AUDITED

STATEMENT OF ACCOUNTS 2010/11

NEWCASTLE UNDER LYME

BOROUGH COUNCIL

Contents

Foreword

by the Executive Director - Resources and Support Services

a) Introduction

Welcome to Newcastle-under-Lyme Borough Council's Statement of Accounts for the financial year 2010/11. It sets out a summary of the money that the Council received and what it has been spent on and highlights specific issues regarding its financial position at 31 March 2011.

b) Regulations Governing the Production of the Statement of Accounts and changes arising from the adoption of International Financial Reporting Standards

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011 and the requirements of the 2010/11 "Code of Practice on Local Authority Accounting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The format of the Statement of Accounts has changed fundamentally from that of recent years. This is because International Financial Reporting Standards (IFRS) became applicable to the compilation and publication of local authority accounts with effect from the financial year 2010/11 and the 2010/11 Code has been re-written to reflect the consequent changes, which are considerable. The purpose of adopting IFRS is that financial statements produced anywhere in the world, based on IFRS principles, will be directly comparable. IFRS is also the standard already used in the compilation of the government's own accounts and by public bodies such as the National Health Service and those of most commercial organisations in this country.

One immediately noticeable effect arising from the change is that the length of the Statement has increased significantly, particularly since IFRS requires more extensive notes to the accounts. The primary statements are now the Statement of Movement in Reserves, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

Because the adoption of IFRS has required many changes in accounting practices and to the format and contents of the Statement of Accounts, the comparative figures for the previous accounting period, 2009/10 and balances as at 31 March 2010, have been restated to conform to IFRS. This means that some figures and the Statements and Notes which contain them are not directly comparable to those shown in the published 2009/10 Statement of Accounts. Note 43 sets out the main areas where restatements have been made, summarising the nature of the changes and the ways in which the financial data has been amended.

Under the provisions of Section 15/16 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011, the accounts were made available for inspection between 4 July and 29 July 2011, as advertised in the local press.

The accounts were approved by the Audit and Risk Committee on 26 September 2011 in accordance with paragraphs 8 (3) of the Accounts and Audit Regulations 2011. The signature of the Committee Chair (who presided over the meeting) is included at the conclusion of this foreword in line with the above regulations as evidence of approval of the 2010/11 Statement of Accounts.

c) General Accounting Policies

The accounting policies adopted by the Council comply with the relevant recommended accounting practices unless indicated otherwise and are explained in Note 1 to the Accounts. The Council's expenditure has been analysed in the Comprehensive Income and Expenditure Statement according to the standard classification recommended by CIPFA. In addition, the analysis of capital expenditure follows CIPFA's recommendations showing non-current and intangible assets separately. These recommended practices, classifications and recommendations have been re-issued by the relevant bodies to conform to IFRS requirements. There have been no changes in accounting policies other than those arising from the adoption of IFRS.

There has been no change in the Council's statutory functions during the year.

d) Statement of Accounts

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a local authority are both technical and complex. This foreword explains the statements and sections in this document, and provides a summary of the Council's financial performance for 2010/11 and its financial prospects for future years.

The Borough Council's Accounts for the year 2010/11 are set out in the following pages and consist of the following: -

Page

Statement of Responsibilities	–	Setting out the Council and Executive Director – Resources and Support Services responsibilities in relation to financial administration and accounting.
Movement in Reserves Statement	–	Showing movements in reserves split between usable and unusable reserves. The Statement also reconciles the outturn on the Comprehensive Income and Expenditure Statement to the General Fund Balance established by the relevant statutory provisions that specify the net expenditure the Council needs to take into account when setting local taxes.
Comprehensive Income and Expenditure Statement	–	Showing the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
Balance Sheet	–	Which sets out the financial position of the Council on the 31 March 2011. It provides details of the Council's balances and reserves and current assets employed in Council operations together with summarised information on the fixed assets held.
Cash Flow Statement	–	Summarising the total cash movement of the Council's transactions.
Notes to the Accounts	–	To provide explanation and analysis of items contained in the above accounting statements.
	–	Note 1 sets out the accounting policies which have been employed in compiling the Council's accounts.
Collection Fund	–	Reflecting the statutory requirement for the authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities and to the National Non-Domestic Rate (NNDR) Pool.
Audit Opinion	–	The External Auditor's opinion on the Accounts.

e) Accountability / Financial Reporting

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of the process of accountability, the Borough Council is required to produce a Statement of Accounts, in order to inform stakeholders that it has properly accounted for all the public money received and spent, and that the financial standing of the Council is on a secure basis.

The Statement of Accounts concentrates on clear and accurate reporting of the financial position of the Council in relation to a particular year. It does not, however, aim to fulfil the role of an annual report of a company. This would duplicate much of the work published in other documents produced by the Council, in particular, the Corporate Plan and the Annual Report.

f) Economic Downturn and Public Expenditure Reductions

The current recession affecting the British economy has continued to have an adverse effect upon the Council's finances, in common with other local authorities. In particular this has impacted upon the amount of income received from land charges and planning fees together with reduced rental income from commercial properties and income from car parks. Income in relation to the last two of these was also affected by improvement and repair work being carried out to two major properties, Lancaster Buildings and the Midway multi-storey car park. Interest rates continue to be at extremely low levels with a consequent effect on investment income, which is much reduced compared to that of a few years ago. The scale, length and depth of the recession are difficult to accurately predict. The impact is being closely monitored and evaluated in order to assess the financial risk to the Council's finances.

The continuing poor state of the nation's finances, resulting in the need to achieve significant reductions in public expenditure, led the government to cease payment of a number of specific revenue grants. These were in relation to the Local Authority Business Growth Incentive (LABGI), part of the Area Based Grant and Planning Delivery Grant. Altogether the value of the grants lost amounted to some £295,000.

g) General Fund Revenue Budget Outturn

The outturn position in relation to the General Fund Revenue Budget was an adverse variance of £87,019, i.e the net budget was £17.867m and the outturn was £17.954m.

This was in line with budget monitoring predictions of a final outturn close to the original budget for the year. The difficult operational conditions arising from the factors outlined in the previous paragraph meant that 2010/11 would be a challenging year financially for the Council. Members and officers have continued, therefore, to operate within an environment of tight budget management to, wherever possible, mitigate any adverse impact.

As a proportion of the budget the deficit represents a little under 0.5%.

The deficit was met by a transfer from the Budget Support Fund.

h) Financial Summary 2010/11

The financial activities of the Council can be categorised as either Revenue or Capital:

- Revenue spending represents the costs of consuming supplies and providing services delivered by the Council in its day to day business during the year
- Capital spending relates to items which will provide benefit to the Borough over a number of years

Revenue Expenditure

Where does the money come from?

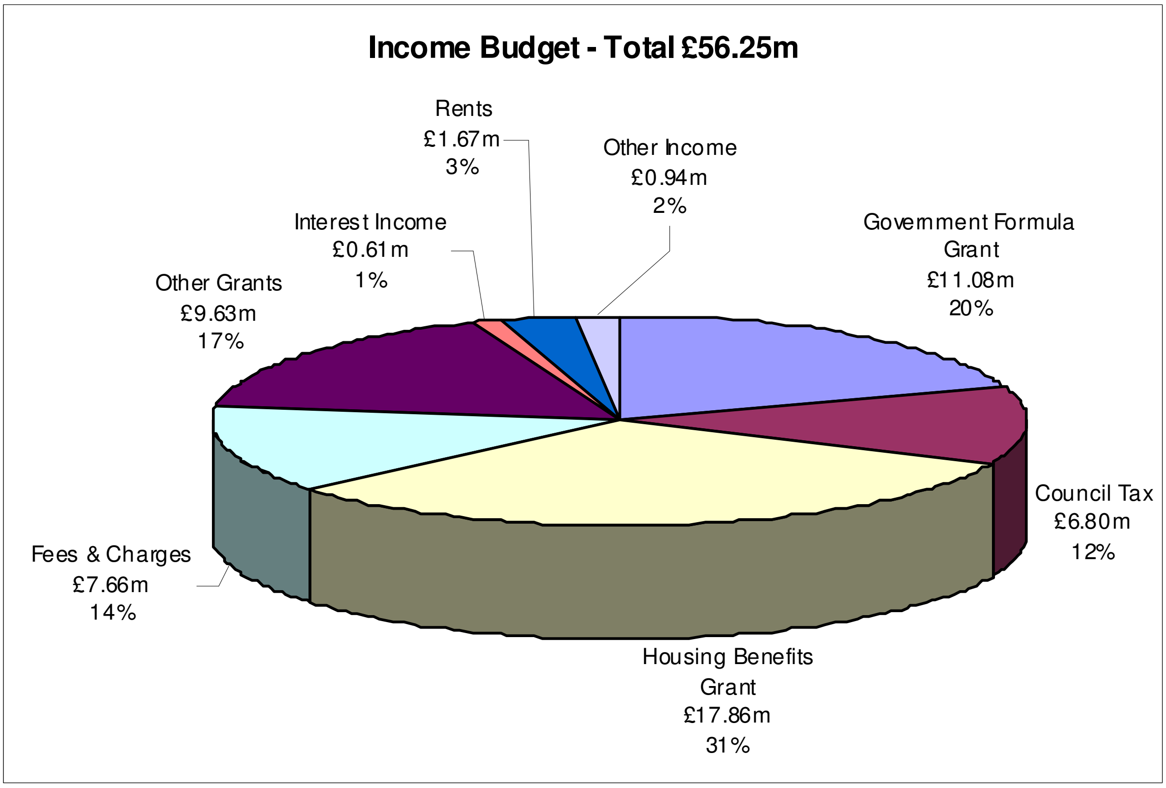
Local authorities receive income from the Government in the form of grants, from households in the form of Council Tax and from consumers in respect of fees and charges.

Each year the Government works out the amount of local government spending it is prepared to support through grant. Each local authority is allocated what is known as Formula Grant, which comprises revenue support grant and redistributed business rates income. In determining formula grant allocation, the Government takes into account the relative needs of different authorities, including population, deprivation levels, number of commuters, visitors to an area etc. In 2010/11, the Borough Council received a formula grant allocation of £11.079m.

Local residents pay Council Tax. This is a property based charge and the amount payable depends on the value band that the property is placed into by the Valuation Office.

Owners of businesses and properties pay the National Non-Domestic Rate (NNDR) set by Central Government, again based on values set by the Valuation Office. These “business rates” are collected by the Borough Council and paid over to the Government, who then redistribute the national pool to each local authority as part of their total formula grant income.

The gross income to pay for its services which was included in the Borough Council’s Revenue Budget for 2010/11 was £56.25m, made up as follows:-



What we planned to spend

The Council set an original Net Revenue Budget for 2010/11 of £17.867m on 24 February 2010.

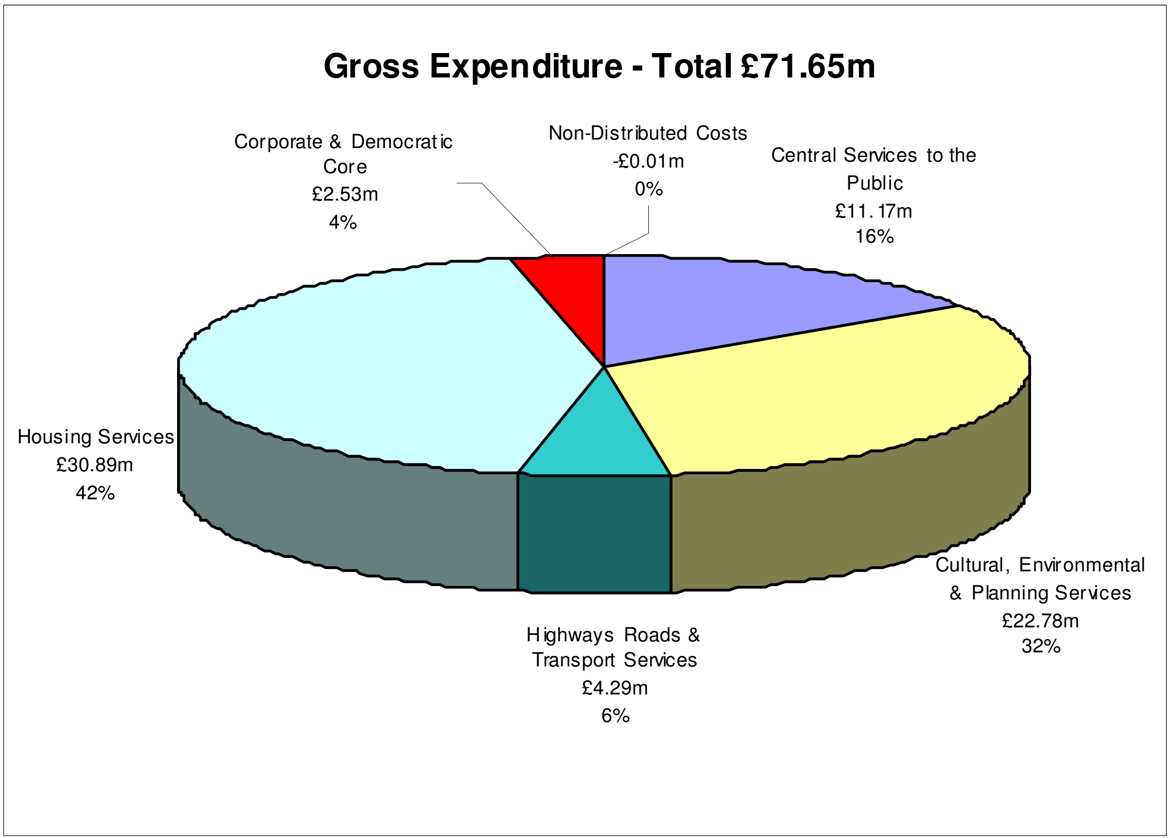
What we actually spent

Actual net expenditure was £17.954m. As mentioned earlier, this represents an adverse variance compared to the original budget of some £87,000.

This amount has been transferred from the Budget Support Fund. The balance on the Fund, as at 31 March 2010 is £1.093m, as against its balance at 1 April 2010, which was £1.628m. In addition to the transfer from the Fund of £87,000 some £0.020m was transferred to it to meet 2010/11 commitments carried forward. £0.468m of the Fund was also used, to provide general support for the budget in accordance with the approved budget for 2010/11.

How the money was spent

The Comprehensive Income and Expenditure Statement (page) summarises the resources that have been generated and consumed in providing services and managing the Council during 2010/11. It shows that Gross Expenditure for the year was £71.65m across defined service areas prescribed by CIPFA to facilitate comparison between councils.



Actual Gross Expenditure is higher than the budgeted income for a number of reasons, chiefly additional charges to the revenue account required by capital accounting rules and additional expenditure relating to rent allowances (which are compensated for by additional transfers from reserves or additional housing benefits grant income). It is also not possible to make a strict comparison between the two figures as the income total shown in the earlier chart is after allowing for transfers to or from reserves whilst the Gross Expenditure total includes expenditure which is to be met from reserves.

