1,250 | 1,498 | 248 |

| | Current IAS 19 Disclosure £'000 | Revised IAS 19 Disclosure £'000 | Difference £'000 |
|---|---------------------------------------|---------------------------------------|---------------------|
| <i>Statement of other comprehensive income</i> | | | |
| Actuarial (gains)/losses | 2,564 | 846 | -1,718 |
| Interest on pension liabilities | 2,091 | 0 | -2,091 |
| Total pension cost recognised in Statement of Other Comprehensive Income and Expenditure | 4,655 | 846 | -3,809 |

Amendments to IAS 1 Presentation of Financial Statements regarding Other Comprehensive Income

These amendments relate to a change in presentation only.

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 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 2013 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 2013 was £16.371m. 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 2013: deficit would be £15.532m • +0.1% p.a. inflation as at 31 March 2013: deficit would be £17.228m • 1 year addition to members' life expectancy as at 31 March 2013: deficit would be £17.367m |
| Arrears | At 31 March 2013, the Council had a balance of sundry debtors of £417,000 (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 2012/13 financial year the Council received £385,503 from Ribble Valley Homes Ltd under these arrangements (£445,230 in 2011/12)

Waste Collection

During the year the council received a grant of £222,000 (total over three years will be £750,000) for the Weekly Collection Support Scheme. The grant was transferred to Capital Grants Unapplied to fund expenditure to be incurred in 2013/14.

5 EVENTS AFTER THE BALANCE SHEET DATE

Non-Adjusting Event after the Reporting Period for Non-Domestic Rates – Appeals

When the new arrangements for the retention of business rates come into effect on 1 April 2013, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were previously paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the council, but would have been transferred to DCLG.

When the council assumes these liabilities on the 1 April 2013, the respective share for Ribble Valley Borough Council of this liability would be £177,910. This is based on the forecast level of adjustment due to appeals for the 2013/14 financial year, as indicated in a return (NNDR1) to DCLG in January 2013.

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 2012/13 | 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 | 647,989 | | | -647,989 |
| Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services) | 228,686 | | | -228,686 |
| Amortisation of Intangible Assets | 8,113 | | | -8,113 |
| Capital Grants and Contributions Applied | -296,854 | | | 296,854 |
| Revenue Expenditure Funded from Capital Under Statute | 410,970 | | | -410,970 |
| 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 | 60,000 | | | -60,000 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u> | | | | |
| Statutory Provision for the Financing of Capital investment | -140,226 | | | 140,226 |
| Capital expenditure charged against General Fund Balances | -470,332 | | | 470,332 |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | -298,293 | 298,293 | | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | -21,561 | | 21,561 |

Notes to the Core Financial Statements

| Movements in 2012/13 | 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 | -118,469 | | 118,469 | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | -311,775 | 311,775 |
| Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals | | | | |
| Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool | 1,007 | | -1,007 | |
| Transfer from deferred capital receipts reserve upon receipt of cash | | | 1,342 | -1,342 |
| Adjustments primarily involving the Pensions Reserve | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 1,250,000 | | | -1,250,000 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | -789,000 | | | 789,000 |
| 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 | 5,340 | | | -5,340 |
| 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 | -25,155 | | | 25,155 |
| Total Adjustments | 473,776 | 276,732 | -192,971 | -557,537 |

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

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 2012/13.

| General Fund | Balance at 31 March 2011 £ | Transfers In 2011/12 £ | Transfers Out 2011/12 £ | Balance at 31 March 2012 £ | Transfers In 2012/13 £ | Transfers Out 2012/13 £ | Balance at 31 March 2013 £ |
|---|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|--|
| Local Recreation Grants Fund <i>Used to fund recreation grants</i> | 16,831 | 6,820 | | 23,651 | 3,010 | | 26,661 |
| Elections Fund <i>Used to fund borough elections held once every four years</i> | 63,551 | 19,870 | -63,869 | 19,552 | 20,507 | | 40,059 |
| 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> | -53,274 | | -33,036 | -86,310 | | -33,111 | -119,421 |
| Rural Development Reserve <i>Used to fund consultation work on rural housing</i> | 1,631 | | | 1,631 | | | 1,631 |
| Capital <i>Used to fund the capital programme</i> | 54,665 | 282,279 | -12,848 | 324,096 | 78,345 | -3,083 | 399,358 |
| Insurance <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i> | 20,000 | | | 20,000 | | -3,252 | 16,748 |
| Christmas Lights/RV in Bloom <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i> | 3,416 | | -150 | 3,266 | | -1,980 | 1,286 |
| Community Enhancement <i>Used to fund grants to local organisations</i> | 2,881 | | | 2,881 | 8,538 | | 11,419 |
| New Community Enhancement Schemes <i>Additional reserve for funding grants to local organisations</i> | 6,809 | | | 6,809 | | -6,809 | 0 |
| Rent Deposit Reserve <i>Set aside for homeless rent deposits</i> | 7,837 | | | 7,837 | | | 7,837 |
| Revenue Contributions (RCCO) Unapplied <i>Used to fund capital expenditure</i> | 23,134 | | -12,529 | 10,605 | | -10,605 | 0 |

Notes to the Core Financial Statements

| General Fund | Balance at 31 March 2011 £ | Transfers In 2011/12 £ | Transfers Out 2011/12 £ | Balance at 31 March 2012 £ | Transfers In 2012/13 £ | Transfers Out 2012/13 £ | Balance at 31 March 2013 £ |
|---|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|--|
| <u>Parish Schemes</u> | | | | | | | |
| <i>Used to fund Parish improvement schemes</i> | 1,729 | | | 1,729 | | -1,729 | 0 |
| <u>Local Development Framework</u> | | | | | | | |
| <i>To finance Local Development Framework costs</i> | 11,583 | | -7,754 | 3,829 | | -3,829 | 0 |
| <u>LALPAC Licensing System</u> | | | | | | | |
| <i>To fund costs of LALPAC licensing system</i> | 1,866 | | -442 | 1,424 | | | 1,424 |
| <u>IT Equipment</u> | | | | | | | |
| <i>To fund future software and hardware upgrades</i> | 0 | 90,540 | | 90,540 | | -42,147 | 48,393 |
| <u>Conservation Reserve</u> | | | | | | | |
| <i>To fund conservation schemes completed after the financial year end</i> | 6,210 | | | 6,210 | | | 6,210 |
| <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>Fleming VAT Claim</u> | | | | | | | |
| <i>VAT recovered from 'Fleming' claim challenge to HMRC</i> | 239,926 | | | 239,926 | | | 239,926 |
| <u>Government Connect</u> | | | | | | | |
| <i>To fund revenue costs of Government Connect Service</i> | 5,239 | | -5,239 | 0 | | | 0 |
| <u>Repairs and Maintenance</u> | | | | | | | |
| <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i> | 33,299 | | | 33,299 | | -4,000 | 29,299 |
| <u>Post LSVT</u> | | | | | | | |
| <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i> | 438,150 | | | 438,150 | | -36,513 | 401,637 |
| <u>Market Town Enhancement</u> | | | | | | | |
| <i>To fund grants under Market Towns Enhancement Scheme</i> | 6,643 | | | 6,643 | | | 6,643 |
| <u>Planning Delivery</u> | | | | | | | |
| <i>To fund improved delivery of housing and other planning outcomes</i> | 132,846 | 13,200 | -146,046 | 0 | | | 0 |
| <u>Performance Reward Grant</u> | | | | | | | |
| <i>Performance Reward Grant received and yet to be distributed to successful schemes</i> | 526,710 | | -98,662 | 428,048 | | -54,216 | 373,832 |

