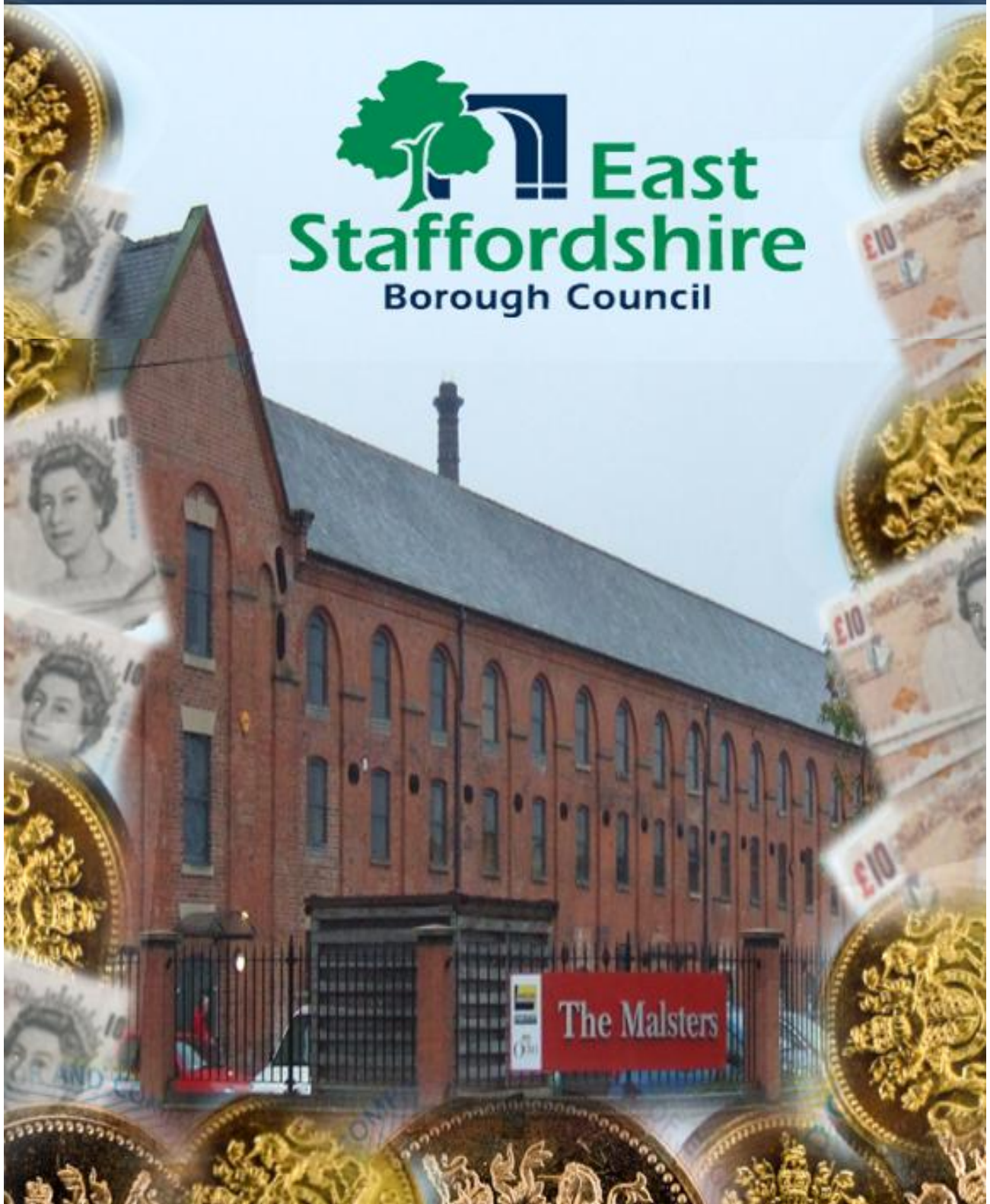


Statement of Accounts 2012 - 13



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Statement of Accounts

Year ended 31st March 2013

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STATEMENT OF ACCOUNTS

2012 – 2013

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FOREWORD BY THE HEAD OF FINANCE

INTRODUCTION

I am pleased to introduce the Council's Statement of Accounts for the year ended 31st March 2013. These accounts are presented in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy.

The outturn report presented to the Council's Cabinet reported a revenue budget underspend of £0.664m. This is a very pleasing outcome, particularly considering the extent of savings that have been built into the budget over the last few years. Despite unprecedented reductions in central government funding of 25% for 2011/12 and 2012/13, the Council's proactive approach to the management of resources has enabled our share of the council tax to reduce over the same period. Members and officers across the Council deserve credit for their tight budget management in what continues to be challenging circumstances for local authority finances.