Capital Expenditure

Capital expenditure includes expenditure such as the acquisition, construction, repair and maintenance of fixed assets.

Notes 12, 13, 14 and 34 to the accounts show the Council's capital spending for 2010/11 together with the means by which it has been financed.

As capital spending contributes to the Council's aims and objectives over more than one year, the Council plans and budgets for expenditure by means of a "rolling" programme. This programme was last updated in February 2011.

There are a number of sources of funds which may be available to finance the Council's capital expenditure.

In 2010/11 and previous years the major source of finance has been unapplied capital receipts. These have arisen from sales of land, property and the sale of its housing stock a number of years ago.

Another significant source of funding is contributions from external parties towards the cost of capital projects. Such contributions may be made by developers as part of planning agreements, by various statutory and non-statutory bodies towards projects which promote the aims with which those bodies are concerned, by grant-aiding bodies, such as the National Lottery Fund, and by government departments where national policy dictates that local authorities should be assisted, by the payment of grant, to carry out desirable projects.

Some of the funds which the Council holds in reserves may be used to finance capital expenditure. Significant specific reserves which can be used for this purpose are the New Initiatives, Special Projects (Economic Development) and ICT Development Funds. In addition the Contingency Reserve may be used to meet capital costs. The balances on the Council's reserves are shown in Note 22 (page) to the accounts.

A small amount of capital expenditure may be financed directly from the General Fund Revenue Account.

Borrowing is another means that can be used to finance capital expenditure. This is not presently employed by the Council and it currently has no long term debt. Whether it is employed in the future will depend upon its cost relative to other means of capital financing and the availability (or lack of it) of other sources of capital financing.

Short term loans, of less than 365 days, are however, an important means of stabilising the Council's bank balance and such loans are taken, at commercial rates via the money market, as and when necessary, according to the cash flow situation pertaining at any particular time. In addition, the Council has an overdraft facility arranged with its bankers which can be used to cover any unexpected shortfalls of income.

i) Financial Prospects

Revenue

The Council is committed to achieving excellence in its service delivery, as evidenced by its service reviews and transformation programmes. Integral to this ambition is the need to effectively target its financial resources in line with its stated aims and objectives against the background of an unprecedented economic situation referred to earlier.

The Council's Medium Term Financial Strategy (MTFS) - which forecasts future years' budgets taking into account the national and local financial situation together with the Council's priorities - identified shortfalls for each year from 2011/12 to 2015/16.

The original forecast shortfall for 2011/12 was £2.7m. On 23 February 2011 the Council set a balanced budget without any increase in council tax. This was mainly due to efficiency savings of £2.1m. The majority of these were identified through a review of the Council's services focussing on particular areas where it was felt savings could be achieved.

The government's desire to achieve significant reductions in public expenditure will inevitably impact upon the Council's own finances. 2011/12 saw a significant reduction in central government support by way of the formula grant which will be repeated in 2012/13 (a reduction of just under £1.0m from the 2011/12 level). Indications for the following two years are for further reductions to be made in the amount of formula grant to be paid to the Council. Whilst these may not be to the same extent as those suffered in 2011/12 and 2012/13, the result is likely to be that grant will be reduced by at least some £0.35m in both 2013/14 and 2014/15.

Work has taken place to meet the challenge posed by the consequential need for budget reductions, in particular the completion of a comprehensive review of all services to identify savings, to take effect in the 2011/12 and 2012/13 budgets. The Council has also instituted a Transformation Programme to effect improvements to working practices and to make optimum use of new technology, which should have a beneficial effect on its budgets through reducing overall costs.

Capital

The capital programme approved on 23 February 2011 provided for total capital spending of £21.639m over two financial years.

The Council will have sufficient available resources to finance this programme in the form of unapplied capital receipts, reserves, contributions and grants. However, following completion of the existing programme sources of capital funding held by the Council itself will be at low levels, the Special Projects (Economic Development) Fund being exhausted whilst the remaining balance on the ICT Development Fund is earmarked for funding ICT system replacement and enhancement rather than general capital investment. Resources will, therefore, be insufficient to support a future programme of capital investment of any significant size.

There will, however, be a continuing need for some capital investment to maintain service continuity, particularly in replacement plant and equipment and to maintain operational buildings in a fit state. If this need is to be satisfied, it will be necessary to look to generate capital receipts from sales of assets or to make use of Prudential (affordable) borrowing. For some projects it may be possible to obtain some grant income or contributions from partner organisations but in the current economic climate such opportunities may be limited.

The Council has recognised the need to continually monitor and review its capital programme and resources. The "Capital Programme Review Group" which meets every month sets the overall Capital Strategy and Asset Management Plan within the context of the Medium Term Financial Strategy; to ensure that projects are delivered against priorities and support service improvements; to monitor the programme on a month by month basis and to ensure value for money is achieved ie outcomes are fit for purpose and investment is targeted to maximise the needs and outcomes for local people.

Reserves

The Council holds a number of reserves which have been established either to meet specific categories of expenditure or are of a general nature. These reserves are listed in Note 22 (page) to the accounts. Some of the reserves may be used to finance both capital and revenue expenditure. The levels of reserves are kept under review to determine their adequacy to meet the Council's spending commitments and future plans.

The results of past surpluses on the Revenue Account are held as a Fund Balance which can be used to contribute when required to a particular year's revenue account. The required level is determined by reference to a risk assessment of factors which might adversely impact upon a year's revenue budget on a "worst case" basis. The current level, as at 31 March 2011 is £1.75m. In addition the Budget Support Fund has been built up over recent years from such surpluses and is available for supporting future years' revenue budgets.

It can be seen from the details shown in Note 22 that the Organisational Development and Change Management Funds have been exhausted and the balance on the Contingency Reserve has reduced from £0.540m to £0.114m. This is due to meeting the costs of redundancy payments and actuarial strain payments to the Pension Fund in respect of staff affected by service restructuring and the abolition of some posts, following the implementation of the service review programme. The balance of the Contingency Reserve remains above the minimum level of £100,000 required by the Council's Balances and Reserves Strategy.

Partnerships

The Council participates in a number of partnerships. Its contributions towards the partnerships with which it is involved may be "in kind", for example the provision of staff and services, or consist of meeting expenses or making contributions towards costs incurred by other partners or their associates.

j) Asset Impairment

The Council had to impair the value of the assets held in relation to its deposit in the Heritable Bank at the end of the 2008/09 financial year. An impairment is a reduction in the value of an asset below its carrying amount in the balance sheet. In doing this the Council followed the guidelines issued by CIPFA's Local Authority Accounting Panel on how to account for the deposit that is considered to be at risk, i.e. to assume that 85% of the deposit, plus interest accrued to the date the bank went into liquidation, would be repaid. As at 31 March 2011 just over 50% of the amount deposited has been repaid and a further £156,863 (representing a little over 6%) has since been received in 2011/12.

k) Assets and Liabilities Acquired

Land has been acquired for burial facilities at Audley. Apart from this there have been no significant assets or liabilities acquired.

l) Pensions Scheme Liability

The Liability relating to Defined Benefit Pension Schemes decreased from £68.703m to £46.698m. This decrease is mirrored by a decrease in the Pensions Reserve balance. These amounts are required to be included in the Borough Council's accounts as a result of the application of International Accounting Standard19 (IAS19) and the CIPFA Code of Accounting Practice. Neither directly relate to Borough Council transactions - they relate to those of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities (after deduction of the value of scheme assets). Whilst the net liability indicates the Council's long term commitment to pay retirement benefits, statutory arrangements for funding the deficit mean that its financial position remains healthy.

m) Audit of the Accounts

The Borough Council's appointed auditors, the Audit Commission, currently undertake the annual audit of the accounts. Their contact details are:-

Tony Corcoran

District Auditor, Audit Commission

Opus House

Priestley Court

Stafford Technology Park

Beaconside

Stafford

ST18 0LQ

n) Further Information

Further information about the Accounts is available from:

Kelvin Turner

Executive Director - Resources and Support Services

Civic Offices

Merrial Street

Newcastle,

Staffs ST5 2AG

A Summary Financial Statement for 2010/11 is also available, being included in the Council's Annual Report which can be accessed via the Council's website: www.newcastle-staffs.gov.uk.

o) Comments

If you have any comments about the way that the information is presented in this Statement of Accounts, or about possible alternative ways of making the information available, we would be pleased to receive them, at the above address.

Kelvin Turner

Executive Director - Resources and Support Services

p) Approval of Statement of Accounts

The Accounts and Audit Regulations 2011 require the Statement of Accounts to be considered by and approved by a Council Committee or the Full Council and for the Statement to be signed at the meeting by the person presiding. This statement has been approved by the Audit and Risk Committee and this is evidenced by the signature of that Committee's Chair, who presided over the meeting, which is shown below.

The Statement of Accounts was approved at a meeting of the Audit and Risk Committee on 26 September 2011

Signed: (Chair of the Audit and Risk Committee) Dated: 26 September 2011

Statement of Responsibilities

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 Executive Director - Resources and Support Services.

to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

to approve the Statement of Accounts.

The Executive Director - Resources and Support Services' Responsibilities

The Executive Director (Resources and Support Services) is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this statement of accounts, the Executive Director (Resources and Support Services) has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the Code.

The Executive Director - Resources and Support Services has also:

kept proper accounting records which were up-to-date;

taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Director - Resources and Support Services Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Borough Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Kelvin Turner

Executive Director - Resources and Support Services

Date:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009 Carried Forward	(1,750)	(12,873)	(17,810)	(1,456)	(33,889)	(11,597)	(45,486)
Movement in Reserves during 2009/10					-		-
Surplus or (Deficit) on Provision of Services	7,298				7,298		7,298
Other Comprehensive Income & Expenditure					-	26,164	26,164
Total Comprehensive Income & Expenditure	**7,298**	**-**	**-**	**-**	**7,298**	**26,164**	**33,462**
Adjustments between accounting basis and funding basis (Note 7)	(5,540)		6,298	(254)	504	(504)	-
Net Increase/Decrease before transfers to Earmarked Reserves	1,758	-	6,298	(254)	7,802	25,660	33,462
Transfers to/from Earmarked Reserves (Note 8)	(1,758)	3,688			1,930	(1,930)	-
Increase/Decrease in Year	**-**	**3,688**	**6,298**	**(254)**	**9,732**	**23,730**	**33,462**
Balance at 31 March 2010 Carried Forward	(1,750)	(9,185)	(11,512)	(1,710)	(24,157)	12,133	(12,024)

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010 Carried Forward	(1,750)	(9,185)	(11,512)	(1,710)	(24,157)	12,133	(12,024)
Movement in Reserves during 2010/11					-		-
Surplus or (Deficit) on Provision of Services	(5,446)				(5,446)		(5,446)
Other Comprehensive Income & Expenditure					-	(12,162)	(12,162)
Total Comprehensive Income & Expenditure	**(5,446)**	**-**	**-**	**-**	**(5,446)**	**(12,162)**	**(17,608)**
Adjustments between accounting basis and funding basis (Note 7)	7,530		5,526	(224)	12,832	(12,832)	-
Net Increase/Decrease before transfers to Earmarked Reserves	2,084	-	5,526	(224)	7,386	(24,994)	(17,608)
Transfers to/from Earmarked Reserves (Note 8)	(2,084)	2,513			429	(429)	-
Increase/Decrease in Year	**-**	**2,513**	**5,526**	**(224)**	**7,815**	**(25,423)**	**(17,608)**
Balance at 31 March 2011 Carried Forward	(1,750)	(6,672)	(5,986)	(1,934)	(16,342)	(13,290)	(29,632)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities 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.

	2009/10				2010/11	
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
10,950	9,562	1,388	Central Services to the Public	11,174	9,674	1,500
22,972	5,299	17,673	Cultural, Environmental, Regulatory & Planning Services	22,769	5,439	17,330
2,864	1,575	1,289	Highways & Transport Services	4,295	1,565	2,730
28,239	26,553	1,686	Housing Services	30,895	28,058	2,837
2,530	56	2,474	Corporate & Democratic Core	2,531	14	2,517
676	-	676	Non-Distributed Costs	58	-	58
-	-	-	Past Service Gains - change from RPI to CPI for pensions increases (Note 5)	(13,420)	-	(13,420)
68,231	**43,045**	**25,186**	**Cost of Services**	**58,302**	**44,750**	**13,552**
459	652	(193)	Other Operating Expenditure (Note 9)	1,479	1,638	(160)
5,183	2,376	2,807	Financing & Investment Income & Expenditure (Note 10)	7,827	7,268	559
-	20,502	(20,502)	Taxation and non-specific Grant Income (Note 11)		19,397	(19,397)
		7,298	**(Surplus) or Deficit on Provision of Services**			**(5,446)**
		(861)	Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets			(2,552)
		27,025	Actuarial Gains/Losses on Pensions Assets/Liabilities			(9,610)
		26,164	**Other Comprehensive Income & Expenditure**			**(12,162)**
		33,462	**Total Comprehensive Income & Expenditure**			**(17,608)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie 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 the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet

01/04/2009 £000	31/03/2010 £000		Notes	31/03/2011 £000	31/03/2011 £000
		Property, Plant & Equipment	12		
22,036	23,800	Land & Buildings		26,227	
1,111	1,082	Infrastructure		1,053	
4,040	6,594	Vehicles, Plant, & Equipment		6,568	
5,237	5,701	Community Assets		7,085	40,933
32,424	37,177				
12,934	13,534	Investment Property	13		13,053
80	79	Intangible Assets	14		187
4,000	4,000	Assets Held for Sale	19		4,100
5,164	676	Long Term Investments	15		336
2,269	2,120	Long Term Debtors			1,971
56,871	**57,586**	**Long Term Assets**			**60,580**
31,107	24,051	Short Term Investments	15		18,237
41	45	Inventories	16		36
7,925	10,507	Short Term Debtors (Net of Bad Debt Provisions)	17		9,423
878	356	Cash and Cash Equivalents	18		774
39,951	**34,959**	**Current Assets**			**28,470**
(8,481)	(9,132)	Short Term Creditors	20		(10,918)
(92)	(54)	Short Term Borrowing	15		(65)
(1,101)	(376)	Deposits			(237)
-	-	Bank Overdrafts			-
(9,674)	**(9,562)**	**Current Liabilities**			**(11,220)**
(563)	(514)	Provisions	21		(317)
		Other Long Term Liabilities			
(40,157)	(68,703)	Net Pensions Liability		(46,698)	
(560)	(1,023)	Deferred Liabilities		(1,009)	(47,707)
(40,717)	(69,726)				
(382)	(719)	Capital Grants Receipts in Advance	32		(174)
(41,662)	**(70,959)**	**Long Term Liabilities**			**(48,198)**
45,486	**12,024**	**Net Assets**			**29,632**
		Usable Reserves	22		
1,750	1,750	General Fund Balance		1,750	
12,873	9,185	Other Usable Reserves		6,672	
17,810	11,512	Capital Receipts Reserve		5,986	
1,456	1,710	Capital Grants Unapplied Account		1,934	
33,889	24,157	Total Usable Reserves			16,342
		Unusable Reserves	23		
6,442	6,918	Revaluation Reserve		9,470	
43,608	47,993	Capital Adjustment Account		48,908	
1,991	1,871	Deferred Capital Receipts Reserve		1,753	
(40,157)	(68,703)	Pensions Reserve		(46,698)	
(25)	(3)	Collection Fund Adjustment Account		49	
(262)	(209)	Accumulated Absences Account		(192)	
11,597	(12,133)	Total Unusable Reserves			13,290
45,486	**12,024**	**Total Reserves**			**29,632**

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 recipients 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 (ie borrowing) to the Council.