Notes to the Core Financial Statements

| General Fund | Balance at 31 March 2011 £ | Transfers In 2011/12 £ | Transfers Out 2011/12 £ | Balance at 31 March 2012 £ | Transfers In 2012/13 £ | Transfers Out 2012/13 £ | Balance at 31 March 2013 £ |
|--|-------------------------------|---------------------------|----------------------------|-------------------------------|---------------------------|----------------------------|-------------------------------|
| Refuse Collection <i>To fund refuse collection costs of bin replacements</i> | 18,000 | | | 18,000 | | | 18,000 |
| Restructuring Reserve <i>To fund costs resulting from restructuring reviews</i> | 275,000 | 27,900 | -75,359 | 227,541 | | | 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> | 1,047,542 | 445,230 | -65,548 | 1,427,224 | 385,503 | -314,293 | 1,498,434 |
| Revaluation of Assets Reserve <i>To contribute towards the revaluation of the Council's assets every five years.</i> | 2,000 | 2,000 | | 4,000 | 2,000 | | 6,000 |
| Clean Air Reserve <i>To fund clean air survey work</i> | 4,500 | | -379 | 4,121 | | -480 | 3,641 |
| Estates Maintenance Reserve <i>To fund approved one-off boundary maintenance work to Estates asset</i> | 2,500 | | -2,500 | 0 | | | 0 |
| Equipment Reserve <i>To fund essential and urgent equipment requirements</i> | 31,000 | 2,000 | | 33,000 | 10,170 | | 43,170 |
| Forest of Bowland Reserve <i>To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i> | 27,146 | 7,500 | | 34,646 | | | 34,646 |
| Invest to Save Fund <i>To fund future invest to save projects</i> | 250,000 | 21,917 | -7,619 | 264,298 | 78,082 | -92,380 | 250,000 |
| Land Charges Reserve <i>To fund any potential restitution claims for personal search fees</i> | 34,356 | | | 34,356 | | | 34,356 |
| Land Charges System Reserve <i>To fund planned land charges system purchase</i> | 9,000 | | -9,000 | 0 | | | 0 |
| Pendle Hill User Reserve <i>To fund improvement schemes on Pendle Hill</i> | 17,830 | 7,941 | -8,000 | 17,771 | 191 | -4,450 | 13,512 |
| Planning Reserve <i>To fund any future potential planning issues</i> | 100,000 | 153,167 | -103,167 | 150,000 | 231,000 | -71,929 | 309,071 |
| Tourism Promotions Reserve <i>To fund planned tourism publicity and promotions</i> | 6,812 | 1,950 | -6,812 | 1,950 | | -1,950 | 0 |

Notes to the Core Financial Statements

| General Fund | Balance at 31 March 2011 £ | Transfers In 2011/12 £ | Transfers Out 2011/12 £ | Balance at 31 March 2012 £ | Transfers In 2012/13 £ | Transfers Out 2012/13 £ | Balance at 31 March 2013 £ |
|---|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|--|
| <u>Crime Reduction Partnership Reserve</u> <i>To fund cost of crime reduction initiatives</i> | 16,060 | 10,429 | | 26,489 | 2,986 | | 29,475 |
| <u>Housing Benefit Reserve</u> <i>To help meet the challenges facing the service in the coming years</i> | 60,000 | 40,000 | | 100,000 | | | 100,000 |
| <u>Wellbeing and Health Equality</u> <i>To fund expenditure on Wellbeing and Health</i> | 0 | 47,428 | | 47,428 | | | 47,428 |
| <u>Exercise Referral Reserve</u> <i>To fund potential residual staffing costs</i> | 0 | 5,310 | | 5,310 | 847 | | 6,157 |
| <u>Clitheroe Cemetery Reserve</u> <i>To finance any future liabilities from the cemetery extension</i> | 0 | 3,640 | | 3,640 | | | 3,640 |
| <u>New Homes Bonus Reserve</u> <i>To help finance future economic development capital schemes</i> | 0 | 2,046 | | 2,046 | 119,645 | | 121,691 |
| <u>Core Strategy Reserve</u> <i>To fund the production of the Core Strategy</i> | 0 | 87,412 | | 87,412 | 103,829 | -31,144 | 160,097 |
| <u>Emergency Planning Reserve</u> <i>To fund the production of District Emergency and Business Continuity Plans</i> | 0 | 2,520 | | 2,520 | | -1,250 | 1,270 |
| <u>CCTV Reserve</u> <i>To fund purchase of additional CCTV Equipment</i> | 0 | 1,000 | | 1,000 | | | 1,000 |
| <u>Warm Homes Healthy People Reserve</u> <i>Residual grant received, to be committed to future grant schemes</i> | 0 | 44,470 | | 44,470 | | -14,539 | 29,931 |
| <u>Business Rates Volatility Reserve</u> <i>To provide some protection against business rates volatilities</i> | 0 | | | 0 | 135,904 | | 135,904 |
| <u>Community Right to Bid/Challenge</u> <i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i> | 0 | | | 0 | 13,420 | | 13,420 |

Notes to the Core Financial Statements

| General Fund | Balance at 31 March 2011 £ | Transfers In 2011/12 £ | Transfers Out 2011/12 £ | Balance at 31 March 2012 £ | Transfers In 2012/13 £ | Transfers Out 2012/13 £ | Balance at 31 March 2013 £ |
|--|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|--|
| <u>Voluntary Organisation Grant Reserve</u> | | | | | | | |
| <i>To fund schemes carried out by the Voluntary Sector</i> | 0 | | | 0 | 3,720 | | 3,720 |
| <u>Grant Funded Sports Development</u> | | | | | | | |
| <i>To finance future Sports Development grant funded expenditure</i> | 0 | | | 0 | 6,283 | | 6,283 |
| <u>Human Resource Development</u> | | | | | | | |
| <i>To provide for staff training commitments</i> | 0 | | | 0 | 3,100 | | 3,100 |
| | 3,505,789 | 1,326,569 | -658,959 | 4,173,399 | 1,207,080 | -733,689 | 4,646,790 |

Notes to the Core Financial Statements

8 PROPERTY, PLANT AND EQUIPMENT

| Movements in 2012/13 | Other Land and Buildings | Vehicles, Plant, Furniture and Equipment | Infra-Structure Assets | Community Assets | Surplus Assets (Not Held for Sale) | Total Property, Plant and Equipment |
|--|--------------------------|--|------------------------|------------------|------------------------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Cost or Valuation</u> | | | | | | |
| At 1 April 2012 | 10,879 | 3,107 | 235 | 1,531 | 173 | 15,925 |
| Additions | 123 | 428 | 4 | 29 | 0 | 584 |
| Derecognition - Disposal | 0 | -64 | 0 | 0 | 0 | -64 |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | -93 | -93 |
| At 31 March 2013 | 11,002 | 3,471 | 239 | 1,560 | 80 | 16,352 |
| <u>Accumulated Depreciation and Impairments</u> | | | | | | |
| At 1 April 2012 | -406 | -1,085 | -13 | -6 | -7 | -1,517 |
| Derecognition - Disposal | 0 | 64 | 0 | 0 | 0 | 64 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | -185 | -450 | -6 | -2 | -4 | -647 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | -210 | 0 | 0 | 0 | 0 | -210 |
| Asset Reclassification to/from Held for Sale | 0 | 0 | 0 | 0 | 5 | 5 |
| At 31 March 2013 | -801 | -1,471 | -19 | -8 | -6 | -2,305 |
| <u>Net Book Value</u> | | | | | | |
| at 31 March 2012 | 10,473 | 2,022 | 222 | 1,525 | 166 | 14,408 |
| at 31 March 2013 | 10,201 | 2,000 | 220 | 1,552 | 74 | 14,047 |