The authority has also made a significant commitment in relation to capital investment, including a provisional sum of £4m towards Uttoxeter Leisure Centre, £1.5m for the redevelopment of Burton Market and £0.4m towards works at the Civic Town Hall. These projects are currently at the planning stage and residents will benefit from this investment in future years.

The Council will continue with its efficiency drive in the forthcoming year to ensure that the authority is well placed to meet the challenges ahead and that the residents of East Staffordshire continue to receive high quality services at low cost.

The statements presented within the Council's accounts demonstrate a healthy fiscal position for the Borough Council. Despite the challenges during the year, we maintained our prudent and sensible approach to financial management and I am grateful for the support of members and officers who continue to endorse such an approach.

KEY AREAS OF SIGNIFICANCE WITHIN THE ACCOUNTS

The Comprehensive Income and Expenditure Account set out on page 9 of this document shows a deficit position on the provision of services of £1m. This statement measures the authority's financial performance in terms of the resources consumed and generated over the period, however the authority is required by law to set its budget and raise council tax on a different accounting basis. As a consequence there are a number of statutory adjustments that are made to this figure (set out on page 28-29), in order to determine the movement on the general fund balance, which was neutral as the revenue outturn surplus has been set aside to support future funding pressures.

The general fund balance represents a minimum working balance in order to deal with any unexpected events. As at 31st March 2013 the balance, stands at £1.278m. This is an appropriate level for an authority of this size, level of expenditure and risk profile, it is also consistent with the approved medium term financial strategy. The Council also holds a number of other specific reserves to mitigate against key risks (including the risk that a proportion of the Icelandic investments are not returned), but also to allow for projects to take place over a number of years, and also to meet the future borrowing costs.

There is a reduction of £7m in the total net worth shown on the Balance Sheet. The main reason for this reduction relates to an increase in the estimated pension fund liability from £35m to £42m. The pension fund liability is calculated by a firm of actuaries and is based on a number of assumptions. It is these assumptions that have changed, resulting in the increased liability. The pension liability represents the underlying long term commitment that the authority has to pay future retirement benefits. This increased liability has had no direct impact on the budget for the authority or the levels of council tax. The fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget.

FUTURE DEVELOPMENTS

The Council still has many challenges ahead, in addition to those outlined in the paragraphs above, there are an number of significant changes to local authority finances taking place during 2013/14. This includes the introduction of a new business rates retention scheme and also the localisation of council tax benefits. Both of these initiatives have had a significant impact on the council finances and will need to be carefully monitored throughout the course of the year.

In addition, in order to meet the anticipated further budget reductions resulting from central government funding cuts, the Council's efficiency drive will continue into 2013/14 and beyond. More details of this are outlined within the Council's medium term financial strategy. Nevertheless, I am confident that the Council is well placed to meet the challenges ahead.

REVENUE OUTTURN 2012/2013

General Fund

The table below sets out the position of the General Fund for 2012/2013. When the Budget for the year was agreed in February 2012, it assumed total expenditure of £13.316m.

The outturn position shows that at the end of the year the amount to be raised had decreased to £12.652m, giving a surplus to be taken to reserves of £0.664m.

	Budget £'000	Outturn £'000	Variance £'000
Service Expenditure	13,316	12,652	(664)
To be met from:			
Central Government			
Revenue Support Grant	120	120	-
Non Domestic Rate Pool	6,220	6,220	-
Collection Fund			
Demand for Year (excluding parish precepts)	6,878	6,878	-
Previous Years' Surplus	98	98	-
Total Revenue Budget Support	<u>13,316</u>	<u>13,316</u>	-
Surplus for Year	0	(664)	(664)
	<u>13,316</u>	<u>12,652</u>	<u>(664)</u>

A full reconciliation between the above management outturn position and the financial statements is shown within note 32 to the accounts.

COLLECTION FUND

Before taking into account the distribution of the surplus from previous years, the Collection Fund has made a net surplus of £0.591m for the year. Council tax collection for the year shows a surplus of £0.917m, as a result of additional properties upon which council tax has been charged. An additional bad debts provision of £0.326m has then been made to give a net surplus on council tax of £0.591m. The fund balance as at 31st March 2013 stands at £1.108m.

Further details are given in the Collection Fund Income and Expenditure account and notes on pages 73 onwards.

CAPITAL EXPENDITURE 2012/2013

During 2012/2013 the Council spent £1.1m on capital projects. A breakdown by scheme and the sources of funds used to finance this expenditure is shown below.

Analysis of Capital Expenditure		Sources of Finance	
	£'000		£'000
Bargates	53		
Disabled Facility Grants	706	Capital Receipts	127
Ice Rink	41	Capital Grants and Contributions	520
Davies Drive	30	Revenue including Reserves	334
Community Development Fund	88	Borrowing	121
Market Hall Redevelopment	125		
Other minor schemes	59		
	1,102		1,102
Finance Leases	226	Borrowing	226

BORROWING

At the end of 2012/2013 the total loan debt of the Council was £17.474m (£17.576m at 31st March 2012).