2009/10 £000		2010/11 £000	Note
7,298	Net (Surplus) or Deficit on the Provision of Services	(5,446)	
(7,715)	Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash movements	(527)	19
1,048	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	1,920	19
631	Net Cash Flows from Operating Activities	(4,053)	24
(6,246)	Investing Activities	(597)	25
6,138	Financing Activities	4,232	26
523	Net Increase or Decrease in Cash and Cash Equivalents	(418)	
(879)	Cash and Cash Equivalents at the beginning of the Reporting Period	(356)	
(356)	**Cash and Cash Equivalents at the end of the Reporting Period**	**(774)**	18

Notes to the Accounts

1. Accounting Policies

i. General Principles

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

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

ii. 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 services 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 borrowings 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.
- Where 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.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with the Council's own bank which are repayable without penalty on notice of not more than 24 hours.

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.

iv. 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. See Note 5 for details of any exceptional items.

v. 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, ie 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.

vi. 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 fixed assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These are therefore reversed out by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement,

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

Termination Benefits

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

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

Post Employment Benefits Employees of the Council (unless they chose to opt out) are members of the Local Government Pensions Scheme, administered by Staffordshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

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

- The liabilities of the Staffordshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds, specifically the iBoxx Sterling Corporates AA over 15 years index with recently re-rated bonds removed).
- The assets of Staffordshire pension fund attributable to the 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
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the Staffordshire 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.

viii. 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 events 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.

ix. Financial Instruments

Financial Instruments are defined as: any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial instruments are: Liabilities - trade payables, borrowings, financial guarantees; Assets - bank deposits, trade receivables, investments; derivatives, such as forward investment deals.

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 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.

Financial Assets

Financial assets are classified into 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.

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.

Short Term Investments

Short term investments include:

- deposits with financial institutions repayable without penalty on notice of not more than 24 hours (except for such deposits held in the Council's own bank accounts)
- Investments that mature in less than twelve months from the date of acquisition.

Available-for-Sale Assets

The only available-for-sale assets are a small amount of government stock. Interest payments are fixed in amount, therefore, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Available for sale assets are maintained in the Balance Sheet at fair value. Values are based on the market price

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 asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited 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).

Instruments Entered Into Before 1 April 2006

The Council has entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

x. 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.

xi. 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Area Based Grant and Formula Grant (Revenue Support Grant and Redistributed Business Rates) are general grants allocated by central government directly to local authorities as additional revenue funding and are non-ringfenced. They are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xii. 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 (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets 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. 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.

xiii. Inventories

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

xiv. 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, however their values are considered each year according to market conditions at the year-end (i.e. if any properties or classes of properties, following consideration are thought likely to be subject to a valuation change, they are revalued). In any case every property is revalued once every five years according to a rolling programme of revaluations. 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.

xv. 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.

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 Council 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. 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 use of the leased property, plant or 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 (eg 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 (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

Regulations were issued when IFRS was implemented that permit amounts receivable under leases (if they were in existence on or before 31 March 2010) that changed from operating leases to finance leases as a result of changes to proper practices to be treated as if the status of the lease had not changed. This means that amounts receivable under operating leases that became finance leases on transition to IFRS can continue to be credited to the General Fund balance as revenue income. Such leases will be accounted for in accordance with the current provisions of the Code, with any adjustments to the General Fund balance being made by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are 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 (eg 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.

xvi. 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 Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and costs relating to long-term unused assets arising from reduced activity, the loss of a function or area of work.

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

xvii. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. No de minimis level, below which expenditure is not capitalised, applies. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase
- 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie 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 a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

Revaluation gains or losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. They are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account

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.

Impairment

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.

Impairment losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account

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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over estimated life of asset.

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

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

Depreciation is not permitted by statutory arrangements to have an impact on the General Fund Balance. It is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted 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 (ie 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. These are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xviii. Provisions, Contingent Liabilities and Contingent Assets

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 (eg 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 Council 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.

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.

xix. 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 and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xx. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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 (less any grant or contribution received towards it) 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.

xxi. 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.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

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

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

Heritage assets are assets that are held principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored in the museum.

These assets are currently valued at insurance value, as at 31 March 2007, with the valuation being deemed a proxy for historical cost and classified as community assets within Property, Plant and Equipment in the Balance Sheet.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (2010/11 comparative information). It is, therefore, intended in future to use the up to date insurance valuation each year to represent the value at which these assets are to be included in the balance sheet. It is not anticipated that this will result in a significantly different value to that already included in the balance sheet.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, 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:

- identifying whether leases of assets are operating or finance leases
- whether contractual arrangements have the substance of a lease
- whether land and buildings owned by the Council are investment properties
- whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

- the recoverable amounts in relation to debtors
- principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme
- fair values for property plant and equipment that are not based on recently observed market prices
- fair values for financial assets that are not based on recently observed market prices

5. Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Accounting Code of Practice requires the nature and amount of material items to be set out in a note. The following material transactions occurred in 2010/11:

Investment properties disposed of gave rise to £1.254m in capital receipts, whilst the carrying value of these assets was £1.123m. These transactions are contained within the line "other operating expenditure" in the Comprehensive Income and Expenditure Statement. The amounts concerned were reversed out via the Movement in Reserves Statement so they have no overall effect.

The Defined Benefit Pension Scheme includes past service gains amounting to £13.420m in respect of the changes to pension increases introduced in the Chancellor's budget statement.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director - Resources and Support Services on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2010/11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of Items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for the Depreciation and Impairment of Non-Current Assets	(5,313)			5,313
Revaluation Losses on Property, Plant & Equipment	(198)			198
Movements in the market value of Investment Properties	721			(721)
Amortisation of Intangible Assets	(63)			63
Capital Grants and Contributions applied	687			(687)
Revenue Expenditure Funded from Capital under Statute	(1,634)			1,634
Amounts of Non-Current Assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,123)			1,123
Value of Donated Assets	100			(100)
Capital element of Finance Leases where Council is the lessor	(117)			117
Non Depreciated element of asset disposals	(39)			39
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	125			(125)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions Unapplied credited to the Comprehensive Income & Expenditure Statement	484		(484)	
Application of Grants to capital financing transferred to the Capital Adjustment Account			121	(121)
Grant brought forward transferred to Revenue (re REFCUS)	(139)		139	

(continued on next page)

2010/11

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,575	(1,575)		
Use of the Capital Receipts Reserve to finance new capital expenditure		7,129		(7,129)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1)	1		
Principal Repayments re Long Term Debtor (Loan)		(29)		29
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	12,395			(12,395)
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 calculated for the year in accordance with statutory requirements	53			(53)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17			(17)
Total Adjustments	**7,530**	**5,526**	**(224)**	**(12,832)**

2009/10	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of Items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for the Depreciation and Impairment of Non-Current Assets	(5,391)			5,391
Revaluation Losses on Property, Plant & Equipment	(105)			105
Movements in the market value of Investment Properties	(214)			214
Amortisation of Intangible Assets	(80)			80
Capital Grants and Contributions applied	1,185			(1,185)
Revenue Expenditure Funded from Capital under Statute	(734)			734
Amounts of Non-Current Assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(162)			162
Capital element of Finance Leases where Council is the lessor	(117)			117
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions Unapplied credited to the Comprehensive Income & Expenditure Statement	396		(396)	
Application of Grants to capital financing transferred to the Capital Adjustment Account			142	(142)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	652	(652)		
Use of the Capital Receipts Reserve to finance new capital expenditure		6,978		(6,978)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1)	1		
Transfer from Deferred Capital receipts Reserve upon receipt of cash				
Transfer from Deferred Capital receipts Reserve upon receipt of cash				
Principal Repayments re Long Term Debtor (Loan)		(29)		29

(continued on next page)

2009/10

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment	477			(477)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(1,521)			1,521
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 calculated for the year in accordance with statutory requirements	22			(22)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	53			(53)
Total Adjustments	**(5,540)**	**6,298**	**(254)**	**(504)**

8. Transfers to/from Earmarked Reserves

Amounts are set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and amounts are posted back from earmarked reserves to meet General Fund expenditure. The table below shows these transfers.

		Transfers Out 2010/11	Transfers In 2010/11	Net Movement 2010/11
		£000	£000	£000
Contingency Reserve Fund		(415)	-	(415)
Budget Support Fund		(599)	64	(535)
Conservation and Heritage Fund		(30)	39	9
ICT Development Fund		(77)	-	(77)
Equipment Replacement Fund		(54)	107	53
Insurance Fund		(446)	155	(291)
Museum Purchases Fund		(5)	2	(3)
Maintenance Contributions		(55)	-	(55)
Mayors Charities Reserve		(32)	27	(5)
New Initiatives Fund		(120)	-	(120)
Organisational Development Fund		(153)	-	(153)
RENEW Reserve		(28)	-	(28)
Renewals & Repairs Fund		(649)	445	(204)
Change Management Fund		(163)	-	(163)
Standards Fund		(2)	-	(2)
LABGI Reserve		-	-	-
Deposit Guarantee Scheme Reserve		(2)	4	2
Planning Delivery Grant Reserve		(235)	-	(235)
LSVT Capital Fund		-	138	138
Total	**-**	**(3,065)**	**981**	**(2,084)**

Details of all transfers to/from reserves, both usable and unusable, are shown in notes 22 and 23, together with a note of the nature and purpose of each reserve.

9. Other Operating Expenditure

2009/10 £000		2010/11 £000
296	Parish Precepts	351
-	Levies	-
1	Payments to the government Housing Capital Receipts Pool	1
165	Gains/Losses on the disposal of Non-Current Assets	(89)
(655)	Capital income not arising from asset sales	(423)
(193)	**Total**	**(160)**

10. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
63	Interest Payable and similar charges	66
2,949	Pensions Interest Cost and Expected Return on Pensions Assets	1,834
(1,373)	Interest Receivable and similar income	(607)
1,168	Income and Expenditure in relation to Investment Properties and changes in their fair value	(734)
-	Other Investment Income	-
2,807	**Total**	**559**

11. Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
(7,001)	Council Tax income	(7,191)
(8,840)	Non Domestic Rates	(9,674)
(2,832)	Non-Ringfenced Government Grants	(1,499)
(1,829)	Capital Grants and Contributions	(1,033)
(20,502)	**Total**	**(19,397)**

12. Property, Plant and Equipment

Movements on Balances

Movements in 2010/11	Land & Buildings	Infrastructure assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Total Property , Plant & Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2010	25,308	1,339	12,290	5,950	44,887
Additions	4,802	34	1,345	559	6,740
Deletions					-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	1,142			1,135	2,277
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,289)	(33)	(238)	(152)	(3,712)
Derecognition - Disposals			(1,692)		(1,692)
Derecognition - Other					-
Assets reclassified (to)/from Held for Sale					-
Other Movements in Cost or Valuation				(42)	(42)
At 31 March 2011	**27,963**	**1,340**	**11,705**	**7,450**	**48,458**
Accumulated Depreciation & Impairment					
At 1 April 2010	(1,508)	(258)	(5,695)	(249)	(7,710)
Depreciation Charge	(470)	(29)	(1,094)	(116)	(1,709)
Depreciation written-out to the Revaluation reserve					-
Depreciation written-out to the surplus/deficit on the Provision of Services					-
Impairment losses/reversals recognised in the Revaluation Reserve					-
Impairment losses/reversals recognised in the surplus/deficit on the Provision of Services					-
Derecognition - Disposals			1,653		1,653
Derecognition - Other	241				241
Other movements in Depreciation/Impairment					-
At 31 March 2011	**(1,737)**	**(287)**	**(5,136)**	**(365)**	**(7,525)**
Net Book Value					
As at 31 March 2010	23,800	1,081	6,595	5,701	37,177
As at 31 March 2011	26,226	1,053	6,569	7,085	40,933

Movements in 2009/10	Land & Buildings	Infrastructure assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Total Property , Plant & Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2009	23,013	1,339	8,612	5,391	38,355
Additions	3,605	17	4,151	608	8,381
Deletions					-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	314			6	320
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,593)	(17)	(202)	(55)	(1,867)
Derecognition - Disposals	(31)		(327)		(358)
Derecognition - Other					-
Assets reclassified (to)/from Held for Sale					-
Other Movements in Cost or Valuation			56		56
At 31 March 2010	**25,308**	**1,339**	**12,290**	**5,950**	**44,887**
Accumulated Depreciation & Impairment					
At 1 April 2009	(977)	(229)	(4,571)	(154)	(5,931)
Depreciation Charge	(599)	(29)	(1,325)	(95)	(2,048)
Depreciation written-out to the Revaluation reserve					-
Depreciation written-out to the surplus/deficit on the Provision of Services					-
Impairment losses/reversals recognised in the Revaluation Reserve					-
Impairment losses/reversals recognised in the surplus/deficit on the Provision of Services					-
Derecognition - Disposals	9		201		210
Derecognition - Other	59				59
Other movements in Depreciation/Impairment					-
At 31 March 2010	**(1,508)**	**(258)**	**(5,695)**	**(249)**	**(7,710)**
Net Book Value					
As at 31 March 2009	22,036	1,110	4,041	5,237	32,424
As at 31 March 2010	23,800	1,081	6,595	5,701	37,177
As at 31 March 2010	23,800	1,081	6,595	5,701	37,177

Depreciation

Depreciation is applied on a straight line basis. No depreciation is applied to land. Where an asset includes land, the value of this element is excluded before applying depreciation. A 10% residual value is assumed in most cases which is deducted from the depreciable amount before applying depreciation.

The following useful lives have been used in the calculation of depreciation:

- Other Land and Buildings - 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset concerned.
- Vehicles, Plant, Furniture & Equipment - 5 years for most items, 15 years for wheeled bins.
- Infrastructure - no specific life. Depreciation is based on a historical composite calculation.
- Community Assets - 20 years

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £5.596m. Similar commitments at 31 March 2010 were £0.501m. The major commitments are:

- Jubilee 2 project - £5.213m
- Ecohomes Phase 2/Solar Panels - £0.120m
- Midway Multi-storey car park repairs - £0.544m
- Audley Burial facilities - £0.032m

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, and equipment are based on historic cost.