Notes to the Core Financial Statements

| 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 |
|--|-----------------------------------|---|---------------------------------|---------------------------|---|--|
| <i>Cost or Valuation</i> | | | | | | |
| At 1 April 2011 | 11,030 | 3,090 | 235 | 1,490 | 0 | 15,845 |
| Additions | 22 | 17 | 0 | 41 | 0 | 80 |
| Derecognition - Other | -7 | 0 | 0 | 0 | 7 | 0 |
| Assets reclassified (to)/from Surplus Assets | -166 | 0 | 0 | 0 | 166 | 0 |
| At 31 March 2012 | 10,879 | 3,107 | 235 | 1,531 | 173 | 15,925 |
| <i>Accumulated Depreciation and Impairments</i> | | | | | | |
| At 1 April 2011 | -225 | -519 | -7 | -3 | 0 | -754 |
| Depreciation written out to the Revaluation Reserve | -63 | 0 | 0 | -1 | 0 | -64 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | -125 | -566 | -6 | -2 | 0 | -699 |
| Derecognition - Other | 7 | 0 | 0 | 0 | -7 | 0 |
| At 31 March 2012 | -406 | -1,085 | -13 | -6 | -7 | -1,517 |
| Net Book Value | | | | | | |
| at 31 March 2011 | 10,805 | 2,571 | 228 | 1,487 | 0 | 15,091 |
| at 31 March 2012 | 10,473 | 2,022 | 222 | 1,525 | 166 | 14,408 |

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 they are depreciated 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 2013 and 31 March 2012, the Council had no major capital commitments.

Effects of Changes in Estimates

In 2012/13 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.

At the 31 March 2013 the year on year valuations did not indicate any significant decline in the Fair Value of the assets other than in the case of the Council Offices, Church Walk, Clitheroe. The site has reduced in value from £1.55m to £1.35m due to the current market for office space. This is considered a significant fall and is therefore reflected within the Statement of Accounts.

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 |
|---|-----------------------------------|---|------------------------|-------------------------------------|--------------------------------|
| <u>Cost or Valuation</u> | | | | | |
| At 1 April 2011 | 0 | 750 | 57 | 0 | 807 |
| At 31 March 2012 | 0 | 750 | 57 | 0 | 807 |
| <u>Cost or Valuation</u> | | | | | |
| At 1 April 2012 | 0 | 750 | 57 | 0 | 807 |
| At 31 March 2013 | 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.

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.

Notes to the Core Financial Statements

Additions of Heritage Assets

There have been no additions to the council's Heritage Assets in the 2012/13 financial year.

Disposals of Heritage Assets

There have been no disposals of the council's Heritage Assets in the 2012/13 financial year.

10 INVESTMENT PROPERTIES

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

| | 2011/12 £ | 2012/13 £ |
|--|----------------|----------------|
| Rental income from investment property | -98,010 | -98,785 |
| Direct operating expenses arising from investment property | 33,643 | 35,574 |
| Net Gain/(Loss) | -64,367 | -63,211 |

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.

| | 2011/12 £'000 | 2012/13 £'000 |
|---|------------------|------------------|
| Balance at the start of the year | 868 | 868 |
| Additions | | |
| - Subsequent Expenditure | 0 | 12 |
| Disposals | 0 | -60 |
| Balance at end of the year | 868 | 820 |

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 purchases made in 2011/12 are in respect of the council's land charges system and replacement Customer Relationship Management (CRM) system. Purchases in the 2012/13 financial year related to the purchase of a module for the new Local Council Tax Support Scheme and also a new website.

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 | 2011/12 £'000 | 2012/13 £'000 |
|---|------------------|------------------|
| <i>Balance at start of year:</i> | | |
| Gross carrying amount | 15 | 56 |
| Accumulated amortisation | -15 | -15 |
| Net carrying amount at start of year | 0 | 41 |
| <i>Movement in year:</i> | | |
| Expenditure in Year | 41 | 93 |
| Written Off to Revenue in year | 0 | -8 |
| Balance at 31 March | 41 | 126 |

Notes to the Core Financial Statements

12 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

| | <u>Long-Term</u> | | <u>Current</u> | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 March 2012 £ | 31 March 2013 £ | 31 March 2012 £ | 31 March 2013 £ |
| <u>Investments</u> | | | | |
| Loans and receivables | 0 | 0 | 2,066,521 | 2,757,193 |
| Total Investments | 0 | 0 | 2,066,521 | 2,757,193 |
| <u>Debtors</u> | | | | |
| Loans and receivables | 374,869 | 352,748 | 0 | 0 |
| Financial assets carried at contract amount | 0 | 0 | 295,020 | 317,341 |
| Total Debtors | 374,869 | 352,748 | 295,020 | 317,341 |
| <u>Borrowings</u> | | | | |
| Financial liabilities at amortised cost | -364,808 | -293,701 | -71,108 | -71,108 |
| Total Borrowings | -364,808 | -293,701 | -71,108 | -71,108 |
| <u>Creditors</u> | | | | |
| Financial liabilities carried at contract amount | 0 | 0 | -373,372 | -181,823 |
| Total Creditors | 0 | 0 | -373,372 | -181,823 |

The Financial Instruments categorised above represent:

- Amounts shown under Investments as 'loans and receivables' consist of cash held by the council, bank accounts and short term investments.
- 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

| | 2011/2012 | | 2012/2013 | |
|-------------------|--|---|--|---|
| | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables |
| | £ | £ | £ | £ |
| Interest expenses | 23,302 | 4,419 | 19,790 | 5,686 |
| Interest Income | 0 | -26,219 | 0 | -32,521 |
| Total | 23,302 | -21,800 | 19,790 | -26,835 |

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 2012 and 31 March 2013 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 2012 | | 31 March 2013 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £ | £ | £ | £ |
| Financial Liabilities | 435,916 | 510,208 | 364,808 | 436,580 |

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 2012 | | 31 March 2013 | |
|-------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £ | £ | £ | £ |
| Long-term debtors | 374,869 | 374,869 | 352,748 | 352,748 |

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 | | Totals | |
|---|----------------|---------------|----------------|--------------|---------------|---------------|---------------|---------------|
| | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Balance outstanding at start of year | 52,201 | 62,995 | 7,553 | 3,001 | 20,362 | 13,544 | 80,116 | 79,540 |
| Purchases | 249,823 | 231,320 | 9,387 | 9,488 | 42,137 | 32,663 | 301,347 | 273,471 |
| Recognised as an expense in the year | -238,699 | -228,994 | -13,713 | -8,394 | -46,795 | -34,299 | -299,207 | -271,687 |
| Written Off balances | -330 | -153 | -226 | -1,206 | -2,160 | -26 | -2,716 | -1,385 |
| Balance outstanding at year-end | 62,995 | 65,168 | 3,001 | 2,889 | 13,544 | 11,882 | 79,540 | 79,939 |

14 DEBTORS

| | 31 March 2012 | 31 March 2013 |
|--|------------------|------------------|
| | £ | £ |
| Central government bodies | 226,149 | 24,641 |
| Central government bodies - Net of Impairment | 226,149 | 24,641 |
| Other local authorities | 310,489 | 333,254 |
| Other local authorities - Net of Impairment | 310,489 | 333,254 |
| NHS Bodies | 22,792 | 5,001 |
| NHS Bodies - Net of Impairment | 22,792 | 5,001 |
| Public corporations and trading funds | 25,513 | 0 |
| Public corporations and trading funds - Net of Impairment | 25,513 | 0 |
| Other entities and individuals | | |
| - House Purchase and Improvement Loans | 6 | 1,341 |
| - Sundry Debtors | 767,921 | 1,015,350 |
| - Council Tax | 68,443 | 78,885 |
| - Prepayments | 114,077 | 136,875 |
| - Impairment | -138,243 | -142,804 |
| Other entities and individuals - Net of Impairments | 812,204 | 1,089,647 |
| Total | 1,397,147 | 1,452,543 |