PENSIONS

For the purposes of International Accounting Standard 26 (Accounting and Reporting by Retirement Benefit plans), the results of the Pension Fund actuary's calculations in respect of the Local Government Pension scheme on behalf of the Council revealed a net liability of £42m at 31 March 2013. This is shown under Long-term Liabilities on the Balance Sheet on page 12.

The pension liability of £42m represents the underlying long term commitment that the authority has to pay future retirement benefits. This deficit has no direct impact on the budget of the authority or the level of council tax. The fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget.

AUDIT OF THE ACCOUNTS

The Council's auditors, Grant Thornton LLP, undertake the audit of these accounts. The contact details for the Auditor are: Grant Patterson, Director, Grant Thornton UK LLP, Colmore Plaza, 20 Colmore Circus, Birmingham, West Midlands B4 6AT.

FURTHER INFORMATION

The accounts and accompanying statistics in the following pages contain a great deal of information about East Staffordshire Borough Council's finances. I hope you will find it interesting. Further information on the Council's accounts is available from the Financial Management Unit, The Malsters, Wetmore Road, Burton upon Trent, DE14 1LS. Or by telephone (01283) 508399 or e-mail to financial.management@eaststaffsbc.gov.uk. The public has a statutory right to inspect and, if they wish, object to the accounts prior to the completion of the audit. The dates for inspection and objection are advertised in the local press.

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GUIDE TO THE MAIN FINANCIAL STATEMENTS

The Council's accounts for the year 2012/2013 are set out on the following pages. The accounts comprise:

Statement of Responsibilities for the Statement of Accounts

Within this statement the respective responsibilities of the Council and the Head of Finance are set out in relation to the preparation of the accounts, and also of members in the approval of the accounts.

Comprehensive Income and Expenditure Statement

This statement shows the economic cost in the year of providing services in accordance with proper 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.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services' line shows the true economic cost of providing the authority'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 charges 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.

Balance Sheet

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

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example capital receipts may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserves), 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 'Adjustment between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 to the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Collection Fund Account

This is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Annual Governance Statement

This sets out the framework within which internal control is managed and reviewed and provides reasonable assurance as to its effectiveness. The statement reports on any weaknesses identified and the actions being taken to rectify these.

Glossary of Terms

This explains the technical terms used within the Statement of Accounts.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Head of Finance has also:

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

Certificate of the Chief Accountant (in the absence of the Head of Finance)

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Borough Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Lisa Turner CPFA
Chief Accountant, Deputy 151 Officer

Date:

Member Approval of the Statement of Accounts

The approval of East Staffordshire Borough Council's Statement of Accounts is the responsibility of a meeting of the full Council.

These Accounts were presented and approved at the meeting of full Council on 30th September 2013.

Councillor M Rodgers
Mayor
East Staffordshire Borough Council

Date:

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2013

	Note	2012/2013			2011/2012		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000			£'000		
Central services to the public		9,835	(8,455)	1,380	9,808	(8,450)	1,358
Cultural services		7,038	(2,347)	4,691	6,829	(2,157)	4,672
Environmental Services		6,915	(2,086)	4,829	6,799	(2,260)	4,539
Planning services		3,190	(1,278)	1,912	3,042	(1,452)	1,590
Highways and transport services		1,532	(1,988)	(456)	1,536	(2,096)	(560)
Housing services		29,925	(29,249)	676	29,800	(29,190)	610
Corporate and democratic core		1,311	(30)	1,281	1,633	(15)	1,618
Non distributed costs		206		206	91	0	91
Cost of Services		59,952	(45,433)	14,519	59,538	(45,620)	13,918
Other operating expenditure	8			1,125			1,047
Sale of Bretby Crematorium	5			0			(3,609)
Financing and investment income and expenditure	9			788			(13)
Taxation and non specific grant income	10			(15,353)			(19,358)
(Surplus) or Deficit on Provision of Service				1,079			(8,015)
(Surplus)/deficit on revaluation of non current assets	11			(232)			(445)
Actuarial (gains)/losses on pension assets/liabilities	43			6,181			6,931
Deferred Asset	16			0			(162)
Total Comprehensive Income and Expenditure				7,028			(1,691)

MOVEMENT IN RESERVES STATEMENT
For the year ended 31 March 2013

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012 carried forward	1,278	9,023	0	4,620	14,921	(9,509)	5,412
Movement in reserves during 2012/13							
Deficit on provision of services	(1,079)	0	0	0	(1,079)	0	(1,079)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(5,949)	(5,949)
Total Comprehensive Income and Expenditure	(1,079)	0	0	0	(1,079)	(5,949)	(7,028)
Adjustments between accounting basis & funding basis under regulations (note 6)	1,272	0	0	(32)	1,240	(1,240)	0
Net Increase before Transfers to Earmarked Reserves	193	0	0	(32)	161	(7,189)	(7,028)
Transfers to/from Earmarked Reserves (note 7)	(193)	193	0	0	0	0	0
Increase / (Decrease) in Year	0	193	0	(32)	161	(7,189)	(7,028)
Balance at 31 March 2013 carried forward	1,278	9,216	0	4,588	15,082	(16,698)	(1,616)