The significant assumptions applied in estimating the fair values are:

- Whether a property asset is a specialised asset, which governs its valuation treatment
- Whether an asset is still being used for operational purposes
- Whether there is any impairment applicable to the asset

Valuations over the five year rolling period were as follows:

	Land & Buildings	Vehicles, plant, Furniture & Equipment	Community Assets	Infrastructure Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	9	9,626	6,316	1,340	17,291
Valued at Fair Value as at:					-
31 March 2007	5,520	486			6,006
31 March 2008	664				664
31 March 2009	10,094				10,094
31 March 2010	3,439				3,439
31 March 2011	8,237	1,593	1,134		10,964
Total Cost or Valuation	**27,963**	**11,705**	**7,450**	**1,340**	**48,458**

13. 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:

2009/10 £000		2010/11 £000
1,285	Rental Income from Investment Property	906
(486)	Direct Operating Expenses arising from Investment Property	(606)
799	**Net Gain/(Loss)**	**300**

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:

2009/10 £000		2010/11 £000
12,934	Balance at start of the Year	13,534
	Additions:	
-	Purchases	
-	Construction	
2,078	Subsequent Expenditure	208
(15)	Disposals	(1,123)
(1,463)	Net Gains/(Losses) from Fair Value Adjustments	513
	Transfers:	
-	To/(From) Inventories	
-	To/(From) Property, Plant & Equipment	
-		
-	Other Changes	(79)
13,534	**Balance at end of the Year**	**13,053**

14. 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. Internally generated software is not included in intangible assets. There are no other types of asset classified as Intangible Assets.

All software is assigned a finite useful life of 5 years, based on an assessment of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £x charged to revenue in 2010/11 was charged to the ICT Services cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2009/10 £000		2010/11 £000
	Balance at start of Year:	
1,197	Gross Carrying Amounts	1,276
1,117	Accumulated Amortisation	1,197
80	Net Carrying Amount at start of Year	79
79	Additions	170
-	Disposals	
(80)	Amortisation for the period	(63)
-	Other Changes	
79	Net Carrying Amount at end of the Year	186
	Comprising:	
1,276	Gross Carrying Amounts	1,446
(1,197)	Accumulated Amortisation	(1,260)
79		**186**

15. Financial Instruments

Categories of Financial Instruments

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

01 April 2009		31 March 2010			31 March 2011	
Long Term	Current	Long Term	Current		Long Term	Current
£000	£000	£000	£000		£000	£000
				Investments		
5,160	31,107	672	24,051	Loans and Receivables	336	18,237
4	-	4	-	Available for Sale Financial Assets	-	-
5,164	31,107	676	24,051	**Total Investments**	336	18,237
	8,230		10,781	**Debtors ***	-	9,665
	92		54	**Borrowings**	-	65
	8,481		9,132	**Creditors**	-	10,918
	878		356	**Cash and Cash Equivalents**		774

* Debtors includes Long Term Debtors of £242k (31/03/11), £274k (31/03/10), £305k (01/04/09)

Income, Expense, Gains and Losses:

Financial Liabilities measured at Amortised Cost	Financial assets: Loans & Receivables	Financial Assets: Available for Sale	Total		Financial Liabilities measured at Amortised Cost	Financial assets: Loans & Receivables	Financial Assets: Available for Sale	Total
£000	£000	£000	£000		£000	£000	£000	£000
7	-	-	7	Interest Expense included in Surplus or Deficit on the Provision of Services	1			1
7	-	-	7	Total expense in Surplus or deficit on the Provision of	1	-	-	1
-	(812)	-	(812)	Interest Income	-	(262)		(262)
-	(90)	-	(90)	Interest Income Accrued on Impaired Financial Assets	-	(62)		(62)
-	(902)	-	(902)	Total income in Surplus or deficit on the Provision of	-	(324)	-	(324)
7	(902)	-	(895)	Net Gain (Loss) for the Year	1	(324)	-	(323)

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:

- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The impairment relating to the deposit with Heritable Bank is recognised
- no early repayment is recognised
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

01 April 2009		31 March 2010			31 March 2011	
Carrying Amount	Fair Value	Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000	£000	£000		£000	£000
				Liabilities		
92	92	54	54	Financial Liabilities	65	65
8,481	8,481	9,132	9,132	Creditors	10,918	10,918
				Assets		
36,271	36,271	24,727	24,727	Loans and Receivables	18,573	18,573
8,230	8,230	10,781	10,781	Debtors *	9,665	9,665
878	878	356	356	Cash and Cash Equivalents	774	774

* Debtors includes Long Term Debtors of £242k (31/03/11), £274k (31/03/10), £305k (01/04/09)

16. Inventories

2009/10 Fuel	2009/10 ICT Consumables	2009/10 Total		2010/11 Fuel	2010/11 ICT Consumables	2010/11 Total
£000	£000	£000		£000	£000	£000
23	18	41	**Balance Outstanding at start of Year**	27	18	45
339	66	405	Purchases	397	34	431
(332)	(58)	(390)	Recognised as an expense in the Year	(379)	(36)	(415)
(3)	(8)	(11)	Written-off Balances	(13)	(12)	(25)
27	**18**	**45**	**Balance Outstanding at Year end**	**32**	**4**	**36**

17. Debtors

1 April 2009	31 March 2010		31 March 2011
£000	£000		£000
870	5,102	Central Government Bodies	3,527
2,352	1,588	Other Local Authorities	1,230
6	4	NHS Bodies	3
-	-	Public Corporations and Trading Funds	-
4,697	3,813	Other Entities and Individuals	4,662
7,925	**10,507**	**Total**	**9,423**

18. Cash and Cash Equivalents

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

01 April 2009	31 March 2010		31 March 2011
£000	£000		£000
120	100	Cash held by the Council	97
758	256	Bank Current Accounts	677
878	**356**	**Total**	**774**

19. Cash Flow Statement - Analysis of Adjustments

Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash movements

2009/10 £000		2010/11 £000
635	Increase/(Decrease) In Creditors	(2,748)
725	Decrease in Deposits	140
(2,878)	Decrease in Debtors	(5,157)
4	Increase/(Decrease) in Stocks	(9)
49	Decrease in Provisions	197
(5,391)	Charges for the Depreciation and Impairment of Non-Current Assets	(5,313)
(105)	Revaluation Losses on Property, Plant & Equipment	(198)
(214)	Movements in the market value of Investment Properties	721
(80)	Amortisation of Intangible Assets	(63)
-	Value of Donated Assets	100
1,185	Capital Grants and Contributions applied	687
(117)	Capital element of Finance Leases where Council is the lessor	(117)
-	Non Depreciated element of asset disposals	(39)
(1,521)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	12,395
(162)	Amounts of Non-Current Assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,123)
155	Impairment of Investment	-
(7,715)		**(527)**

Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

2009/10 £000		2010/11 £000
396	Capital Grants and Contributions Unapplied credited to the Comprehensive Income & Expenditure Statement	484
-	Grant brought forward transferred to Revenue (re REFCUS)	(139)
652	Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,575
1,048		**1,920**

20. Creditors

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
2,978	774	Central Government Bodies	3,504
1,332	1,294	Other Local Authorities	884
4	5	NHS Bodies	1
-	1,320	Public Corporations and Trading Funds	1,320
4,167	5,739	Other Entities and Individuals	5,209
8,481	**9,132**	**Total**	**10,918**

21. Provisions

	Insurance Claims Provision	Planning Appeals Provision	Employee Benefits	Total
	£000	£000	£000	£000
Balance at 1 April 2009	276	25	262	563
Additional provisions made in 2009/10	20	-	209	229
Amounts used in 2009/10	(16)	-	(262)	(278)
Unused amounts reversed in 2009/10	-	-	-	-
Balance at 1 April 2010	280	25	209	514
Additional provisions made in 2010/11	-	-	192	192
Amounts used in 2010/11	(33)	-	(209)	(242)
Unused amounts reversed in 2010/11	(127)	(20)	-	(147)
Balance at 31 March 2011	**120**	**5**	**192**	**317**

The Insurance Claims Provision has been created to meet the costs of claims which are likely to be settled but where the actual settlement date is uncertain.

The Planning Appeals Provision has been created to meet the costs of planning appeals where it is likely that a payment will have to be made but where the timing of the payment is uncertain.

The Employee Benefits Provision contains an amount equivalent to the accruals made in the Cost of Services within the Comprehensive Income and Expenditure Statement in respect of outstanding employee benefits (untaken leave, etc) at the year end.

22. Usable Reserves

Movements in the Council's usable reserves, showing the split between capital and revenue reserves, are set out below:

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
Capital:							
Capital Receipts Reserve	17,810	(6,982)	684	11,512	(7,133)	1,606	5,985
LSVT Capital Fund	2,131	-	-	2,131	-	138	2,269
Special Projects (Economic Development) Fund	883	-	-	883	-	-	883
Capital Grants Unapplied	1,456	(390)	644	1,710	(405)	630	1,935
Both Revenue and Capital:							
Equipment Replacement Fund	511	(490)	123	144	(94)	107	157
Renewals & Repairs Fund	269	(814)	845	300	(649)	445	96
ICT Development Fund	1,492	(237)	-	1,255	(455)	-	800
New Initiatives Fund	767	(446)	-	321	(120)	-	201
LABGI Reserve	1,130	(1,130)	-	-	-	-	-
Planning Delivery Grant Reserve	-	(252)	682	430	(235)	-	195
Revenue:							
General Fund Balance	1,750	-	-	1,750	-	-	1,750
Insurance Fund	966	(419)	82	629	(446)	155	338
Contingency Reserve Fund	1,074	(534)	-	540	(426)	-	114
Organisational Development Fund	336	(183)	-	153	(153)	-	-
Budget Support Fund	2,407	(785)	6	1,628	(599)	64	1,093
Conservation and Heritage Fund	66	(22)	-	44	(30)	39	53
Museum Purchases Fund	87	(6)	1	82	(5)	2	79
Maintenance Contributions	205	(125)	100	180	(55)	-	125
Mayors Charities Reserve	18	(21)	19	16	(32)	27	11
RENEW Reserve	250	(80)	-	170	(28)	-	142
Change Management Fund	163	-	-	163	(163)	-	-
Standards Fund	100	(3)	-	97	(2)	-	95
Deposit Guarantee Scheme Reserve	18	(3)	4	19	(2)	4	21
Total	**33,889**	**(12,922)**	**3,190**	**24,157**	**(11,032)**	**3,217**	**16,342**

Note 8 sets out the movements on Usable Reserves involving transactions with the General Fund Revenue Account.

The nature and purpose of these reserves is as set out below:

Usable Capital Receipts contains the balance of unapplied capital receipts arising from the disposal of fixed assets.

The LSVT Capital Fund was originally established to receive the principal element of the internal leasing charges made by the ICT Leasing Fund to service revenue accounts. The Fund is available to finance capital expenditure.

The Special Projects (Economic Development) Fund comprised monies originally provided from Revenue. Its intended purpose is to finance capital expenditure.

The Capital Grants Unapplied Reserve contains the balance of unused grants and contributions which are available for use, i.e. they either have no conditions attached to them or any conditions have been met.

The Equipment Replacement Fund is maintained to provide for the replacement of certain items of equipment, such as the crematorium cremators and printing equipment.

The ICT Development Fund is to be used to meet the costs of new IT requirements.

The New Initiatives Fund has been established to fund new initiatives, both capital and revenue, not currently provided for in the Council's budgets.

The Housing and Planning Delivery Grant Reserve receives the grant paid to the Council. It is to be used to finance planning related activities of both a revenue and capital nature.

The Insurance Fund is used to meet the cost of the insurance cover required by the Council and any excesses for which the Council is liable.

The Contingency Reserve Fund is used to finance expenditure in respect of contingencies that may arise in the future, for example redundancy payments consequent upon service reviews.

The Renewals and Repairs Fund is maintained for the repair and maintenance of Council-owned buildings, structures and fixed plant. It is funded through a contribution from the General Fund revenue account, based on the estimated frequency and amount of future expenditure on repairs and maintenance for each building or structure, or item of fixed plant.

The Organisational Development Fund was used to meet costs arising from the implementation of the Single Status arrangements for employees and other organisational developments

The Budget Support Fund has been created by crediting to it surpluses arising on the General Fund Revenue Account. It is to be used to support the revenue budget. It is also used to enable budget provision to be carried forward to future years by appropriating to it unspent balances where a commitment exists.

The Conservation and Heritage Fund exists to provide grants to the owners of buildings of historical significance to enable them to be maintained in a state of good repair.

The Museum Purchases Fund was established by a small bequest which has been added to by contributions from revenue account and proceeds from the sale of exhibits surplus to requirements. It is to be used to purchase exhibits for the museum and to conserve and enhance the display of existing exhibits.

Maintenance Contributions are received from developers of housing and other schemes and are to be used to fund the maintenance of open spaces taken over from those developers.

The Mayors Charities Reserve represents the balance on the Mayors Charities activity.

The RENEW Reserve is to be used to meet revenue costs arising from the Council's participation in the Housing Market Renewal Pathfinder for North Staffordshire (RENEW).

The Change Management Fund was used to support the Council's change management programme.

The Standards Fund is used to ensure that the Council meets its responsibilities under the Ethical and other standards frameworks

The Deposit Guarantee Reserve has been created to hold the unspent balances relating to the Guarantee Scheme for landlord deposits in respect of homeless persons.

23. Unusable Reserves

Movements in the Council's unusable reserves are shown below:

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
Capital:							
Revaluation Reserve	6,442	(389)	865	6,918	-	2,552	9,470
Capital Adjustment Account	43,608	(7,148)	11,533	47,993	(9,330)	10,245	48,908
Deferred Capital Receipts Reserve	1,990	(119)	-	1,871	(118)	-	1,753
Revenue:							
Pensions Reserve	(40,157)	(28,546)	-	(68,703)	-	22,005	(46,698)
Collection Fund Adjustment Account	(25)	-	22	(3)	-	52	49
Accumulated Absences Account	(262)	(209)	262	(209)	(192)	209	(192)
Total	**11,596**	**(36,411)**	**12,682**	**(12,133)**	**(9,640)**	**35,063**	**13,290**

The nature and purpose of these reserves is as set out below:

The Revaluation Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). It is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the balance sheet is greater because they are carried at revalued amounts rather than depreciated historical cost. It was established with a nil balance on 1 April 2007.

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 from 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 contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent 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.

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 pension funds 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.

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.

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, eg 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.