15 CASH AND CASH EQUIVALENTS

| | 31 March 2012 | 31 March 2013 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Cash held by the Council | 13,762 | 11,104 |
| Bank current accounts | 152,759 | 231,089 |
| Short Term Investments | 1,900,000 | 2,515,000 |
| Subtotal | 2,066,521 | 2,757,193 |

16 ASSETS HELD FOR SALE

| | <u>Current</u> | 2012/13 |
|---|----------------|---------------|
| | 2011/12 | £ |
| | £ | £ |
| Balance outstanding at start of year | 119,375 | 0 |
| Assets newly classified as held for sale: | | |
| - Other assets /liabilities in disposal group | 0 | 93,500 |
| Revaluation losses | 0 | -4,807 |
| Revaluation gains | 0 | 22,571 |
| Impairment losses | 0 | -18,879 |
| Assets sold | -119,375 | 0 |
| Other Movements | 0 | -5,635 |
| Balance outstanding at year-end | 0 | 86,750 |

Notes to the Core Financial Statements

17 CREDITORS

| | 31 March 2012 | 31 March 2013 |
|---------------------------------------|------------------|------------------|
| | £ | £ |
| Central government bodies | 225,158 | 327,599 |
| Other local authorities | 319,664 | 263,052 |
| NHS Bodies | 1,566 | 198 |
| Public corporations and trading funds | 0 | 34,756 |
| Other entities and individuals | | |
| Sundry Creditors | 529,364 | 475,603 |
| Council Tax | 46,425 | 46,107 |
| Commuted Sums | 60,955 | 162,240 |
| Refundable Deposits | 12,048 | 8,913 |
| Receipts in Advance | 235,013 | 107,953 |
| Total | 1,430,193 | 1,426,421 |

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 the 2011/12 financial year and onwards 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.

The resulting balance on provisions for 2011/12 is nil, and there have been no provisions for 2012/13. As a result no provisions are shown on the balance sheet. However, the movement in provisions in 2011/12 is shown in the table below for completeness.

Notes to the Core Financial Statements

| Short Term Compensated Absences | 2011/12 £ | 2012/13 £ |
|---------------------------------|---------------|--------------|
| Balance at 1 April | 85,826 | 0 |
| Amounts used in the year | -85,826 | 0 |
| Balance at 31 March | 0 | 0 |

19 USABLE RESERVES

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

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

| 31 March 2012 £ | 31 March 2013 £ |
|---|--------------------|
| 1,616,373 General Fund Balance | 1,699,748 |
| 4,173,399 Earmarked General Fund Reserves | 4,646,790 |
| 59,019 Capital Grants Unapplied | 335,751 |
| 192,971 Usable Capital Receipts Reserve | 0 |
| 6,041,762 Total Usable Reserves | 6,682,289 |

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.

| 2011/2012 £ | 2012/2013 £ |
|---|------------------|
| 1,448,760 Opening General Fund balance | 1,616,373 |
| 167,613 Net amount added to (taken from) General Fund balance | 83,375 |
| 1,616,373 Closing General Fund balance | 1,699,748 |

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

| 2011/2012 £ | 2012/2013 £ |
|---|------------------|
| 3,505,789 Opening Earmarked General Fund Reserves | 4,173,399 |
| 1,326,569 Amounts added to Earmarked General Fund Reserves | 1,207,080 |
| -658,959 Amounts taken from Earmarked General Fund Reserves | -733,689 |
| 4,173,399 Closing Earmarked General Fund Reserves | 4,646,790 |

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.

| 2011/2012 £ | 2012/2013 £ |
|--|----------------|
| 151,180 Opening Capital Grants Unapplied | 59,019 |
| 46,631 Amounts added to Capital Grants Unapplied | 298,293 |
| -138,792 Amounts taken from Capital Grants Unapplied | -21,561 |
| 59,019 Closing Capital Grants Unapplied | 335,751 |

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.

| 2011/2012 £ | 2012/2013 £ |
|----------------|----------------|
| 0 | 192,971 |
| 192,971 | 119,811 |
| 0 | -312,782 |
| 192,971 | 0 |

20 UNUSABLE RESERVES

| 31 March 2012 £ | 31 March 2013 £ |
|--------------------|--------------------|
| 8,001,907 | 7,950,674 |
| -17,575 | -22,915 |
| 4,224,281 | 4,178,267 |
| 3,035 | 1,693 |
| -13,346,324 | -16,371,324 |
| -85,266 | -60,111 |
| -1,219,942 | -4,323,716 |

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

| 2011/2012 | | 2012/2013 |
|-------------------|--|-------------------|
| £ | | £ |
| 8,461,884 | Balance at 1 April | 8,001,907 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement | |
| -763,489 | - Charges for depreciation and impairment of non-current assets | -647,989 |
| 0 | - Revaluation losses on Property, Plant and Equipment | -228,686 |
| 0 | - Amortisation of intangible assets | -8,113 |
| -420,617 | - Revenue expenditure funded from capital under statute | -410,970 |
| -24,376 | - 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 | -60,000 |
| -1,208,482 | | -1,355,758 |
| 63,777 | Adjusting amounts written out of the Revaluation Reserve | 63,777 |
| 7,317,179 | Net written out amount of the cost of non-current assets consumed in the year | 6,709,926 |
| | Capital financing applied in the year | |
| 0 | - Use of the Capital Receipts Reserve to finance new capital expenditure | 311,775 |
| 223,895 | - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 296,854 |
| 138,792 | - Application of grants to capital financing from the Capital Grants Unapplied Account | 21,561 |
| 143,758 | - Statutory provision for the financing of capital investment charged against the General Fund | 140,226 |
| 178,283 | - Capital expenditure charged against the General Fund | 470,332 |
| 684,728 | | 1,240,748 |
| 0 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 0 |
| 8,001,907 | Balance at 31 March | 7,950,674 |

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.

| 2011/2012 £ | 2012/2013 £ |
|--|----------------|
| -29,975 | -17,575 |
| Balance at 1 April | |
| 12,400 | -5,340 |
| 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 | |
| -17,575 | -22,915 |
| 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.

| 2011/2012 £ | 2012/2013 £ |
|--|------------------|
| 4,383,057 | 4,224,281 |
| Balance at 1 April | |
| 0 | 22,571 |
| Upward revaluation of assets | |
| 0 | -4,808 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | |
| Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | |
| 17,763 | |
| -63,777 | -63,777 |
| Difference between fair value depreciation and historical cost depreciation | |
| -94,999 | 0 |
| Accumulated gains on assets sold or scrapped | |
| -158,776 | -63,777 |
| Amount written off to the Capital Adjustment Account | |
| 4,224,281 | 4,178,267 |
| 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.

| 2011/2012 £ | 2012/2013 £ |
|----------------|----------------|
| 3,915 | 3,035 |
| -880 | -1,342 |
| 3,035 | 1,693 |

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.

| 2011/2012 £ | 2012/2013 £ |
|--------------------|--------------------|
| -10,225,324 | -13,346,324 |
| -2,859,000 | -2,564,000 |
| -1,090,000 | -1,250,000 |
| 828,000 | 789,000 |
| -13,346,324 | -16,371,324 |

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.