MOVEMENT IN RESERVES STATEMENT
For the year ended 31 March 2012

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011 carried forward	1,278	7,811	50	545	9,684	(5,963)	3,721
Movement in reserves during 2011/12							
Surplus on provision of services	8,015	0	0	0	8,015	0	8,015
Other Comprehensive Income and Expenditure	0	0	0	0	0	(6,324)	(6,324)
Total Comprehensive Income and Expenditure	8,015	0	0	0	8,015	(6,324)	1,691
Adjustments between accounting basis & funding basis under regulations (note 6)	(6,803)	0	(50)	4,075	(2,778)	2,778	0
Net Increase before Transfers to Earmarked Reserves	1,212	0	(50)	4,075	5,237	(3,546)	1,691
Transfers to/from Earmarked Reserves (note 7)	(1,212)	1,212	0	0	0	0	0
Increase / (Decrease) in Year	0	1,212	(50)	4,075	5,237	(3,546)	1,691
Balance at 31 March 2012 carried forward	1,278	9,023	0	4,620	14,921	(9,509)	5,412

BALANCE SHEET
as at 31st March 2013

31st March 2012		Note	31st March 2013
£'000			£'000
37,014	Property, Plant and Equipment	11	35,605
8,960	Investment Property	12	9,605
27	Intangible Assets	13	2
493	Heritage Assets	14	480
1,309	Long Term Investments	15	1,182
974	Long Term Debtors	16	954
48,777	Long Term Assets		47,828
	Current Assets		
5,698	Short Term Investments	18	4,416
104	Inventories	19	125
3,164	Short Term Debtors	21	4,877
14,320	Cash and Cash Equivalents	22	9,323
23,286	Current Assets		18,741
(301)	Short-Term Borrowing	26	(6,362)
(9,261)	Short Term Creditors	24	(4,139)
(9,562)	Current Liabilities		(10,501)
(136)	Provisions	25	(130)
(17,275)	Long Term Borrowing	26	(11,112)
(35,464)	Pension Liability	43	(42,473)
(1,418)	Other Long Term Liabilities		(1,224)
(2,796)	Capital Grants Receipts in Advance	37	(2,745)
(57,089)	Long Term Liabilities		(57,684)
5,412	Net Assets		(1,616)
	Financed by:		
(9,509)	Unusable Reserves	28	(16,698)
14,921	Usable Reserves	27	15,082
5,412	Total Net Worth		(1,616)

CASH FLOW STATEMENT
For the year ended 31 March 2013

	Note	2012/2013 £'000	2011/2012 £'000
Net (surplus) or deficit on the provision of services		1,079	(8,015)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	29	(1,469)	(299)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	29	614	9,829
Net cash flows from operating activities		224	1,515
Investing activities	30	1,768	(6,629)
Financing activities	31	3,005	(2,727)
Net (increase) or decrease in cash and cash equivalents		4,997	(7,841)
Cash and cash equivalents at the beginning of the reporting period		(14,320)	(6,479)
Cash and cash equivalents at the end of the reporting period		(9,323)	(14,320)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/2013 financial year and its position as at the year-end 31 March 2013. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice, supported by International Financial reporting Standards (IFRS). The accounting convention adopted is 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services or in the case of other income streams, when the authority transfers the 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 authority.
- 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 stocks on the balance sheet. Exceptions to this principle relate to electricity, gas and similar periodic payments, which are charged at the date of meter reading rather than being apportioned between financial years. In addition, housing benefits payments are matched to the subsidy claim which includes 52 weekly payment runs. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Interest payable and receivable 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 income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Where the exact amount due in respect of accruals has not yet been confirmed, for example grant entitlements from Central Government, the accounts reflect the best estimate and use latest available information. The estimation techniques used have not been changed from the previous year.

iii. Cash and Cash Equivalents

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

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

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, or other events and conditions on the authority's 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 the 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; and
- Amortisation of intangible fixed assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation, impairment losses and amortisations are therefore replaced by a contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account.

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, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render the service to the authority. An accrual is made for the cost of the holiday entitlements (or any form of leave, such as time off in lieu) earned by employees but not taken before the year end in which employees can carry forward into the next financial year. The accrual is charged to the surplus or deficit in 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 authority 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 Comprehensive Income and Expenditure Statement when the authority's 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 authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of 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 year-end.