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(805)	Interest Received	(282)
59	Interest Paid	64

25. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items:

2009/10 £000		2010/11 £000
8,213	Purchase of property, plant and equipment, investment property and intangible assets	7,694
101,182	Purchase of short and long term investments	46,900
(784)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,522)
(113,039)	Proceeds from short and long term investments	(53,084)
(1,818)	Other receipts from investing activities	(585)
(6,246)	**Net Cash Flows from Investing Activities**	**(597)**

26. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items:

2009/10 £000		2010/11 £000
(6,000)	Cash receipts of short and long term borrowing	(10)
477	Cash payments for the reduction of the outstanding liabilities relating to finance leases	125
6,037	Repayments of short- and long-term borrowing	-
5,624	Other payments for financing activities	4,117
6,138	**Net Cash Flows from Financing Activities**	**4,232**

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are based on the reports made to the Council's Executive Management Team in the form of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to 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
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2010/11	Chief Executive	Resources & Support Services ***	Operational Services	Regeneration & Development	Corporate Items	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and other service income	(1,041)		(3,921)	(4,127)	(908)	(9,997)
Government Grants	(12)		(30)	(1,519)	(35,294)	(36,855)
Total Income	**(1,053)**	**-**	**(3,951)**	**(5,646)**	**(36,202)**	**(46,852)**
Employee Expenses	565		3,218	931	27	4,741
Other Service Expenses	1,250		8,123	1,806	36,728	47,907
Support Service Recharges	2,114		2,857	5,502	3,335	13,808
Total Expenditure	**3,929**	**-**	**14,198**	**8,239**	**40,090**	**66,456**
Net Expenditure	2,876	-	10,247	2,593	3,888	19,604

Directorate Income and Expenditure 2009/10 Comparative Figures	Chief Executive	Resources & Support Services	Operational Services	Regeneration & Development	Corporate Items	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and other service income	(618)		(3,561)	(4,169)	(846)	(9,194)
Government Grants	-		(167)	(1,359)	(33,828)	(35,354)
Total Income	**(618)**	**-**	**(3,728)**	**(5,528)**	**(34,674)**	**(44,548)**
Employee Expenses	156		3,062	928	1	4,147
Other Service Expenses	776		8,245	2,260	35,269	46,550
Support Service Recharges	1,678		2,091	5,714	3,065	12,548
Total Expenditure	**2,610**	**-**	**13,398**	**8,902**	**38,335**	**63,245**
Net Expenditure	1,992	-	9,670	3,374	3,661	18,697

*** All services under this Directorate are recharged out to other services.

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

2009/10 £000		2010/11 £000
18,697	Net Expenditure in the Directorate Analysis	19,604
-	Net Expenditure of Services and Support Services not included in the Analysis	
5,690	Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	(6,352)
799	Amounts included in the Analysis not included in Cost of Services in the Comprehensive Income & Expenditure Statement	300
25,186	**Cost of Services in Comprehensive Income & Expenditure Statement**	**13,552**

The following reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis	Services & Support services not in Analysis	Amounts not reported to Management for decision making	Amounts not included in Comp Inc & Exp Acct	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges and other Service Income	(9,997)	(198)		942		(9,253)		(9,253)
Interest and Investment Income	-					-	(608)	(608)
Income from council tax	-					-	(7,191)	(7,191)
Government Grants and Contributions	(36,855)	(302)				(37,157)	(11,173)	(48,330)
Capital Income							(1,456)	(1,456)
Total Income	**(46,852)**	**(500)**	**-**	**942**	**-**	**(46,410)**	**(20,428)**	**(66,838)**
Employee Expenses	4,741	10,359		(3)		15,097		15,097
Other Service Expenses	47,907	2,742		(274)		50,375		50,375
Support Service Recharges	13,808			(365)	(13,536)	(93)		(93)
Depreciation, Amortisation and Impairment		935	7,010			7,945		7,945
Non-Distributed Costs			(13,361)			(13,361)		(13,361)
Interest payments						-	66	66
Precepts and Levies						-	351	351
Payments to Housing Capital Receipts Pool						-	1	1
Gain or Loss on disposal of fixed assets						-	(89)	(89)
Investment Properties (net)						-	(734)	(734)
Pensions Interest Cost/Return on Assets						-	1,834	1,834
Total Expenditure	**66,456**	**14,036**	**(6,351)**	**(642)**	**(13,536)**	**59,963**	**1,429**	**61,392**
Surplus or Deficit on the Provision of Services	**19,604**	**13,536**	**(6,351)**	**300**	**(13,536)**	**13,553**	**(18,999)**	**(5,446)**

2009/10 Comparative Figures	Directorate Analysis	Services & Support services in Analysis	Amounts not reported to Management for decision making	Amounts not included in Comp Inc & Exp Acct	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges and other Service Income	(9,194)	(322)		1,332		(8,184)		(8,184)
Interest and Investment Income							(1,373)	(1,373)
Income from council tax						-	(7,001)	(7,001)
Government Grants and Contributions	(35,354)	(238)				(35,592)	(11,673)	(47,265)
Capital Income						-	(2,483)	(2,483)
Total Income	**(44,548)**	**(560)**	**-**	**1,332**	**-**	**(43,776)**	**(22,530)**	**(66,306)**
Employee Expenses	4,147	10,220		(3)		14,364		14,364
Other Service Expenses	46,550	2,976		(241)		49,285		49,285
Support Service Recharges	12,548			(289)	(13,184)	(925)		(925)
Depreciation, Amortisation and Impairment		548	5,261			5,809		5,809
Non-Distributed Costs			429			429		429
Interest payments						-	63	63
Precepts and Levies						-	296	296
Payments to Housing Capital Receipts Pool						-	1	1
Gain or Loss on disposal of fixed assets						-	165	165
Investment Properties (Net)						-	1,168	1,168
Pensions Interest Cost/Return on Assets						-	2,949	2,949
Total Expenditure	**63,245**	**13,744**	**5,690**	**(533)**	**(13,184)**	**68,962**	**4,642**	**73,604**
Surplus or Deficit on the Provision of Services	**18,697**	**13,184**	**5,690**	**799**	**(13,184)**	**25,186**	**(17,888)**	**7,298**

28. Trading Operations

The Council operates the following Trading Operations:

Markets

2009/10		2010/11
£000		£000
(197,371)	Turnover	(210,142)
286,616	Expenditure	291,952
89,245	**(Surplus)/Deficit**	**81,810**

The expenditure and income of trading operations is incorporated into the Cost of Services included in the Comprehensive Income and Expenditure Statement.

29. Members' Allowances

In 2010/11 a total of £313,834 was paid to members in respect of allowances and expenses (£289,664 in 2009/10).

30. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

2010/11 Senior Officers - salary between £50,000 and £150,000 per year

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding employer's pension contributions 2009/10	Employer Pension Contributions	Total Remuneration including employer's pension contributions 2009/10
	(£)	(£)	(£)	(£)	(£)
Chief Executive *	84,743	1,779	86,522	18,389	104,911
Executive Directors:					
Regeneration & Development	83,993	2,392	86,385	19,799	106,184
Resources & Support Services	83,993	0	83,993	18,226	102,219
Operational Services	80,491	2,457	82,948	17,466	100,414
Heads of Service:					
Central Services	52,314	2,457	54,771	11,352	66,123
Leisure and Cultural Services	52,314	2,457	54,771	11,352	66,123
Assets & Regeneration	52,314	2,320	54,634	11,352	65,986
Operations	50,935	2,457	53,392	11,053	64,445

2009/10 Senior Officers - salary between £50,000 and £150,000 per year

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding employer's pension contributions 2009/10	Employer Pension Contributions	Total Remuneration including employer's pension contributions 2009/10
	(£)	(£)	(£)	(£)	(£)
Chief Executive **	112,426	3,245	115,671	23,047	138,718
Executive Directors:					
Regeneration & Development	82,242	2,320	84,562	18,135	102,697
Resources & Support Services	83,993	0	83,993	17,219	101,212
Operational Services	80,490	1,229	81,719	16,500	98,219
Heads of Service:					
Central Services	50,935	2,457	53,392	10,442	63,834
Assets and Regeneration	50,993	2,320	53,313	10,454	63,767
Operations	50,245	2,457	52,702	10,300	63,002
Leisure and Cultural Services	50,935	0	50,935	10,442	61,377

* 2010/11-This includes salary of £73,140 and Returning Officers fees for the General and Borough Council Elections in respect of the previous Chief Executive for the period 01/04/10-24/09/10 and the current Chief Executive for the period 01/01/11-31/03/11.
** 2009/10 – This includes salary of £99,736 and Returning Officer fees for the European and County Council elections and Borough Council by-elections.

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

2009/10 Number of Employees		2010/11 Number of Employees
1	£50,000 - £54,999	3

31. 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:

2009/10 £000		2010/11 £000
125	Services in accordance with Section 5 of the Audit Commission Act 1998	125
28	Statutory Inspection Fees under Section 10 of the Local Government Act 1999	-
29	Fees for Grant Certification under Section 28 of the Audit Commission Act 1998	28
-	Fees for any other services	
182		**153**

32. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11

2009/10 £000		2010/11 £000
	Credited to Taxation and Non Specific Grant Income	
630	Regional Housing Grant	400
290	Waste and Resources Action Programme Grant	-
63	Contribution from Renew North Staffordshire	-
385	Advantage West Midlands (AWM) contribution	117
25	North Staffordshire Primary Care Trust contribution	500
10	Aspire Housing contribution	-
117	Planning Obligations Contributions (Section 106 contributions)	100
140	Staffordshire County Council contribution	-
162	Newcastle-under-Lyme College contribution	45
-	REFCUS grants transfer adjustment	(139)
7	Other Contributions	10
1,829	**Total**	**1,033**
	Credited to Services	
24,231	Housing Subsidy - Rent Allowance	25,631
961	Housing Subsidy - Housing Benefit Administration Grant	849
160	Housing Subsidy - Housing Benefit Verification Framework Grant	106
8,273	Council Tax Benefit Grant	8,500
2,040	Revenue Support Grant	1,405
8,840	National Non-Domestic Rates Grant	9,674
480	Disabled Facilities Grant	508
682	Planning Delivery Grant	-
512	Regional Housing Grant	864
362	Concessionary Travel Initial Grant	365
135	Regional Choice Fund Grant	36
71	Area Based Grant	94
38	Local Authorities Business Growth Initiative Grant (LABGI)	-
56	Free Swimming Grant	24
71	Homelessness Directorate Grant	71
125	Safer Communities Grant	-
-	Contaminated Land Grant	26
110	Waste and Resources Action Programme Grant	37
45	Local Public Service Agreement Grants (via Staffs County Council)	52
-	Waste Infrastructure Grant (via Staffs County Council)	40
136	Other Grants	48
100	Contribution - Newcastle-Under-Lyme College - Pitch Maintenance	-
74	Contributions towards Community Safety Service (e.g from Police, Fire Service, Staffs County Council)	90
187	Other Contributions	80
47,689	**Total**	**48,500**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
		Capital Grants Receipts in Advance	
38	38	Free Swimming Grant	38
24	24	Safer Communities Grant	24
-	5	Other Grants	5
-	500	Primary Care Trust contribution re Jubilee 2 Project	-
313	145	Planning Obligations Contributions (Section 106 contributions)	100
7	7	Other Contributions	7
382	**719**	**Total**	**174**

33. Related Parties

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 operations 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 (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid in 2010/11 is shown in Note 29. During 2010/11, transactions with Aspire Housing totalled £16,389,779 (net). 3 members sit on the board of this organisation. Contracts were entered into in full compliance with the council's standing orders. In addition, the Council paid grants totalling £240,152 to voluntary organisations in which 17 members had positions on the governing body. In addition transactions with the Victoria Theatre totalled £114,991 (net) where 1 member sits on its Board and transactions with the Staffordshire Fire Authority totalled £131,603 (net) where 1 member sits on its Board. Details of such transactions are recorded in the Register of Members' Interest, open to public inspection at the Council's Civic Offices during office hours.

Officers

During 2010/11 no related party transactions occurred involving officers of the Council.

34. Capital Expenditure and Capital Financing

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

2009/10 £000		2010/11 £000
(334)	*Opening Capital Financing Requirement*	129
	Capital Investment	
8,282	Property, Plant and equipment	6,464
2,078	Investment Properties	209
79	Intangible Assets	170
1,840	Revenue Expenditure Funded from Capital under Statute	3,081
	Sources of Finance	
(7,113)	Capital Receipts	(7,129)
(2,432)	Government Grants and Other Contributions	(2,255)
(1,794)	Sums set aside from revenue	(429)
(477)	Minimum Revenue Provision	(125)
129	*Closing Capital Financing Requirement*	115
	Explanation of Movements in Year	
940	Assets acquired under Finance Leases	111
(477)	Minimum Revenue Provision	(125)
463	*Increase/(Decrease) in Capital Financing Requirement*	(14)

35. Leases

Council as Lessee

Finance Leases

The Council has acquired a number of items of vehicles and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
-	-	Other Land and Buildings	-
447	998	Vehicles, Plant, Furniture and Equipment	616
447	**998**		**616**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
		Finance Lease Liabilities (net present value of minimum lease payments):	
340	113	Current	144
14	673	Non-current	596
4	231	Finance Costs payable in future years	177
358	**1,017**	**Minimum Lease Payments**	**917**

The minimum lease payments will be payable over the following periods:

01 April 2009		31 March 2010			31 March 2011	
Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
£000	£000	£000	£000		£000	£000
340	3	113	62	Not later than one year	144	58
14	1	673	169	Later than one year and not later than five years	596	119
-	-	-	-	Later than five years	-	-
354	**4**	**786**	**231**		**740**	**177**

Operating Leases

The Council has acquired a number of items of vehicles and equipment by entering into operating leases, with typical lives of 4 years.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2010 £000		31 March 2011 £000
37	Not later than one year	37
72	Later than one year and not later than five years	35
-	Later than five years	-
109		**72**

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2009/10 £000		2010/11 £000
36	Minimum Lease Payments	44
36		**44**

Council as Lessor

Finance Leases

The Council has leased out 13 properties on a finance lease basis, with terms remaining from 12 to 125 years.

The Council has a total gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the properties acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

01 April 2009	31 March 2010		31 March 2011
£000	£000		£000
		Finance Lease Debtor (net present value of minimum lease payments):	
329	329	Current	329
15,659	15,353	Non-current	15,024
12,839	12,663	Unearned Finance Income	12,473
28,827	**28,345**	**Gross Investment in the Lease**	**27,826**

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

01 April 2009		31 March 2010			31 March 2011	
Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
£000	£000	£000	£000		£000	£000
519	189	519	189	Not later than one year	519	189
2,447	894	2,447	894	Later than one year and not later than five years	2,410	881
25,861	11,756	25,379	11,580	Later than five years	24,897	11,403
28,827	**12,839**	**28,345**	**12,663**		**27,826**	**12,473**

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres
- to gain income from its investment properties
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2010		31 March 2011
£000		£000
654	Not later than one year	531
1,592	Later than one year and not later than five years	1,231
2,310	Later than five years	2,140
4,556		**3,902**

36. Impairment Losses

During 2010/11 the Council has recognised the following impairment losses in relation to capital expenditure incurred on the enhancement of non current assets where such expenditure does not increase the value of the asset concerned. An amount equal to this is charged as an impairment loss to the service which uses the asset in the Comprehensive Income and Expenditure Statement. The total amount of such impairment losses for 2010/11 was £3.603m (2009/10 £3.342m).

37. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £651,061 (£188,421 in 2009/10). The termination benefits consisted of £391,899 redundancy costs together with £246,623 actuarial strain payments and £12,539 long service awards.

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

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 employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in:

- The Local Government Pension Scheme, administered locally by Staffordshire 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.
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised 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 that is required to be made 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:

2009/10 Local Government Pension scheme £000	2009/10 Discretionary Benefits Arrangements £000		2010/11 Local Government Pension scheme £000	2010/11 Discretionary Benefits Arrangements £000
		Comprehensive Income & Expenditure Statement		
		Cost of Services:		
1,458		Current Service Cost	2,492	
232		Past Service Costs / (Gains)	(13,348)	
16		Settlements and Curtailments	21	
	(443)	Unfunded Benefit Contributions		(437)
		Financing and Investment Income and Expenditure		
6,640		Interest cost	7,552	
(3,691)		Expected Return on Scheme Assets	(5,718)	
4,655	**(443)**	*Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services*	**(9,001)**	**(437)**
		Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement		
(27,025)		Actuarial Gains and (Losses)	9,610	
(27,025)	**-**	*Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement*	**9,610**	**-**
		Movement in Reserves Statement		
25,504		Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	2,785	
		Actual amount charged against the General Fund Balance for pensions in the year:		
3,134		Employers' Contributions payable to Scheme	**3,394**	
	(443)	Retirement Benefits payable to pensioners		**(437)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain/(loss) of £(31.627m).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2009/10			2010/11	
Funded Liabilities: Local Government Pension scheme	Unfunded Liabilities: Discretionary Benefits Arrangements		Funded Liabilities: Local Government Pension scheme	Unfunded Liabilities: Discretionary Benefits Arrangements
£000	£000		£000	£000
97,997	(424)	Opening Balance at 1 April	149,817	(867)
1,458		Current Service Cost	2,492	
6,640		Interest Cost	7,552	
804		Contributions by Scheme Participants	771	
47,450		Actuarial (Gains) and Losses	(11,889)	
(4,780)	(443)	Benefits Paid	(5,286)	(437)
232		Past Service Costs / (Gains)	(13,348)	
16		Curtailments	21	
-		Settlements	-	
149,817	**(867)**	**Closing Balance at 31 March**	**130,130**	**(1,304)**

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme

2009/10		2010/11
£000		£000
57,416	Opening Balance at 1 April	80,247
3,691	Expected Rate of Return	5,718
20,425	Actuarial Gains and (Losses)	(2,279)
2,691	Employer Contributions	2,957
804	Contributions by Scheme Participants	771
(4,780)	Benefits Paid	(5,286)
-	Settlements	-
80,247	**Closing Balance at 31 March**	**82,128**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £6.736m (2009/10: £24.117m).

Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present Value of Liabilities:					
Local Government Pension Scheme	(104,356)	(94,260)	(91,548)	(141,527)	(122,343)
Discretionary Benefits	(6,709)	(6,380)	(6,025)	(7,423)	(6,483)
Fair Value of Assets in the Local Government Pension Scheme	82,777	76,068	57,416	80,247	82,128
Surplus/(Deficit) in the Sheme:	(28,288)	(24,572)	(40,157)	(68,703)	(46,698)
Local Government Pension Scheme	(21,579)	(18,192)	(34,132)	(61,280)	(40,215)
Discretionary Benefits	(6,709)	(6,380)	(6,025)	(7,423)	(6,483)
Total	**(28,288)**	**(24,572)**	**(40,157)**	**(68,703)**	**(46,698)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £46.698m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £29.632m. 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 (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £2.618m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £437k.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2011.

The principal assumptions used by the actuary have been:

2009/10 Local Government Pension scheme	2009/10 Discretionary Benefits Arrangements		2010/11 Local Government Pension scheme	2010/11 Discretionary Benefits Arrangements
		Long Term expected rate of return on assets in the Scheme:		
7.8%		Equity Investments	7.5%	
5.0%		Bonds	4.9%	
10.6%		Other	10.1%	
		Longevity at 65 for current pensioners:		
20.8		Men	21.2	
24.1		Women	23.4	
		Longevity at 65 for future pensioners:		
22.3		Men	23.3	
25.7		Women	25.6	
3.8%	3.8%	Rate of Inflation	2.8%	2.8%
5.3%		Rate of Increase in Salaries	5.1%	
3.8%	3.8%	Rate of Increase in pensions	2.8%	2.8%
5.5%	5.5%	Rate for Discounting Scheme Liabilities	5.5%	5.5%
50%		Take-up option to convert annual pension into retirement lump sum	50%	

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2010 %		31 March 2011 %
79	Equity Investments	78
11	Debt Instruments	11
10	Other Assets	11
100	**Closing Balance at 31 March**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	(0.7)	(14.0)	(39.5)	25.5	(2.7)
Experience gains and losses on liabilities	(0.3)	(1.6)	0.2	(0.2)	0.3

39. Contingent Liabilities

(a) Municipal Mutual Insurance

In 1992/93 the council's insurers, Municipal Mutual insurance, ceased accepting new business. Under the Scheme of Arrangement that was established to ensure an orderly wind up of the company a levy of £67,919 could be made on the Council.

(b) Insurance Fund

It is estimated that claims totalling circa £60,000 will arise from incidents that had occurred up to 31 March 2011 but have not yet been reported.

(c) VAT

The computations of the Council's 2009/10 and 2010/11 position in respect of exempt category Value Added Tax have yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

(d) Equal Opportunities Claims

A liability may exist to pay compensation to some Council employees in respect of equal pay/back pay claims following the completion of job evaluation in October 2005. At present it is not possible to quantify either the number or the amount of any such claims.

(e) Land Sales Receipts

An agreement exists with a government development agency (in the process of being disbanded) to pay to them (or their successors) all of the proceeds to be received in respect of the sale, when it occurs, of a development site for which the agency provided development funding. Some of the proceeds have already been paid over; the remaining amount may be up too around £3.6m.

(f) Housing Stock Transfer Warranty

Liabilities in relation to a warranty given by the Council in respect of the transfer of its housing stock to a registered social landlord in February 2000 could arise. The amount of the potential liability cannot be quantified but could amount to several million pounds.

(g) West Midlands Regional Assembly

This body, of which the Council was a member, is in voluntary liquidation. The Council may be liable to make a contribution in respect of the body's outstanding pension liability, amounting to some £54,000.

(h) Local Land Charges Fees

Following a change in the law relating to charging for personal searches, there may be a liability to repay up to £70,000 in fee income.

(i) Other.

There is a potential liability arising from possible legal proceedings against the Council. At present it is not possible to quantify this liability but it could exceed £50,000.

40. Contingent Assets

The Council has approved the sale of a number of plots of land for industrial/commercial use. The likely total capital receipt (net of repayment of government grant received towards the laying out of the land concerned) which will accrue to the Council will be around £163,000. There is one outstanding plot remaining to be sold, for which the proceeds are due to be received in 2011/12 and are contingent upon agreement of detailed arrangements with the prospective purchasers.

41. 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 available to fund services. Risk management is carried out by a central treasury 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.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This 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 laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as summarised below:

- Investment counterparties are assessed as to their suitability in relation to credit ratings supplied by the main ratings agencies, with the additional consideration of credit default swap data. A limit is placed on the amount which can in total be placed with individual counterparties and categories of counterparties.

- Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set where considered necessary. Credit references are obtained where contracts are entered into.

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £0.214m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

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.

	Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default and uncollectability at 31 March 2011	Estimated maximum exposure at 31 March 2010
	£000	%	%	£000	£000
	A	B	C	(A X C)	
Deposits with banks & financial institutions	17,158	0%	1.25%	214	294
Heritable Bank	1,415	-	impairment	642	640
Customers (trade debtors)	4,486	-	15%	673	555
				1,529	**1,489**

No credit limits were exceeded during the reporting period and, apart from the frozen investment with Heritable Bank, the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, such that £3.885m of the £4.486m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
346	250	31 to 89 days	549
163	352	90 to 149 days	210
2,903	2,634	Over 150 days	3,126
3,412	**3,236**		**3,885**

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. At present the Council has no intention of entering into any long term borrowing arrangements. The maturity analysis of financial liabilities is as follows:

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
31,200	23,500	Less than one year	17,158
-	-	Between one and two years	
5,000	-	Between two and five years	
-	1,705	More than five years	1,415
36,200	**25,205**		**18,573**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments (no long term money market borrowing at present). Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest receivable on variable rate 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.

At 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	(287)
Impact on Surplus or Deficit on the Provision of Services	(287)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not have any investment in equity shares or in joint ventures or local industry. Consequently, it is not exposed to losses arising from movements in share prices.

Foreign Exchange Risk

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

42. Building Control Account

NORTH STAFFORDSHIRE BUILDING CONTROL PARTNERSHIP

2010-2011 FINANCIAL YEAR

The Building (Local Authority Charges) Regulations 2010 require the disclosure of information regarding the setting of charges for the administration of the building control function, however, certain activities performed by the Building Control Division cannot be charged for, such as providing general advice and carrying out enforcement.

CIPFA guidance for local authority building control accounting states where local authorities enter into a formal arrangement to provide a single building control service, they should operate a single charging regime (i.e. one charging scheme and financial statement)

The statement below combines the building control accounts for Stoke and Newcastle Borough Council (The North Staffordshire Building Control Partnership) and shows the total cost of providing the service divided between chargeable and non-chargeable activities.

	2010-11			
	Newcastle & Stoke Partnership			
	Total	***Fee Earning***	***Non-chargeable***	***All other BC Services***
		64%	***25%***	***11%***
	£'000s	£'000s	£'000s	£'000s
Salaries	543	350	135	59
Premises	23	15	6	2
Transport	25	16	6	3
Supplies	15	10	4	2
Central Support	53	27	18	8
Structural Eng	16	16		
Total Expenditure	**675**	**434**	**168**	**73**
Building Regulation Charges	435	435		
Miscellaneous Income	1	1		
Total Income	**436**	**436**	**-**	**-**
Surplus/ (deficit)	**(239)**	**2**	**(168)**	**(73)**

43. Material Differences between amounts presented under the 2009 Code of Accounting Practice and the IFRS based 2010 Code of Accounting Practice.

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

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

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

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

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Accruals	-	(262)
Accumulated Absences Account	-	262
31 March 2010 Balance Sheet		
Accruals	-	(209)
Accumulated Absences Account	-	209
2009/10 Comprehensive Income & Expenditure Account		
Central Services to the Public	1,397	34
Cultural, Environmental, Regulatory and Planning Services	18,192	137
Highways & Transport Services	1,290	2
Other Housing Services	1,691	22
Corporate and Democratic Core	2,477	14

Leases

The criteria for classification of leases as either operating or finance leases have been clarified by the adoption of the IFRS based Code. This has meant that certain leases which were formerly classified as operating leases have now been reclassified as finance leases, with consequent changes to the accounting treatment. In addition the Code requires lease type arrangements which are embedded in contracts for services to be identified and classified as either operating or finance leases and to be recognised as such in the Council's accounts.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow it to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

Leases from third parties

The council has a number of leases in relation to vehicles and equipment which were previously classified as operating leases, but under the Code, have been reclassified as finance leases. Also a lease type arrangement in respect of a number of vehicles is embedded within a contract for services which was previously not recognised as a lease. As a consequence the financial statements have been amended as follows:

- The assets obtained by way of finance leases have been recognised together with a corresponding finance lease liability.
- The operating lease charge within Cultural, Environmental, Regulatory and Planning Services has been reduced by the amount that relates to the lease payments.
- A depreciation charge has been included within Cultural, Environmental, Regulatory and Planning Services.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account and the General Fund has been charged with a Voluntary Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

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

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Property, Plant and Equipment	32,657	447
Finance Lease Liability (Deferred Liability)	-	(560)
Capital Adjustment Account	(43,897)	113
31 March 2010 Balance Sheet		
Property, Plant and Equipment	36,855	998
Finance Lease Liability (Deferred Liability)	-	(1,023)
Capital Adjustment Account	47,140	25
2009/10 Comprehensive Income & Expenditure Account		
Cultural, Environmental, Regulatory and Planning Services	18,192	(145)
Financing and Investment Income and Expenditure	1,794	56

The net change to Cultural, Environmental, Regulatory and Planning Services consists of the removal of the operating lease charge (-£0.533m) and the inclusion of the depreciation charge (+£0.388m).

The net increase in Surplus or Deficit on the Provision of Services (£0.089m) is removed by the transfer of the depreciation charge to the Capital Adjustment Account and the inclusion of the Voluntary Revenue Provision charge of £0.476m. These transfers are shown in the Movement in Reserves Statement.

Leases to third parties

There are a number of leases of property which were previously classified as operating leases, but under the Code, have been reclassified as finance leases. As a consequence the financial statements have been amended as follows:

- The assets leased out by way of finance leases have been derecognised.

- A long term debtor has been created corresponding to the remaining liability of the lessors to make payments to the Council.
- A amount has been credited to deferred capital receipts corresponding to the amount which the Council is due to receive from the lessors.
- Depreciation in respect of one property has been reversed (the others were classified as investment properties, which are not depreciated).
- The balance in the Revaluation Reserve in respect of these properties has been written-off to the Capital Adjustment Account.
- The interest element of the income received from these leases is credited to the Financing and investment Income line in Surplus or Deficit on the Provision of Services. The capital element is credited to the Long Term Debtor account.

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

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Property, Plant and Equipment	32,657	(80)
Investment Properties	15,529	(3,190)
Long Term Debtor	305	1,963
Revaluation Reserve	(7,650)	6
Capital Adjustment Account	(43,897)	3,265
Deferred Capital Receipts	(27)	(1,964)
31 March 2010 Balance Sheet		
Property, Plant and Equipment	36,855	(77)
Investment Properties	16,129	(3,190)
Long Term Debtor	273	1,846
Revaluation Reserve	(8,515)	6
Capital Adjustment Account	(47,140)	3,261
Deferred Capital Receipts	25	(1,846)
2009/10 Comprehensive Income & Expenditure Account		
Cultural, Environmental, Regulatory and Planning Services	18,192	(4)
Fiancing & Investment Income & Expenditure (Investment Properties)	1,794	117

The net change to the Comprehensive Income and Expenditure Statement of £0.113m consists of the crediting of the capital element of the rental payments to the Long Term Debtor rather than here and the reversal of depreciation previously charged in respect of the non-investment property item.

The net increase in Surplus or Deficit on the Provision of Services (£0.113m) is removed by a transfer from the Capital Adjustment Account to mitigate the loss of revenue income involved in crediting the Long Term Debtor with the capital element of the rental payments received. These transfers are shown in the Movement in Reserves Statement.

Government Grants

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

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

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants have been classified as conditional or non-conditional. Conditional grants have been further classified as either ones where the conditions have been met or otherwise. The balances relating to unused unconditional grants or conditional grants where the conditions have been met are held in the Capital Grants Unapplied Account and classified under reserves in the Balance Sheet, as they are available for use by the Council. Otherwise the balance relating to the grant is held in the Capital Grants Receipts in Advance Account under liabilities in the Balance Sheet, since the amounts are potentially still liable to be repaid to the grantor.