| 2011/2012 £ | | 2012/2013 £ |
|----------------|--|----------------|
| -85,826 | Balance at 1 April | -85,266 |
| 85,826 | Settlement or cancellation of accrual made at the end of the preceding year | 85,266 |
| -85,266 | Amounts accrued at the year end of the current year | -60,111 |
| 560 | 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 | 25,155 |
| -85,266 | Balance at 31 March | -60,111 |

21 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 2011/2012 £ | | 2012/2013 £ |
|----------------|-------------------|----------------|
| -21,800 | Interest received | -26,835 |
| 23,302 | Interest paid | 19,790 |

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

| 2011/2012 £ | | 2012/2013 £ |
|----------------|--|----------------|
| 192,971 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 118,804 |
| 192,971 | | 118,804 |

Notes to the Core Financial Statements

The surplus or deficit on the provision of service has been adjusted for the following non-cash movements:

| 2011/2012 £ | 2012/2013 £ |
|--|-----------------|
| -763,489 Depreciation | -647,989 |
| 0 Impairment and downward valuations | -228,686 |
| 0 Amortisation | -8,113 |
| 19,146 Increase/decrease in creditors | -21,383 |
| -532,150 Increase/decrease in debtors | -45,515 |
| -576 Increase/decrease in inventories | 399 |
| -262,000 Movement in pension liability | -461,000 |
| -119,375 Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | -60,000 |
| 28,752 Other non-cash items charged to the net surplus or deficit on the provision of services | 679,664 |
| -1,629,692 | -792,623 |

22 CASH FLOW STATEMENT – INVESTING ACTIVITIES

| 2011/2012 £ | 2012/2013 £ |
|---|----------------|
| 540,969 Purchase of property, plant and equipment, investment property and intangible assets | 1,100,522 |
| -192,971 Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -118,804 |
| -448,809 Other receipts from investing activities | -1,065,479 |
| -100,811 Net cash flows from investing activities | -83,761 |

23 CASH FLOW STATEMENT – FINANCING ACTIVITIES

| 2011/2012 £ | 2012/2013 £ |
|---|----------------|
| 71,108 Repayments of short- and long-term borrowing | 71,108 |
| -140,070 Other payments for financing activities | 78,790 |
| -68,962 Net cash flows from financing activities | 149,898 |

Notes to the Core Financial Statements

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.

| Committee Income and Expenditure 2012/13 | Community Services Committee £ | Health and Housing Committee £ | Planning and Development Committee £ | Policy and Finance Committee £ | Total £ |
|---|--------------------------------------|--------------------------------------|--|--------------------------------------|--------------------|
| Fees, charges and other service income | -4,796,757 | -10,015,278 | -875,358 | -5,023,873 | -20,711,266 |
| Government Grants | 0 | -269,299 | -1,747 | -88,196 | -359,242 |
| Total Income | -4,796,757 | -10,284,577 | -877,105 | -5,112,069 | -21,070,508 |
| Employee related expenditure | 2,914,054 | 8,375 | 17,663 | 2,927,409 | 5,867,501 |
| Other service expenses | 3,061,690 | 9,939,304 | 244,372 | 1,500,225 | 14,745,591 |
| Support Services recharges | 1,379,352 | 975,130 | 1,034,922 | 2,214,566 | 5,603,970 |
| Depreciation | 554,031 | 11,784 | 1,183 | 89,104 | 656,102 |
| Total Expenditure | 7,909,127 | 10,934,593 | 1,298,140 | 6,731,304 | 26,873,164 |
| Net Expenditure | 3,112,370 | 650,016 | 421,035 | 1,619,235 | 5,802,656 |

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 |

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.

| | 2011/2012 £ | 2012/2013 £ |
|---|------------------|------------------|
| Net Expenditure in the Committee Analysis | 6,113,860 | 5,802,656 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 153,531 | 343,855 |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | 153,531 | 343,855 |
| Cost of Services, Gain/Loss on Trading Accounts and Gain/Loss on Investment Properties in Comprehensive Income and Expenditure Statement | 6,267,391 | 6,146,511 |

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.

| 2012/2013 | 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 | -10,965,287 | 0 | -10,965,287 | 0 | -10,965,287 |
| Interest and investment income | 0 | 0 | 0 | -26,835 | -26,835 |
| Income from council tax | 0 | 0 | 0 | -3,513,072 | -3,513,072 |
| Capital Grants and Contributions | 0 | -307,647 | -307,647 | -287,500 | -595,147 |
| Government grants and contributions | -10,105,221 | 0 | -10,105,221 | -3,160,237 | -13,265,458 |
| Total Income | -21,070,508 | -307,647 | -21,378,155 | -6,987,644 | -28,365,799 |
| Employee related expenditure | 5,867,501 | 11,846 | 5,879,347 | 424,000 | 6,303,347 |
| Other service expenses | 14,745,591 | 0 | 14,745,591 | 0 | 14,745,591 |
| Support Service recharges | 5,603,970 | 0 | 5,603,970 | 0 | 5,603,970 |
| Depreciation, amortisation and impairment | 656,102 | 639,656 | 1,295,758 | 0 | 1,295,758 |
| Interest payments | 0 | 0 | 0 | 19,790 | 19,790 |
| Precepts and levies | 0 | 0 | 0 | 371,815 | 371,815 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 1,007 | 1,007 |
| Gain or loss on disposal of Non-Current assets | 0 | 0 | 0 | -58,469 | -58,469 |
| Total Expenditure | 26,873,164 | 651,502 | 27,524,666 | 758,143 | 28,282,809 |
| Surplus or Deficit on the Provision of Services | 5,802,656 | 343,855 | 6,146,511 | -6,229,501 | -82,990 |

Notes to the Core Financial Statements

| 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

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>2011/2012</u> | <u>2012/2013</u> |
|--|----------------|------------------|------------------|
| | | £ | £ |
| <u>Clitheroe Market</u> | | | |
| <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 | -108,874 | -112,760 |
| | Expenditure | 93,295 | 65,601 |
| | Surplus | -15,579 | -47,159 |

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>2011/2012</u> | <u>2012/2013</u> |
|-----------------------------------|------------------|------------------|
| | £ | £ |
| Basic Allowance | 106,543 | 113,760 |
| Special Responsibility Allowances | 80,859 | 78,463 |
| Expenses | 7,079 | 5,952 |
| | 194,481 | 198,175 |

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 |
|--------------------------------|----------------|------------------|--|----------------|------------------|--|
| | 2011/2012 £ | 2011/2012 £ | 2011/2012 £ | 2012/2013 £ | 2012/2013 £ | 2012/2013 £ |
| Chief Executive* | 95,859 | 6,496 | 102,355 | 94,828 | 7,054 | 101,882 |
| Director of Community Services | 73,233 | 6,889 | 80,122 | 76,524 | 7,116 | 83,640 |
| Director of Resources | 70,122 | 8,010 | 78,132 | 74,904 | 7,962 | 82,866 |
| | 239,214 | 21,395 | 260,609 | 246,256 | 22,132 | 268,388 |

*Please note that the values for the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333)*

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 which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333).