Post Employment Benefits

The employees of the Council may participate in the Local Government Pension Scheme administered by Staffordshire County Council, which provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

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

The liabilities of the Staffordshire County Council pension scheme attributable to this Council are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings by employees.

Liabilities are discounted to their value at current prices, using a discount rate of 1.7% real (4.5% actual). This rate is equal to the yield available on long-dated, high quality corporate bonds and is commonly referred to as the AA Corporate Bond Rate.

The assets of Staffordshire County Council 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. This is allocated to the revenue accounts of the services for whom the employees worked.
- Past service gains/costs – the increase or decrease in liabilities arising from decisions made in the current year relating to years of service earned in earlier years. This is 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. This is debited to 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. This is credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains/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. This is 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. This is debited to the Pensions Reserve.
- Contributions paid to Staffordshire County Council 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 limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement on 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 year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on 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

An event occurring after the balance sheet date of 31 March, which provides evidence of conditions which existed at 31 March, is an adjusting event with the amounts shown in the Statement of Accounts updated to take account of the new information.

An event occurring after 31 March which indicates conditions that arose from 1 April onwards is a non-adjusting event with no effect on amounts included in the Statement of Accounts. However if these events are material they are disclosed in the notes to the accounts.

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

ix Financial Instruments

Financial Assets

Financial assets i.e. amounts invested, are classified as either loans and receivables which are assets with fixed or determinable payments but are not quoted in an active market, or available-for-sale assets which have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried in the balance sheet 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 the Council 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 of the loan agreement.

If an asset is identified as impaired because of a likelihood that payments due will not be made, the asset is written down and a charge made to 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 assets original effective interest rate.

At the present time the Council has no available-for-sale assets.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes 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 instruments to the amount at which it was originally recognised.

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

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

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term remaining on the loan against which the premium was payable or discount receivable when it was repaid or a nominated shorter period. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movements in Reserves Statement.

x. Foreign Currency Translation

Monetary assets denominated in a foreign currency are converted to sterling at the rate of exchange applicable to that date and included in the Bank figure on the balance sheet.

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 they become due to the authority when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the 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 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.

xii. Heritage Assets

The authority's heritage assets include various paintings, sculptures and civic items which are held primarily as a contribution to knowledge and culture. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with our accounting policies for plant property and equipment. However some of these measurement rules are relaxed in relation to Heritage Assets.

Heritage asset records are maintained within the fixed asset register and insurance records. Access to the vast majority of these items can be gained via the Brewhouse Centre and mayoral and civic rooms within the Town Hall.

Heritage Assets are measured and reported in the balance sheet based on insurance valuation, which are periodically updated. However sculptures are reported within the balance sheet at depreciated historic cost.

All assets are depreciated to the Comprehensive Income and Expenditure Statement based on an estimate of their useful lives – generally 50 years with sculptures 25 years. The carrying values are reviewed where there is evidence of impairment this is recognised and measured in accordance with our general policies on impairment, as set out in xix.

Further information in relation to Heritage Assets is set out with note 14 to the accounts.

xiii. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council, e.g. computer software and related licences, is capitalised at cost when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the consumption of benefits.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses are recognised within the relevant service line within the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains or 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 sale proceeds greater than the £10,000) the Capital Receipts Reserve.

xiv. Interests in Companies and Other Entities

The Council has an interest in the following limited companies: Uttoxeter Leisure and Development Company Ltd, set up to run the Uttoxeter Racecourse; Branston Golf & Country Club Ltd; Uttoxeter Estates Limited, whose principal activity is property ownership and management and Instaffs (UK) Ltd, set up to promote inward investment in Staffordshire. This interest does not require the preparation of group accounts. In the Council's accounts, this interest is recorded as financial assets at cost.

xv. Inventories and Long Term Contracts

Stocks are included in the accounts on the basis of the latest price paid. This is a departure from the requirements of the Code, which require stocks to be shown at the lower of cost or net realisable value. The effect of the different treatment is immaterial.

Work in progress on long term contracts, for which interim valuations are made, is included in the appropriate revenue account at historical cost covering labour, materials and direct overheads, net of any progress payments received.

xvi. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses 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.

xvii Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks 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.

Finance Leases – Authority as Lessee

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of a 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 authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to 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 assets estimated life (where ownership of the asset does not transfer to the authority at the end of the lease period).

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

Operating Leases – Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant 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 start of the lease).

Finance Leases – Authority as Lessor

Where the authority 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 authority'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.

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 – Authority as Lessor

Where the authority 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. Any significant 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 the rental income.

xviii. Overheads and Support Services

The costs of support services are charged to the services that benefit from the support service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13. The total absorption costing principle is used with the full cost of support services being shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation (e.g. council and committee meetings, the Lord Mayor and civic expenses).
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the net expenditure.

xix. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of 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

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefit to the Council and the services it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset, e.g. repairs and maintenance, is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The authority does not capitalise borrowing costs. Assets are then carried in the balance sheet using the following measurement bases:

- other land and buildings, vehicles, plant and equipment – fair value, determined as the amount that would be paid for the asset in existing use.
- infrastructure, community assets and assets under construction - depreciated historical cost.