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

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Government Grants Deferred Account	1,891	(1,891)
Grants Unapplied Account (liabilities)	1,839	(1,838)
Capital Adjustment Account	43,897	1,891
Capital Grants Receipts in Advance Account (liabilities)	-	382
Capital Grants Unapplied Account (reserves)	-	1,456
31 March 2010 Balance Sheet		
Government Grants Deferred Account	2,553	(2,552)
Grants Unapplied Account (liabilities)	2,429	(2,429)
Capital Adjustment Account	47,140	2,552
Capital Grants Receipts in Advance Account (liabilities)	-	719
Capital Grants Unapplied Account (reserves)	-	1,710
2009/10 Comprehensive Income & Expenditure Account		
Cultural, Environmental, Regulatory and Planning Services	18,192	664
Taxation and Non-specific Grant Income	(18,674)	(908)

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

Investment Properties Balance in Revaluation Reserve

Under the Code, any balance held in the Revaluation reserve which relates to upward revaluations of Investment Properties is to be transferred to the Capital Adjustment Account. This reflects the treatment of upward revaluations of Investment Properties under IFRS, which requires the amount of the revaluation to be credited to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and then transferred to the Capital Adjustment Account via the Movement in Reserves Statement.

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Revaluation Reserve	(7,650)	1,203
Capital Adjustment Account	(43,897)	(1,203)
31 March 2010 Balance Sheet		
Revaluation Reserve	(8,515)	1,592
Capital Adjustment Account	(47,140)	(1,592)

44. Trusts and Other Similar Funds

The following statement summarises the balances and movements during the year of the various Funds for which the Council acts as Sole Trustee (indicated by *) or otherwise assumes a supervisory role. Balances relating to these Funds are not included in the Consolidated Balance Sheet and their transactions are not included in the Consolidated Revenue Account.

Trust & Other Similar Funds

	Balance at 1 April	Expenditure	Income	Balance at 31 March
	£000	£000	£000	£000
Newcastle Almshouses Trust (Accom. For Poor Widows)	(4)	5	20	11
Sports Advisory Council (Advice/Assistance to Sport)	12	28	23	7
Museum Purchase Fund (Maintenance and Purchase of Museum Exhibits)	6	-	-	6
United Charities - Eliza Hinds Charity (grave upkeep)	3	-	-	3
United Charities - Relief in Need Charity (Christmas gifts for elderly)	27	2	3	28
United Charities - Relief in Sickness Charity (Christmas gifts for elderly)	63	2	5	66
Barracks Trust (management of Barracks and charitable disbursements)	3,050	2,488	51	613
	£3,157	**£2,525**	**£102**	**£734**

Notes

(a) The United Charities financial year ends at 30 September each year. The balances brought forward in relation to these charities are, in fact, those at 30 September 2009 and the carried forward balances are those for 30 September 2010.

(b) A revaluation of the Barracks Trusts assets was undertaken during the financial year; as such the assets were re-valued at £0.55m, a decrease of £2.45m from their previous value of £3m.

(c) The Barracks Trust balance at 1 April, shown as £3,050k, differs from the balance at 31 March 2010 shown in the 2009/10 Statement of Accounts, which was £3,057k. This is because the Trustees amended their accounts by £7k when they were presented to them for approval, which occurred after the compilation of the 2009/10 Statement of Accounts.

Collection Fund

2009/10 £000				2010/11 £000
	Expenditure			
7,015	Precepts and Demands	- Borough Council	7,154	
38,710		- County Council	39,480	
6,622		- Police Authority	6,816	
2,520		- Fire Authority	2,596	
54,867				56,046
	Business Ratepayers			
28,674	- Contribution to National Pool		26,840	
148	- Cost of Collection		142	
28,822				26,982
530	Provision for Bad Debts			730
	Contribution towards Previous Years Surplus/(Deficit)			
(35)	- Re Council Tax		(15)	
-	- Re Community Charge		-	(15)
84,184	**Total Expenditure**			**83,743**
	Income			
29,133	Business Ratepayers		27,553	
47,012	Council Taxpayers		48,145	
76,145				75,698
	Transfers from General Fund			
8,207	- Council Tax Benefit		8,459	
-	- Discretionary NNDR Relief		-	
8,207				8,459
-	Transfer from/(to) Bad Debts Provision			-
84,352	**Total Income**			**84,157**
£168	**Surplus/(Deficit) For The Year**			**£414**
	Collection Fund Balance			
(456)	Balance at Beginning of Year			(288)
168	Surplus/(Deficit) for the Year			414
(£288)	**Balance at end of Year**			**£126**

Precepts

2009/10 £000		2010/11 £000
7,015	Newcastle Borough Council	7,154
38,710	Staffordshire County Council	39,480
6,622	Staffordshire Police Authority	6,816

NOTES

1. Business Rates

The Council collects business rates in its area on behalf of the Government based on non-domestic rateable values multiplied by a uniform business rate. The rate is specified by the Government and in 2010/11 was 41.4p, with a reduction for "small businesses" to 40.7p on application (48.5p in 2009/10 - "small business" reduction, 48.1p). The Council is responsible for collecting rates due from the ratepayers in its area and the total amount collected, less certain reliefs and deductions is paid into the NNDR Pool. The Council then receives a share of the pool on the basis of a fixed amount per head of population.

	2010/11 £	2009/10 £
Non Domestic Rateable Value at year-end	81,549,826	73,290,105

Valuations have increased as a result of the five-yearly revaluation which took effect in 2010/11. At the same time the uniform business rate was reduced.

The government has introduced a Business Rates Deferral Scheme, which permits ratepayers to defer payment of part of the amount due. No adjustment has, however, been made to the debtors balance in respect of the deferred amount as the 2010 Code of Accounting Practice indicates that the full amount should be recorded.

2. Council Tax

Council Tax Income is derived from charges raised according to the value of residential properties which have been classified into eight valuation bands for this purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Staffordshire County Council, Staffordshire Police Authority, Staffordshire Fire Authority and the Borough Council for the forthcoming year and dividing this by the council tax base. The average Band D tax in 2010/11 of £1,450.99 compared with £1,422.37 in 2009/10. Multiplication of this amount by the proportions set out below gives the amount due for a property in each band:

Band A	6/9
Band B	7/9
Band C	8/9
Band D	9/9
Band E	11/9
Band F	13/9
Band G	15/9
Band H	18/9

The Council Tax Base for 2010/11 was derived as follows:

Band and Value Range	Number of Dwellings	After Discounts & Exemptions	Ratio to Band D	Band D Equivalents
Band A (Up to £40,000)	23,714	19,764	6/9	13,216
Band B (£40,001 - £52,000)	9,809	8,716	7/9	6,779
Band C (£52,001 - £ 68,000)	10,634	9,608	8/9	8,440
Band D (£68,001 - £88,000)	4,286	3,921	9/9	3,896
Band E (£88,001 - £120,000)	2,581	2,352	11/9	2,874
Band F (£120,001 - £160,000)	1,695	1,565	13/9	2,260
Band G (£160,001 - £320,000)	886	798	15/9	1,330
Band H (Over £320,000)	45	22	18/9	41
				38,836
Less adjustment for collection rates (1%)				(388)
Borough Council Tax Base				**38,448**

Council Tax Base analysed over Parished and Unparished Areas of the Borough

Council Tax Base

	Equivalent Band D Dwellings
Newcastle	38,448
Kidsgrove	7,179
Audley	2,651
Loggerheads	1,944
Balterley, Betley & Wrinehill	583
Chapel & Hill Chorlton	197
Keele	337
Madeley	1,510
Maer	249
Silverdale	1,389
Whitmore	797
Total Council Tax Base	**55,284**

3. Precepts

The following authorities made demands (precepts) on the Collection Fund:-

2009/10 £000		2010/11 £000
7,015	Newcastle Borough Council	7,154
38,710	Staffordshire County Council	39,480
6,622	Staffordshire Police Authority	6,816
2,520	Staffordshire Fire Authority	2,596
£54,867		**£56,046**

4. Write-Offs

During the year the following amounts were written-off to the relevant Bad Debts Provisions in respect of irrecoverable debt:

Council Tax: £40,292 (£99,282 2009/10)

NNDR: £123,169 (£265,729 2009/10)

Audit Certificate

Independent auditor's report to the Members of Newcastle under Lyme Borough Council

Opinion on the Authority accounting statements

I have audited the accounting statements of Newcastle under Lyme Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Newcastle under Lyme Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director (Resources and Support Services) and auditor

As explained more fully in the Statement of the Executive Director (Resources and Support Services) Responsibilities, the Executive Director (Resources and Support Services) 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.

My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authority; and
- the overall presentation of the accounting statements.

I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Newcastle under Lyme Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Newcastle under Lyme Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Newcastle under Lyme Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Tony Corcoran

Officer of the Audit Commission

1st Floor,
No.1 Friarsgate
1011 Stratford Road,
Shirley
Solihull,
West Midlands,
B90 4BN
27 September 2011

ANNUAL GOVERNANCE STATEMENT 2010/11

1.0 Scope of responsibility

1.1 Newcastle-under-Lyme Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newcastle-under-Lyme Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, Newcastle-under-Lyme Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 Newcastle-under-Lyme Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on the Council's website at http://www.newcastle-staffs.gov.uk/corporategov or can be obtained from the Audit Manager. This statement explains how Newcastle-under-Lyme Borough Council has compiled with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

2.0 Delivering Good Governance in Local Government: Framework

2.1 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing and embedded process designed to identify and prioritise the risks to the achievement of Newcastle-under-Lyme Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Newcastle-under-Lyme Borough Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

3.0 The governance framework

3.1 The Council operates a number of systems, policies and procedures that constitute or contribute to the operation of the internal control environment and support the principles set out in the Code of Corporate Governance as detailed in the tables below:

Core Principle 1	Focusing on the purpose of the Authority and on the outcomes for the community and implementing a vision for the local area.

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the authority's vision and its implications for the authority's governance arrangements
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

The Corporate Plan and Corporate Priorities clearly define the purpose and vision for the council and inform the overall business planning process for the organisation. These priorities are drawn from the Borough's Sustainable Community Strategy that was produced under the auspices of the Newcastle Partnership.

Each of the Council's priorities has identified targets against which progress is monitored throughout the year through the performance management framework. Service Plans, which are completed as part of the overall budget and corporate planning processes, clearly demonstrate how each service contributes to the overall delivery of the Council's vision. In turn, Service Plans are translated into Business Plans and communicated to employees via the Appraisal Process, Team Briefings and Executive Bulletins. This process and the overall governance arrangements for the Authority are undertaken annually. The Council also communicates via the Reporter Newspaper and its Annual Report both produced for the wider community and both available in different formats to suit all needs.

Service quality and being able to demonstrate that services are providing the best value for money are key requirements to the Service Plans and value for money is a key outcome for the council. As part of these plans, managers are required to clearly evidence that the service they provide is making best use of the resources available. Benchmarking exercises are undertaken by service areas and also corporately as a means of demonstrating value for money; but it has been acknowledged that - as a tool for improvement - the organisation needs to learn more from best practice examples found elsewhere and also needs to understand and reflect customer needs more effectively.

The Council continues to monitor delivery of its services, ensuring that resources follow priorities and this year has again issued their General User Satisfaction Survey. Together with its partners the Council undertakes periodic reviews of the Borough's Sustainable Community Strategy which focuses on identifying a small number of priorities through consultation and involvement with the community as a whole.

In addition to this engagement and consultation work, the council and its partners across all sectors have reviewed and extensively restructured the partnership environment to deliver against national Government's agenda across the whole arena of public sector working. Additionally, key partners have sought to develop service delivery approaches which are in line with citizen requirements and which meet the expectations of citizens. The review of the Partnership's Community Engagement Strategy has been instigated and developed against a background of development of the Government's Big Society agenda and its implementation. In taking forward Big Society and localism, a further review of Locality Action Partnerships is being undertaken to ensure that they are fit for purpose in delivering these agendas. The review will report shortly. A programme of changes to the way consultation is carried out by the organisation has been devised and is in the process of being implemented. Moving away from 'paper and post' surveys, the focus of consultation will shift towards community based engagement and an emphasis on the role of members as champions for their areas.

The Corporate Complaints Compliments and Comments policy ensures continuous improvement in the services that we deliver by responding and reflecting on the challenges raised by our customers. As part of the Council's continued commitment to improving its services for the customer a Customer Standards Strategy ensures a quality assurance process in respect of the frontline services that we deliver and a Customer Charter ensures consistency in our interactions with customers. Technology is in place that measures customer demand and preferences and this is used to identify avoidable contact that can be used to enhance our services.

The Third Sector Commissioning Framework continues to demonstrate the Council's commitment to collaborative working, and is being supplemented by a local review of grant funding and also works being done at County level around commissioning of the Third Sector across Staffordshire. The council is a part of this development.

The Council's Constitution commits the organisation to working in partnership with others to assist with the delivery of its priorities. Before entering into any partnership a full assessment of the aims, objectives, and risks to the Authority of entering into that Partnership is completed. To assist with this process a toolkit has been developed. All of the Council's significant partnerships have been assessed against the toolkit and all future proposals for partnership working will also be assessed in the same way.

There are four Overview and Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees set out to ensure that performance is effectively monitored and challenged.

Core Principle 2	**Members and Officers working together to achieve a common purpose with clearly defined functions and roles.**

- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Council's Constitution and Scheme of Delegation set out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the local people. Further detail is provided via the Council's Financial Regulations.

Core Principle 3	**Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Authority's Codes of Conduct for Officers and Members are regularly reviewed and updated. Both Officers and Members are reminded annually of their need to ensure compliance with these codes, and the need to declare any outside interests, private work or the receipt of any gift or acceptance of hospitality. Any instances of non compliance are dealt with under the Council's disciplinary process in respect of Officers and the Standards Committee in respect of Members.

Members receive training on an annual basis in respect of Ethical Standards. It has been acknowledged that a formal training programme for Officers needs to be put in place and this will form part of the Workforce Development Plan.

The Council's Standing Orders, Financial Regulations and Scheme of Delegation are all reviewed annually and approved as part of the Council's Constitution.

A regular programme of work is completed by Internal Audit which reviews the compliance with established procedures.

All new employees go through a corporate induction process to ensure they are informed of all corporate policies and procedures. In addition regular reminders are given to all employees via the Appraisal Process, Team Briefings and Executive Bulletins. A copy of all Council policies and procedures are available on the internet and intranet sites.

Risk Management is now embedded throughout the organisation. Risk Champions have been identified at both operational and strategic levels within all Directorates. All operational risks are aligned to the business objectives, whilst at a strategic level risks these are linked to the Council's corporate priorities. Risk assessments are in place for all of the Council's significant partnerships and in addition a formal risk assessment is required to be completed for all major projects which are being undertaken within the Council. All reports to members contain a section on risk implications. In addition, the Risk Management Strategy is reviewed annually and this has been done for 2011/12, including changes to the risk rating process and also the way risks are escalated in the organisation.