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.

| Salary Banding 2011/2012 | Salary Banding 2012/2013 | Employee Contribution Rate |
|--------------------------|--------------------------|----------------------------|
| £0 - £12,900 | £0 - £13,500 | 5.5% |
| > £12,900 - £15,100 | > £13,500 - £15,800 | 5.8% |
| > £15,100 - £19,400 | > £15,800 - £20,400 | 5.9% |
| > £19,400 - £32,400 | > £20,400 - £34,000 | 6.5% |
| > £32,400 - £43,301 | > £34,000 - £45,500 | 6.8% |
| > £43,301 - £81,100 | > £45,500 - £85,300 | 7.2% |
| > £81,100 | > £85,300 | 7.5% |

Notes to the Core Financial Statements

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 2011/2012 and 2012/2013 were:

| Elements of Contribution Rate | 2011/2012 | 2012/2013 |
|---------------------------------|--------------|--------------|
| Common Rate | 12.5% | 12.5% |
| Ribble Valley Adjustment amount | 3.6% | 4.1% |
| Total Contribution Rate | 16.1% | 16.6% |

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 | Total | Total | Pension | Total |
|--------------------------------|----------------|---------------|----------------|----------------|---------------|----------------|
| | Remuneration | Contributions | Remuneration | Remuneration | Contributions | Remuneration |
| | excluding | | including | excluding | | including |
| | Pension | | Pension | Pension | | Pension |
| | Contributions | | Contributions | Contributions | | Contributions |
| | 2011/2012 | 2011/2012 | 2011/2012 | 2012/2013 | 2012/2013 | 2012/2013 |
| | £ | £ | £ | £ | £ | £ |
| Chief Executive* | 102,355 | 11,982 | 114,337 | 101,882 | 11,541 | 113,423 |
| Director of Community Services | 80,122 | 9,154 | 89,276 | 83,640 | 9,566 | 93,206 |
| Director of Resources | 78,132 | 8,765 | 86,897 | 82,866 | 9,363 | 92,229 |
| | 260,609 | 29,901 | 290,510 | 268,388 | 30,470 | 298,858 |

Please note that the values for the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333)

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. This table includes those officers listed in the previous tables, which showed officers where their **salary element** was more than £50,000:

| | 2011/2012 | Staff who have left | 2012/2013 |
|---------------------|-----------|---------------------|-----------|
| £50,000 - £54,999 | 2 | | 3 |
| £55,000 - £59,999 | | | |
| £60,000 - £64,999 | | | |
| £65,000 - £69,999 | | | |
| £70,000 - £74,999 | | | |
| £75,000 - £79,999 | 1 | | |
| £80,000 - £84,999 | 1 | | 2 |
| £85,000 - £89,999 | | | |
| £90,000 - £94,999 | | | |
| £95,000 - £99,999 | | | |
| £100,000 - £104,999 | *1 | | *1 |

Please note that the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333).

The number of exit packages with total cost per band are set out in the table below, and include pension strain costs. These were made in the 2011/12 financial year only and resulted from the Council's service review, helping towards a number of future service savings which in total will help the council achieve savings in excess of £630,000 per annum:

| Exit Package Cost Band (including special payments) | Number of Compulsory Redundancies | | Total Cost of Exit Packages in Each Band | |
|--|-----------------------------------|---------|--|---------|
| | 2011/12 | 2012/13 | 2011/12 | 2012/13 |
| £0 - £20,000 | 2 | 0 | 11,057 | 0 |
| £20,001 - £40,000 | 2 | 0 | 63,035 | 0 |

No exit packages were made in the 2012/13 financial year.

Notes to the Core Financial Statements

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:

| | 2011/2012 £ | 2012/2013 £ |
|--|----------------|----------------|
| Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year | 80,810 | |
| Fees Payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year | 0 | 52,702 |
| Fees payable to the Audit Commission for the certification of grant claims and returns for the year. | 22,470 | 0 |
| Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year. | 0 | 10,550 |
| Rebate on Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the previous year | 0 | -4,700 |
| Total | 103,280 | 58,552 |

29 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

| | 2011/2012 £ | 2012/2013 £ |
|--|-------------------|-------------------|
| <i>Credited to Taxation and Non Specific Grant Income</i> | | |
| National Non Domestic Rates | -2,472,716 | -2,846,507 |
| Revenue Support Grant | -764,324 | -55,179 |
| New Homes Bonus | -64,046 | -179,645 |
| Council Tax Freeze Grant | -78,660 | -78,906 |
| Total Credited to Taxation and Non Specific Grant Income | -3,379,746 | -3,160,237 |
| <i>Credited to Services</i> | | |
| <i>Grants Received for Capital Purposes</i> | | |
| Disabled Facilities Grant | -136,940 | -155,564 |
| Big Lottery Children's Play | -79,796 | 0 |
| Sport England | -20,000 | 0 |
| Flood Protection Grant | -790 | -111,210 |
| DCLG Mortgage Rescue Programme | -30,000 | 0 |
| DCLG Weekly Collection Support Scheme | 0 | -222,000 |
| Community Spaces | 0 | -37,134 |
| DCLG - New Burdens Grant - Localising Support for Council Tax | 0 | -62,500 |
| Other Capital Grants and Contributions | -3,000 | -6,739 |
| Total Grants Received for Capital Purposes | -270,526 | -595,147 |

Notes to the Core Financial Statements

| | 2011/2012 | 2012/2013 |
|---|--------------------|--------------------|
| | £ | £ |
| <i>Grants Received for Revenue Purposes</i> | | |
| Habitats and Climate Change Grant | -16,835 | 0 |
| DEFRA Flood Grant | -10,846 | -2,154 |
| NNDR Administration | -85,061 | -85,289 |
| Small Business Rate Relief | -2,995 | -2,500 |
| Lancashire Drug and Alcohol Action | 0 | -10,000 |
| Lancashire Children's Trust | -20,000 | -30,000 |
| LAA and LSP Crime Reduction | -37,332 | -20,222 |
| Lancashire Highways Partnership | -61,900 | -61,900 |
| East Lancashire Primary Care Trust | -155,690 | -91,168 |
| Arts Council | 0 | -9,000 |
| Sport England | -14,660 | 0 |
| School Sports Partnership | 0 | -3,000 |
| Lancashire Sport Partnership | 0 | -3,500 |
| Ribble Valley Community Safety Partnership | -15,999 | 0 |
| Council Tax Benefit subsidy | -2,323,979 | -2,259,619 |
| Rent Allowance Subsidy | -7,189,406 | -7,386,178 |
| Council Tax and Housing Benefit Administration | -271,107 | -251,912 |
| Performance Reward Grant toward Dog Warden Service | -4,000 | 0 |
| DoH - Warm Homes Grant | -108,251 | -51,839 |
| DCLG Homelessness Grant | -50,000 | -50,000 |
| DCLG - Right to Bid Grant | 0 | -4,873 |
| DCLG - Right to Challenge Grant | 0 | -8,547 |
| DCLG New Burden Local Housing Allowance Grant | 0 | -16,497 |
| DCLG - New Burdens Grant - Localising Support for Council Tax | 0 | -21,500 |
| Other Grants | -34,905 | -8,590 |
| Total Grants Received for Revenue Purposes | -10,402,966 | -10,378,288 |
| Total Credited to Services | -10,673,492 | -10,973,435 |

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 or donations.

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 29, which details the grant income received by the council.

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 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 has been £6,700 of business transactions between the Council and businesses where 6 members had declared an interest; however the relevant members had no commissioning role in the transactions. With regard to the award of grants, £95,250 was awarded in the year to bodies in which 2 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 has been £1,040 of business transactions between the Council and businesses where 4 members of staff had declared an interest; however the relevant members of staff had no commissioning role in the transactions. With regard to the award of grants, £850 was awarded in the year to bodies in which 3 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.