Where there is not market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the 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 in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of 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 the balance (up to the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the impairment is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset.
- Infrastructure - straight line allocation over the useful life of the 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 charge 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.

De Minimis Levels

Charges to Revenue are made subject to a de minimis level regarding the capitalisation of expenditure. This has been set at £15,000 for land and buildings and £10,000 for equipment. If expenditure that would normally be capital is incurred below these levels, it would normally be charged directly to the revenue cost of the service concerned.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through the 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 the 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 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 receipts are appropriated to the Capital Receipts Reserve from the General Fund balance in the

Movement in Reserves Statement. These receipts can only be used for new capital investment or set aside to reduce the authority's underlying need to borrow.

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 Reserve balance in the Movement in Reserves Statement.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the authority 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 authority may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

Provisions are charges as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and can measure 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 each balance Sheet date – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement anticipated), the provision is reversed (or reduced) and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow or resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not included in the accounts as an item of expenditure. They are disclosed in the Notes to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority 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 authority.

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 or economic benefits or service potential.

xxi Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the

appropriate service revenue account in that year and included in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into 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 tangible fixed assets and retirement benefits and do not represent useable resources for the Council. These reserves are explained in the relevant accounting policy.

xxii. Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. REFCUS incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has decided to meet the cost of the REFCUS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Movement in Reserves Statement so that there is no impact on the level of council tax.

xxiii Value Added Tax

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

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

The adoption of amendments to IAS 19 Employee Benefits (June 2011) by the code will result in a change in accounting policy that requires disclosure in these accounts. These changes which come into effect from 1st April 2013 include:-

- Amendments to definitions
- Updated terminology, amendments to the recognition requirements and clarifications of the disclosure requirements in relation to benefits payable during employment
- Amendments to the recognition requirements of termination benefits and clarification of the disclosure requirements and
- Amendments to the classification, recognition, measurement and disclosure requirements in relation to post employment benefits.

The actuary estimates that these changes if applied to the 2012/13 figures would increase net expenditure within the Comprehensive Income and Expenditure Statement by £0.487m.

Assumptions made in relation to expected rates of return on assets at 31st March 2013 have been set equal to the discount rate (as per the IAS19 amendments which apply from 1st April 2013).

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the authority 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 as follows:-

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority have been impaired as a result of a need to close facilities and reduce levels of service provision.

- The authority has £2m deposited with Icelandic banks which are in administration. These accounts contain judgements and assumptions in relation to the timing and amount of future repayments.

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 authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet as at 31st March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual result differs from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a increase in member life expectancy of 1 year would result in a increase in the pension liability of £3.1m
Arrears	A 31 March 2013, the authority had a balance of sundry debtors for £1.8m. A review of significant balances suggested impairment of doubtful debts of 31% (£0.691m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.7m to be set aside as an allowance.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

There are no items of material income or expense in the 2012/13 figures.

In relation to the 2011/12 comparative figures, there is an exceptional item included within the Comprehensive Income and Expenditure Statement relating to capital gains of £3.6m from the Council's share of net proceeds following the Sale of Bretby Crematorium. This was transferred to the Capital Receipts Reserve within the Movement in Reserves Statement.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/13	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Movement in Unusable reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Amortisation of intangible fixed assets	25			(25)
Depreciation and impairment of fixed assets	1,717			(1,717)
Impairment of fixed assets	0			0
Revaluation losses on plant, property and equipment	88			(88)
Movements in market value of investment properties	(378)			378
Capital grants and contributions applied	(521)			521
Loss on sale of fixed assets	8	93		(101)
Revenue expenditure funded from capital under statute Amounts written off as part of gain/loss on disposal of non current assets	808			(808)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Minimum revenue provision for capital financing	(921)			921
Capital expenditure charged in-year to the General Fund Balance	(334)			334
Adjustments primarily involving the Capital Receipts Reserve				
Use of Capital Receipts Reserve to Finance new Capital Expenditure		(127)		127
Transfer from deferred capital receipts reserve upon receipt of cash		2		(2)
Balance carried forward to next page	492	(32)	0	(460)

2012/13	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Balance brought forward from last page	492	(32)	0	(460)
Adjustment primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in the year in accordance with statutory requirements	(31)			31
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to Comprehensive Income and Expenditure (see note 42)	2,572			(2,572)
Employers pensions contributions and direct payments to pensioners payable in the year	(1,744)			1,744
Adjustments primarily involving the Collection Fund Adjustment Account				
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	12			(12)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(29)			29
TOTAL ADJUSTMENTS	1,272	(32)	0	(1,240)