Work has continued during 2010/11 to raise the awareness and profile of Information Security. A half time Information Assurance Officer is now in post to assist with the implementation of a range of key actions across the organisation as a whole. Delivery of these actions is closely monitored by the Information Security Group. The continued use of posters and the use of the councils intranet site ensures that staff are kept informed of key issues in relation to Information Security, in addition there are further briefing sessions planned for 2011/12 as part of the overall campaign to raise the profile and status of Information Security with both officers and members of the Council.

Core Principle 4	**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistle-blowing and for receiving and investigating complaints from the public

The terms of reference for the Audit and Risk Committee are in accordance with the CIPFA model. A self assessment to ensure compliance with the CIPFA model has been completed by the Audit Manager in consultation with the Chair of the Audit and Risk Committee. This self assessment concluded that the Audit and Risk Committee is effective and can be relied upon when considering this Annual Governance Statement.

The Head of Central Services has the statutory role of Monitoring Officer to ensure that the relevant laws and regulations are complied with, whilst the Executive Director (Resources and Support Services) has the statutory responsibility under Section 151 of Local Government Act to ensure the proper administration of the Council's financial affairs.

Following the completion of an independent review of the Authority's arrangements for Health and Safety it has been acknowledged that there is a requirement to strengthen the Authority's' arrangements in respect of this matter. An action plan to address the and a programme of training for all managers has been completed along with the implementation of Target 100, a software package that assists with the management of all Health and Safety matters.

The Authority continues to review and monitor its arrangements in respect of Information Security to ensure continued compliance to the Government's Code of Connection.

The Authority's Whistleblowing Policy actively promotes officers, members, contractors and the public to report any concerns they may have in respect of any potential wrong doing. A helpline number is included amongst the A-Z list of Council Services. The policy is also available on the Council's website, in addition to this the Authority subscribes to Public Concern at Work, an independent charity set up to deal with any concerns that the Public may have in respect of any potential fraud, corruption or wrong doing.

Core Principle 5	Developing capacity and capability of members and officers to be effective

- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

A robust recruitment process is followed up by induction training and ongoing training identified as part of the employee appraisal process ensuring that officers are appropriately qualified and trained to undertake the role for which they are employed. A Management Development Strategy is in place that incorporates a Competency Framework for senior officers. Senior managers are trained in specific management competencies.

All elected members receive induction training. Specific training was provided for members in relation to Financial Management and Treasury Management, as well as more detailed training for members of Audit and Risk Committee, Scrutiny Committee, Planning Committee and Licensing Committee in relation to their roles for that particular committee.

A Member Development Programme has been completed and in October 2010 the Council achieved the Member Development Charter.

Core Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability

- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

All meetings of the Authority are held in public, unless there are good reasons for ensuring confidentiality, and copies of all the minutes and agendas for these meetings are available on the Council's website.

There are a number of ways of ensuring that the Authority communicates with all sections of the community, including the website, an E-panel, face-to-face engagement and the Reporter newspaper. In addition the Council has a 'Compact' in place to guide the ways in which it engages with third sector organisations. Also the Council's Statement of Community Involvement helps to support its statutory Local Development Scheme.

The Council's Financial Regulations and Partnership Toolkit ensure that there are sound governance arrangements in place for all of the Council's significant partnerships.

4.0 Review of effectiveness

4.1 Newcastle-under-Lyme Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive directors within the authority who have responsibility for the development and maintenance of the governance and internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The Code of Corporate Governance adopted by Newcastle-under-Lyme Borough Council demonstrates the Council is committed to ensuring that the principles of good governance flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. By making explicit the high standards of self-governance the Council aims to provide a lead to potential partners, to the public, private or voluntary sectors and to all citizens.

4.3 The Audit and Risk Committee effectively monitors the system of internal control, this has been demonstrated through the completion of a self assessment against CIPFA's checklist on 'Measuring the Effectiveness of the Audit Committee'. The Committee receives regular reports on both the Audit and Risk issues and has demonstrated effective challenge to senior officers in instances of non-compliance; it can therefore be relied upon when considering the Annual Governance Statement for 2010/11.

4.4 The Overview and Scrutiny function continues to ensure effective monitoring and challenge. There are four Overview and Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees set out to ensure that performance is effectively monitored and challenged

4.5 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate a twelve month plan which is approved by the Audit and Risk Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Executive Director. The report includes recommendations for improvements that are included within an action plan and require agreement, or rejection, by Directors. The process includes follow ups on a monthly basis, the results of which are reported quarterly to the Audit and Risk Committee in terms of fundamental recommendations and the level of assurance that can be given for that directorate based on the implementation of their recommendations. Internal Audit has continued to receive very positive reports from the Audit Commission in respect to the coverage of their work and high professional standards.

4.6 Internal Audit can provide reasonable assurance that the Council's systems of internal control are operating adequately, from their work in 2010/11. Whilst the Internal Audit Service has identified some material deficiencies in controls, the service is satisfied that based upon assurances from Management, action is now being taken to address the issues raised.

4.7 A self assessment on the effectiveness of the system of internal control has been completed in respect of the financial year 2010/11. The internal review showed that the system of internal control can be relied upon when considering the Governance Statement for 2010/11. This was informed by the completion of the CIPFA checklist on 'Code of Practice for Internal Audit in Local Government 2006'

4.8 The role of the Chief Finance Officer has been reviewed in accordance with the 'CIPFA Statement on the role of the Chief Financial Officer in public service organisations'. The statement produced by CIPFA seeks to strengthen governance and financial management throughout the public sector, in addition it sets out the core responsibilities, personal skills and professional standards that are crucial to the role.

4.9 The role of the Head of Internal Audit has been reviewed in accordance with 'CIPFA Statement on the role of the Head of Internal Audit'. The role of the Head of Internal Audit occupies a critical position within any organisation helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role on promoting good corporate governance. The main aim of the CIPFA statement is to promote and raise the profile of the Head of Internal Audit within public service organisations.

4.10 The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting.

4.10 The refinement and annual use of specific statements of assurance from Executive Directors, informed by Heads of Service with regard to the adequacy of internal controls in their area of responsibility

4.11 There are various specialist working groups, i.e. Capital Assets Review Group, Corporate Governance, Information Security, Procurement, Health and Safety and Employee's Consultative Committee that agree, oversee and review the various disciplines giving assurance that the Council complies with statute, identifies and manages its risks.

4.12 The Annual Audit and Inspection letter from the Audit Commission gave an unqualified opinion on the 2009/10 accounts. Internal Audit work was relied upon by the Audit Commission. The Letter contained some recommendations which will inform future plans. It recognised improvements and emphasised the need to continue with these.

5.0 Significant governance issues

We have been advised on the implications of the result of the review of the effectiveness of the governance framework as set out in Section 3 of this Statement and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The following issues have been identified as issues that need to be addressed in order to further improve the Council's overall governance arrangements;

- To ensure that the Council continues to deliver services that meet the needs of our customers and respond to any issues our customers may have with the current level of service provision. Working with our partners we will review the Sustainable Community Strategy to ensure that we can deliver against the Governments agenda in line with customer requirements.
- To ensure that our services demonstrate value for money we will continue to review all service areas against best practice and implement actions outlined in the Service Improvement Plans, this will further be supported by the Budget Service Review process that will seek to improve efficiencies across all council services and ensure that the savings identified from this process can be realised.
- To continue to raise the profile and status of Information Security throughout the Council.
- To continue to raise awareness among both Officers and Members in relation to Fraud. A training programme will be developed and rolled out across the Council.
- To continue to develop the capability and capacity of officers through the application of the workforce Development Strategy.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ___________________________________ Councillor Stephen Sweeney, Leader of the Council

Signed ___________________________________ John Sellgren, Chief Executive

Glossary of Terms

To assist readers of the Statement of Accounts to understand its contents the following definitions are provided of terms used in the text.

Accounting Policies
Accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for and presenting assets, liabilities, gains, losses, and changes to reserves.

Accruals
The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

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

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

Amortisation
An annual charge to a revenue account to reduce the value of an asset to zero over a period of years.

Assets Register
A register of the Council's fixed assets which records their essential details, including their description and location, valuation, basis of valuation, life and service chargeable for their use.

Balance Sheet
This shows a summary of the overall financial position of the Council at the end of the financial year.

Capital Expenditure
Expenditure on the acquisition of fixed assets or expenditure, which adds to and does not merely maintain existing assets.

Capital Grants Receipts in Advance Account
An account which holds the balances of capital grants received where conditions apply and have not been satisfied meaning that the grants are not yet available for use to finance expenditure.

Capital Grants Unapplied Account
A usable reserve holding the balances of capital grants received or due to the Council at the year end where conditions do not apply to those grants or conditions have been satisfied meaning that the grant is available for use to finance expenditure.

Capital Receipts
Income received from the sale of capital assets which may be used to finance new capital expenditure.

CIPFA
The Chartered Institute of Public Finance and Accountancy (CIPFA) is one of the leading accountancy bodies in the United Kingdom and specialises in public services.

Collection Fund
A fund accounting for Council Tax and Non-Domestic Rates received by the Council and the payments which are made from the fund including precepts to other authorities, the Council's own demand and payments to the NNDR pool.

Community Assets
Assets which 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 historic buildings.

Consistency
The concept 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: -

- 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 authority's control; or
- 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.

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

Creditors
Amounts owed by the Council for goods and services, where payments have not been made at the end of the financial year.

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include termination of employees' services earlier than expected, for example as a result of discontinuing a segment of the business and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Amounts owed to the Council for goods and services, where the income has not been received at the end of the financial year.

Deferred Liabilities
These are liabilities which by arrangement are payable beyond the next year at some point in the future or are paid off by an annual sum over a period of time, specifically for this Council amounts outstanding in respect of finance leases.

Defined Benefit Pension Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation
The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Expected Rate of Return on Pension Assets
For a funded defined benefit pension 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.

Experience Gains and Losses
See Actuarial Gains and Losses

Financial Reporting Standards (FRSs)
Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

Financial Instrument
A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial instruments are: Liabilities - trade payables, borrowings, financial guarantees; Assets - bank deposits, trade receivables, investments; Derivatives - forward investment deals.

Financial Year
Period of time to which a Statement of Accounts relates. The financial year of the Council runs from 1 April to 31 March.

Fixed Assets
Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
The classes of fixed assets required to be included in the accounting statements are:
Operational assets
- Other land and buildings (excluding Council Dwellings)
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

Non operational assets
- Investment Properties
- Assets Held for Sale

Assets under construction are not shown separately. They are included in the balance relating to the category of operational asset where they will be included when completed.

General Fund Revenue Account
This account records the expenditure and income incurred by the Council in operating its services during the year. It does not record any capital expenditure or income but does include the costs associated with capital expenditure in the form of capital financing costs (mostly related to interest, capital charges for the use of assets by services and depreciation charges).

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

Historical Cost
Actual cost of acquiring or constructing an asset.

Impairment
A reduction in the value of a fixed asset 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 are highways and sewers.

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

Insurance Value
The value placed upon an asset for insurance purposes.

Intangible Assets
Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Specifically purchased software licenses are included in this category of asset.

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. Inventories comprise the following categories:
(a) goods or other assets purchased for resale;
(b) consumable stores;
(c) raw materials and components purchased for incorporation into products for sale;
(d) products and services in intermediate stages of completion;
(e) long-term contract balances; and
(f) finished goods

The Council currently only has inventories in category (b) above.

Investments
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be qualified as current assets.

Investment Properties
Interest in land and/or buildings:
(a) in respect of which construction work and development have been completed; and
(b) which is held for its investment potential, any rental income being negotiated at arm's length; and
(c) which do not support the service or strategic objectives of the Council.

Leasing
Method of financing the provision of capital assets which does not provide for the title to the asset to pass to the authority. In return for the use of the asset the Council pays rental charges over a specified period of time. There are two basic types of leasing arrangement:
(a) Finance leases which transfer the risks and rewards of ownership of an asset to the lessee (the Council) and such assets are included within the fixed assets in the Balance Sheet.
(b) Operating leases where the ownership of the asset remains with the lessor and annual rental is charged direct to the revenue account.

Liquid Resources
Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or are traded in an active market. Council tax and National Non Domestic Rates receipts under or overpaid to the major precepting authorities and the Department of Communities and

Local Government, respectively, are also included in the Management of Liquid Resources section of the Cash Flow Statement.

Long Term Debtors
Comprises amounts which are owed to the Council which are not investments and which are not expected to be realised within the next financial year. The main items included in this heading are outstanding loans from the Council to other bodies and outstanding amounts in respect of finance leases of Council properties to other bodies.

Material Items
An item is material if its omission, non-disclosure or misstatement could be expected to lead to a distortion of the view given by the financial statements.

National Non-Domestic Rate (NNDR)
Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are pooled, via the NNDR Pool, and then redistributed by the Government to local authorities based on the local resident population.

Non-Distributed Costs
Overheads from which no user now benefits and which are not apportioned to services.

Past Service Cost
For a defined benefit pension 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.

Precept
Demands made upon the Collection Fund by other authorities (Staffordshire County Council, Police and Fire Authorities and Parish Councils) for the services that they provide.

Prior Period Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

Provisions
Amounts set aside to meet liabilities or losses which are likely to be incurred but where the amount remains uncertain.

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

Related Parties
Two or more parties are related when at any time during the financial period:
- One party has direct or indirect control over the other party, or
- The parties are subject to common control from the same source, or
- One party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

For individuals identified as related parties, the following are also presumed to be related parties:
- members of the close family or the same household, and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or same household, has a controlling interest.

Related Party Transaction
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves
Reserves fall into two different categories:
(a) Usable Reserves representing sums set aside to meet future expenditure for specific purposes and which the Council is able to utilise to provide services.
(b) Unusable Reserves which the Council is not able to utilise to provide services. This category of reserves includes reserves which hold unrealisable gains and losses, such as the Revaluation Reserve and reserves which are adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards, for example the Capital Adjustment Account.

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. Retirement benefits do not include termination benefits payable as a result of either (i) an employers decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure
Expenditure on the day-to-day running of the Council, including employee costs, running expenses and capital financing costs.

Revenue Expenditure Funded from Capital under Statute

Expenditure which does not result in the creation of a fixed asset and which is classified as capital for funding purposes but is chargeable to the Income and Expenditure Account (I&E Account) as revenue expenditure. Any grants or contributions towards such expenditure are also chargeable to the I&E Account. An appropriation is made to the I&E Account from the Capital Adjustment Account of the amount of expenditure financed from capital resources. Such expenditure was formerly referred to as deferred charges.

Revenue Support Grant (RSG)
Grant paid to local authorities by Central Government to help finance its general expenditure.

Scheme Liabilities
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits, the purchase of an irrevocable annuity contract sufficient to cover vested benefits and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Useful Life
Period over which the local authority will derive benefits from the use of a fixed asset.