Notes to the Core Financial Statements

Other Public Bodies

The main transactions that have taken place with other public bodies are the payment of precepts (Collection Fund page 105) 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.

| | 2011/2012 £ | 2012/2013 £ |
|---|------------------|------------------|
| Opening Capital Financing Requirement | 4,041,248 | 3,897,490 |
| <u>Capital Investment</u> | | |
| Property, Plant and Equipment | 79,788 | 596,402 |
| Intangible Assets | 40,564 | 93,150 |
| Revenue Expenditure Funded from Capital Under Statute | 420,617 | 410,970 |
| <u>Sources of Finance:</u> | | |
| Capital Receipts | 0 | -311,775 |
| Government Grants and Other Contributions | -362,687 | -318,415 |
| Sums set aside from revenue: | | |
| - Revenue Contributions | -178,282 | -470,332 |
| - Minimum Revenue Provision | -143,758 | -140,226 |
| Closing Capital Financing Requirement | 3,897,490 | 3,757,264 |
| <u>Explanation of Movements in Year</u> | | |
| Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance) | -143,758 | -140,226 |
| Increase/(Decrease) in Capital Financing Requirement | -143,758 | -140,226 |

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:

| | 2011/2012 £ | 2012/2013 £ |
|---|----------------|----------------|
| Not later than one year | 65,393 | 66,358 |
| Later than one year and not later than five years | 71,601 | 55,326 |
| Later than five years | 448,042 | 441,464 |
| | 585,036 | 563,148 |

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £76,604 (£78,667 in 2011/12).

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:

| | 2011/2012 £ | 2012/2013 £ |
|---|-----------------|-----------------|
| Not later than one year | -44,898 | -44,042 |
| Later than one year and not later than five years | -151,050 | -143,850 |
| Later than five years | -214,093 | -195,133 |
| | -410,041 | -383,025 |

Notes to the Core Financial Statements

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 2012/13 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £37,516. (£37,445 in 2011/12).

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 | |
|---|---------------------------------|--------------------|
| | 2011/2012 £'000 | 2012/2013 £'000 |
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services | | |
| - current service costs | 783 | 826 |
| - settlements and curtailments | 49 | 0 |
| Financing and Investment Income and Expenditure | | |
| - interest cost | 2,168 | 2,091 |
| - expected return on scheme assets | -1,910 | -1,667 |
| Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 1,090 | 1,250 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | |
| - actuarial gains and losses | 2,859 | 2,564 |
| Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account | 3,949 | 3,814 |
| 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 | -1,090 | -1,250 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| - employers' contributions payable to the scheme | 828 | 789 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £2,564,000 (31 March 2012 loss of £2,859,000).

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 | 2011/2012 £'000 | 2012/2013 £'000 |
|---|--------------------|--------------------|
| 1 April | 39,687 | 42,809 |
| Current Service Cost | 783 | 826 |
| Interest Cost | 2,168 | 2,091 |
| Contributions by scheme participants | 280 | 274 |
| Actuarial (gains)/losses on liabilities | 1,430 | 5,344 |
| Benefits paid | -1,588 | -1,357 |
| Settlements and Curtailments | 49 | 0 |
| 31 March | 42,809 | 49,987 |

The main reason for the increase in net liability is due to an increase in the actuarial (gains)/losses on liabilities. Actuarial (gains)/losses on liabilities is the change in the benefit obligation (liabilities) due to changes in the actuarial assumptions between the start and end of the year.

Over 2011/12 the discount rate reduced by 0.6% (increasing the liabilities), but was offset by a reduction in inflation and pay growth of 0.4% (which reduces the liabilities). Combining these gave a change in the net position (i.e. the real discount rate above inflation) of 0.2%, resulting in an actuarial loss of £1.4m.

Over 2012/13 the discount rate reduced by a further 0.7%, offset by a 0.1% reduction in inflation and pay growth. This gives a change in the real discount rate of 0.6%. This is three times greater than the change in 2011/12, and so results in a greater actuarial loss of £4.9m (broadly three times the 2011/12 figure). Furthermore, at 31 March 2013 the fund's actuary, Mercer Ltd, amended the mortality assumption based on the latest trends and evidence in this area, and this caused a further loss of just under £0.5m.

The changes in the financial assumptions (discount rate, inflation, pay growth) over the period were driven by movements in the underlying market conditions on which they are based. For example, the discount rate is based on AA rated corporate bond yields.

Notes to the Core Financial Statements

Reconciliation of fair value of the scheme assets:

| Local Government Pension Scheme | 2011/2012 | 2012/2013 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| 1 April | 29,461 | 29,462 |
| Expected return on plan assets | 1,910 | 1,667 |
| Actuarial gains/(losses) on assets | -1,429 | 2,780 |
| Employer contributions | 828 | 789 |
| Member contributions | 280 | 274 |
| Benefits/Transfers paid | -1,588 | -1,357 |
| 31 March | 29,462 | 33,615 |

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 5.69% (net of expenses) on the existing assets is anticipated for accounting purposes.

Scheme History

| Local Government Pension Scheme | 2008/2009 | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present Value of Liabilities | -31,755 | -42,812 | -39,687 | -42,809 | -49,987 |
| Fair Value of Assets | 21,200 | 27,210 | 29,461 | 29,462 | 33,615 |
| Surplus/(Deficit) in the scheme | -10,555 | -15,602 | -10,226 | -13,347 | -16,372 |

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £16.372m 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 2014 are £810,000.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme on 31 March 2010.

The principal assumptions used by the actuary have been:

Notes to the Core Financial Statements

| Local Government Pension Scheme | 2011/2012 | 2012/2013 |
|--|------------|------------|
| Long term expected rate of return on assets in the scheme: | | |
| Equity investments | 7.0% | 7.0% |
| Government Bonds | 3.1% | 2.8% |
| Other Bonds | 4.1% | 3.9% |
| Property | 6.0% | 5.7% |
| Cash/Liquidity | 0.5% | 0.5% |
| Other | 7.0% | 7.0% |
| Mortality Assumptions | | |
| Longevity at 65 for current pensioners: | | |
| Men | 21.7 years | 22.1 years |
| Women | 24.3 years | 24.8 years |
| Longevity at 65 for future pensioners: | | |
| Men | 23.1 years | 23.9 years |
| Women | 25.9 years | 26.7 years |
| Rate of CPI Inflation | 2.50% | 2.40% |
| Rate of increase in salaries | 4.50% | 4.40% |
| Rate of increase in pensions | 2.50% | 2.40% |
| Rate for discounting scheme liabilities | 4.90% | 4.20% |
| Take-up of option to convert annual pension into retirement lump sum | 50% | 50% |

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 assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. As at 31 March 2013 this yield was 2.8% p.a.

The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect a 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 2013 we have taken the expected return as 3.9% p.a., which implies a reduction for the risk of default of 0.3% p.a. when compared with the corporate bond yield/discount rate appropriate to the 'mature' deviation profile for example.

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% p.a. 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 2013 as 7% p.a., implying an equity risk premium on equities of 4.2% p.a. over and above the gilt yield of 2.8% p.a.

Notes to the Core Financial Statements

Assumed returns on property are based on the expected long term returns on cash investments, plus a risk premium to allow for expected out-performance of property over cash, and an adjustment for the impact of the expected volatility of the returns.

The actual return on scheme assets in the year was £4.447m (£0.480m return in 2011/12)

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 2012 | 31 March 2013 |
|---------------------------------|---------------|---------------|
| | % | % |
| Equity investments | 58.0 | 62.0 |
| Government Bonds | 5.0 | 7.9 |
| Other Bonds | 15.0 | 17.2 |
| Property | 10.0 | 9.3 |
| Cash/Liquidity | 5.0 | 3.5 |
| Other | 7.0 | 0.1 |
| Total | 100.0 | 100.0 |

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March.

| Local Government Pension Scheme | 2008/2009 | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 |
|--|-----------|-----------|-----------|-----------|-----------|
| | % | % | % | % | % |
| Experience gains/losses on assets | 34.3 | 20.3 | 2.6 | 4.9 | 8.3 |
| Experience gains/losses on liabilities | 0.0 | 0.0 | 7.4 | 0.0 | 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.

Notes to the Core Financial Statements

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.