2011/12 Comparative Figures	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Movement in Unusable reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Amortisation of intangible fixed assets	33			(33)
Depreciation and impairment of fixed assets	1,723			(1,723)
Impairment of fixed assets	126			(126)
Revaluation losses on plant, property and equipment	14			(14)
Movements in market value of investment properties	(305)			305
Capital grants and contributions applied	(5,425)			5,425
Loss on sale of fixed assets	127	745		(872)
Revenue expenditure funded from capital under statute	1,849			(1,849)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Minimum revenue provision for capital financing	(911)			911
Capital expenditure charged in-year to the General Fund	(567)			567
Adjustment Primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to			(50)	50
Application of grants to capital financing transferred to				
Balance carried forward to next page	(3,336)	745	(50)	2,641

2011/12 Comparative Figures	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Balance brought forward from last page	(3,336)	745	(50)	2,641
Adjustments primarily involving the Capital Receipts Reserve				
Use of Capital Receipts Reserve to Finance new Capital Expenditure		(283)		283
Transfer from deferred capital receipts reserve upon receipt of cash		4		(4)
Receipt from sale of Bretby Crematorium	(3,609)	3,609		
Adjustment primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are	(31)			31
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to Comprehensive Income and Expenditure (see note 42)	2,129			(2,129)
Employers pensions contributions and direct payments to pensioners payable in the year	(2,008)			2,008
Adjustments primarily involving the Collection Fund Adjustment Account				
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	21			(21)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	31			(31)
TOTAL ADJUSTMENTS	(6,803)	4,075	(50)	2,778

7. TRANSFER TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Balance at 1 April 2011 £'000	Transfers Out 2011/12 £'000	In £'000	Balance at 31st March 2012 £'000	Transfers Out 2012/13 £'000	In £'000	Balance at 31st March 2013 £'000
Contingency Fund	3,242	(1,115)	1,401	3,528	(545)	1,041	4,024
Debt Repayment	1,353	(279)	0	1,074	(365)	300	1,009
Housing Benefits	162	(183)	384	363	(134)	248	477
Capital Programme	362	(202)	318	478	(286)	232	424
Local Development Framework	191	(35)	200	356	0	0	356
Other Reserves	182	(4)	151	329	(46)	73	356
New Burdens	0	0	220	220	(105)	184	299
New Homes Bonus	0	0	283	283	0	0	283
Budget Carry Forward	18	(18)	185	185	(185)	279	279
Insurance Fund	228	0	0	228	0	0	228
Housing and Planning Delivery	223	0	0	223	0	0	223
Growth Point Agenda	383	(109)	0	274	(66)	0	208
Car Park Maintenance	110	0	35	145	0	35	180
IT Equipment	100	(231)	295	164	(129)	100	135
LPSA Grant	538	(198)	0	340	(210)	0	130
Elections	100	(63)	44	81	0	35	116
Housing Repossession Fund	49	(15)	61	95	(13)	25	107
Area Based Grant	135	(30)	0	105	(18)	0	87
Local Strategic Partnership	64	(8)	9	65	(5)	20	80
Building Control Fee Earning	140	0	12	152	(89)	4	67
Prevention of Violent Extremism	0	(47)	151	104	(45)	0	59
Migration Impact Fund	59	0	0	59	0	0	59
Shopmobility	36	0	0	36	(6)	0	30
Building Stock Condition Survey	76	0	0	76	(76)	0	0
Records Management	60	0	0	60	(60)	0	0
	7,811	(2,537)	3,749	9,023	(2,383)	2,576	9,216

Further information in relation to the most significant reserves is described below.

Debt Repayment: (£1m) used to lessen the effect of the increased statutory repayment requirement.

Contingency Fund: (£4.0m) for unexpected events or emergencies and for one-off non-recurring items, including the risks associated with the Council's Icelandic investments.

Housing Benefits – Monies set aside to mitigate risks associated with this service, including potential claw back of grant and the introduction of universal credit.

Capital Programme: (£0.4m) committed as part of the Council's approved capital programme.

Local Development Framework: (£0.4m) - monies set aside to support the local development framework.

Insurance Fund: (£0.2m) for self-funded insurance on individual claims of up to £2,750.