Property Searches

Ribble Valley Borough Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £45,510 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £46,170 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Recycling Credits

Ribble Valley Borough Council receives recycling credits from Lancashire County Council for recycle material that is collected as part of the waste collection service that the council provides to residents. There is currently a disagreement on the level of credits that are payable to the council for waste paper and card in the 2012/13 financial year. Of the total invoiced by Ribble Valley Borough Council for 2012/13, an amount of £30,590 remains outstanding. Ribble Valley Borough Council continues to pursue this outstanding debt.

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 £4.4m over 15 years with the first payment having been received for the financial year 2008/09.

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 2013 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 2013/14 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 focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources

Notes to the Core Financial Statements

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 quarterly to Members.

Treasury Management activity is monitored by the Financial Services team. 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.

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 2013 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 £142,804 of which £13,238 relates to sundry debts (£115,891 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 2013 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 2013 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2013 | Estimated maximum exposure to default and uncollectability at 31 March 2013 | Estimated maximum exposure at 31 March 2012 |
|--|----------------------------|--|--|---|--|
| | £ A | % B | % C | £ (A x C) | £ |
| Deposits with banks and building societies | 2,515,000 | 0.00% | 0.00% | 0 | 0 |
| Customers (Sundry Debt including overpaid Housing Benefits) | 416,604 | 2.18% | 27.82% | 115,891 | 115,916 |

The council expects settlement terms from debtors of no greater than 14 days. On this basis £287,000 of the sundry debtor balance at 31 March 2013 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 2013 | £'000 |
|----------------------------------|------------|
| Less than 30 days | 71 |
| 30 days to 59 days | 50 |
| 60 days to 89 days | 7 |
| 90 days to 119 days | 4 |
| 120 days + | 199 |
| | 331 |

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.

Notes to the Core Financial Statements

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategy addresses the main risks and the Financial Services team address the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows:

| Financial Liabilities by Maturity Risk | 31 March 2012 £'000 | 31 March 2013 £'000 |
|--|------------------------|------------------------|
| Less than one year | 71 | 71 |
| Between 1 and 2 years | 71 | 53 |
| Between 2 and 5 years | 124 | 94 |
| Between 5 and 10 years | 65 | 52 |
| More than 10 years | 105 | 95 |
| | 436 | 365 |

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 2012, are as follows:

| Limits in Interest Rate Exposure | 2012/2013 Upper | 2013/14 Upper | 2014/15 Upper |
|---|--------------------|------------------|------------------|
| Maximum Principal Sums Borrowed >364 Days | £5.900m | £5.547m | £5.639m |
| Limits on Fixed Interest Rates | 100% | 100% | 100% |
| Limits on Variable Interest Rates | 20% | 20% | 20% |

Notes to the Core Financial Statements

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 Financial Services team 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.

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.

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.

| | 2011/2012 £'000 | 2012/2013 £'000 |
|--|--------------------|--------------------|
| <i>Income</i> | | |
| Council Tax | 30,721 | 30,854 |
| Transfers From General Fund - Council Tax Benefits | 2,302 | 2,240 |
| Business Rates | 12,473 | 13,059 |
| Share of Estimated Deficit | | |
| - Lancashire County Council | 106 | 68 |
| - Ribble Valley Borough Council | 15 | 10 |
| - Lancashire Police Authority | 14 | 9 |
| - Lancashire Combined Fire Authority | 6 | 4 |
| | 45,637 | 46,244 |
| <i>Expenditure</i> | | |
| Precepts and Demands: | | |
| - Lancashire County Council | 24,786 | 24,864 |
| - Ribble Valley Borough Council | 3,519 | 3,528 |
| - Lancashire Police Authority | 3,271 | 3,363 |
| - Lancashire Combined Fire Authority | 1,423 | 1,428 |
| Business Rates - Payment to National Pool | 12,388 | 12,974 |
| - Costs of Collection | 85 | 85 |
| Provision for Bad/Doubtful Debts | 49 | 52 |
| | 45,521 | 46,294 |
| (Deficit)/Surplus for the Year | 116 | -50 |
| Deficit Brought Forward | -281 | -165 |
| Deficit Carried Forward | -165 | -215 |

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:

| | 2011/2012 | 2012/2013 |
|--|-------------------|-------------------|
| | £ | £ |
| Gross Rates | 15,608,095 | 16,699,576 |
| Less Allowances and Other Adjustments | -3,134,970 | -3,640,226 |
| Income Collectable From Business Ratepayers | 12,473,125 | 13,059,350 |
| Less Cost of Collection | -85,061 | -85,289 |
| Net Payment to National Pool | 12,388,064 | 12,974,061 |

The total non-domestic rateable value at 31 March 2013 was £37,167,635 compared to £36,924,018 at 31 March 2012 based on the 2010 listing.

The national non-domestic multiplier (rate in the pound) for the year 2012/13 was 45.8 pence compared to 43.3 pence in the year 2011/12.

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 £1,462.57 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 | 7 | 6.50 | 3.6 |
| A | 6/9 | 3,332 | 2,830.00 | 1,886.7 |
| B | 7/9 | 4,631 | 4,117.75 | 3,202.7 |
| C | 8/9 | 4,704 | 4,246.75 | 3,774.9 |
| D | 1 | 4,317 | 3,992.50 | 3,992.5 |
| E | 11/9 | 3,179 | 2,993.25 | 3,658.4 |
| F | 13/9 | 2,001 | 1,902.25 | 2,747.7 |
| G | 15/9 | 1,820 | 1,741.00 | 2,901.7 |
| H | 18/9 | 182 | 176.00 | 352.0 |
| Totals | | 24,173 | 22,006.00 | 22,520.20 |
| | | | Adjustments | -86.20 |
| | | | Council Tax Base | 22,434 |

Collection Fund

4 BAND D COUNCIL TAX

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

| | 2011/2012 £ | 2012/2013 £ |
|---|-------------------|-------------------|
| Lancashire County Council Precept | 24,785,998 | 24,863,629 |
| Lancashire Police Authority Precept | 3,271,167 | 3,363,453 |
| Lancashire Combined Fire Authority Precept | 1,423,469 | 1,427,924 |
| Ribble Valley Borough Council Demand (excluding Parishes) | 3,146,391 | 3,156,239 |
| Total to be Met From Council Tax | 32,627,025 | 32,811,245 |
| Divided by Council Tax Base (Band D Equivalent Dwellings) | 22,364 | 22,434 |
| Band D Council Tax (Average excluding Parishes) | £1,458.91 | £1,462.57 |

5 PROVISION FOR LOSSES

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

| | Council Tax £ | NNDR £ | Total £ |
|------------------------|------------------|----------------|-----------------|
| Opening Balance | 210,000 | 250,000 | 460,000 |
| Write Offs in Year | -12,119 | -227,774 | -239,893 |
| Increase to Provision | 52,119 | 227,774 | 279,893 |
| Closing Balance | 250,000 | 250,000 | 500,000 |

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 | 2011/2012 Share of 31 | | | | 2012/2013 Share of 31 | | |
|---------|--------------------------|------------------|------------------------------------|--------|--------------------------|------------------|-------|
| | Precept | March Deficit | Total | | Precept | March Deficit | Total |
| | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 24,786 | 124 | 24,910 | Lancashire County Council | 24,864 | 162 | 25,026 | |
| 3,271 | 17 | 3,288 | Lancashire Police Authority | 3,363 | 22 | 3,385 | |
| 1,423 | 7 | 1,430 | Lancashire Combined Fire Authority | 1,428 | 9 | 1,437 | |
| 3,147 | 17 | 3,164 | Ribble Valley Borough Council | 3,156 | 23 | 3,179 | |

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 |



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