8. OTHER OPERATING EXPENDITURE

	2012/13	2011/12
	£'000	£'000
Parish Council Precepts	1,117	980
Gains / losses on disposal of non current assets	8	67
	<u>1,125</u>	<u>1,047</u>

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012/13	2011/12
	£'000	£'000
Interest payable and similar charges	779	787
Interest element of finance leases	155	163
Impairment of financial instruments	13	(266)
Pensions interest cost and expected return on pension assets	1,206	758
Interest receivable and similar income	(427)	(608)
Income and expenditure in relation to investment properties and changes in their fair values (note 12)	(1,011)	(880)
Gain/Loss on Trading Accounts (note 33)	73	33
	<u>788</u>	<u>(13)</u>

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	2012/13	2011/12
	£'000	£'000
Council tax income	(8,081)	(7,895)
Non domestic rates	(6,220)	(5,388)
Revenue support grant	(121)	(1,665)
New Homes Bonus	(682)	(381)
Council Tax Freeze Grant	(172)	(175)
Capital grants and contributions	(77)	(3,854)
	<u>(15,353)</u>	<u>(19,358)</u>

11. PROPERTY, PLANT AND EQUIPMENT

Movements in 2012/13	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Constuction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
1st April 2012	27,950	5,748	3,873	2,326	37	5,216	45,150
Additions		322		29	115	53	519
Revaluations recognised in the Revaluation Reserve	182						182
Revaluations recognised in the Provision of Services	(88)						(88)
Reclassifications	(267)			17	(17)		(267)
Disposals to I & E	(102)	(7)					(109)
Other Movements							0
31st March 2013	27,675	6,063	3,873	2,372	135	5,269	45,387
Depreciation and Impairment							
1st April 2012	(2,757)	(2,753)	(1,240)	(1,328)	0	(58)	(8,136)
Depreciation charge	(631)	(752)	(153)	(168)			(1,704)
Reclassifications							0
Depreciation written out to Revaluation Reserve	50						50
Disposals to Provision of Services (I & E)	1	7					8
Depreciation written out to provision of services							0
31st March 2013	(3,337)	(3,498)	(1,393)	(1,496)	0	(58)	(9,782)
Balance Sheet as at 1st April 2012	25,193	2,995	2,633	998	37	5,158	37,014
Balance Sheet as at 31st March 2013	24,338	2,565	2,480	876	135	5,211	35,605

Comparator figures for 2011/12 are shown on the following page.

Comparative Movements in 2011/12	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Constuction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
1st April 2011	28,559	7,090	3,873	2,326	157	192	42,197
Additions	236	389			37	3,834	4,496
Revaluations recognised in the Revaluation Reserve	440						440
Revaluations recognised in the Provision of Services	(25)						(25)
Reclassifications	(1,160)				(30)	1,190	0
Disposals to I & E	(100)	(1,731)					(1,831)
Other Movements					(127)		(127)
31st March 2012	27,950	5,748	3,873	2,326	37	5,216	45,150
Depreciation and Impairment							
1st April 2011	(2,228)	(3,718)	(1,086)	(1,149)			(8,181)
Depreciation charge	(637)	(739)	(154)	(179)			(1,709)
Reclassifications	58					(58)	0
Depreciation written out to Revaluation Reserve	6						6
Disposals to Provision of Services (I & E)	33	1,704					1,737
Depreciation written out to provision of services	11						11
31st March 2012	(2,757)	(2,753)	(1,240)	(1,328)	0	(58)	(8,136)
Balance Sheet as at 1st April 2011							
	26,331	3,372	2,787	1,177	157	192	34,016
Balance Sheet as at 31st March 2012							
	25,193	2,995	2,633	998	37	5,158	37,014

Depreciation

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

Other Land and Buildings

Horticultural centre	6 years
All others	10 – 68 years

Vehicles, Plant and Equipment

Car Park Ticket Machines	15 years
CCTV Cameras	Between 5 and 10 years
Computer Hardware and Software	3 or 5 years
Parking Meters	15 years
Play Equipment	10 years

Recycling Bins	10 years
Others	Between 2 and 10 years
Infrastructure Assets	
Bus shelters	15 years
Lighting	10 years
High Street/New Street improvements	50 years
Tree Planting	100 years
Others, including footpaths, traffic calming, Cycle routes etc	Between 10 and 25 years
Community Assets	
Enhancement of Parks and Open Spaces	10 years
Works of Art and Sculptures	25 or 50 years

Capital Commitments

The Council is committed under capital contracts to make payments in future years of £0.3m.

Effects of Changes in Estimates

There have been no material changes in estimates during 2012/13.

Revaluations

The freehold and leasehold properties that comprise the Authority's property portfolio were originally valued as at 1 April 1994 by the Council's Principal Estates Officer.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations at 1st April 2011 were undertaken by externally appointed valuers, Rushton Hickman. Valuations as at 1st April 2012 have been undertaken by the Council's internal valuer, Laura Hunt (Assets and Estates Manager) who is RICS qualified. The basis for valuation is set out in the accounting policies.

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	TOTAL £'000
Valued at historical cost	935	2,565	3,891	7,391
Valued at current value as at 1 April				
2012	306			306
2011	475			475
2010	5,272			5,272
2009	7,642		1,320	8,962
2008	9,708			9,708
Net Book Value at 31 March 2012	24,338	2,565	5,211	32,114
Other Assets (all valued and depreciated, where necessary)				
Infrastructure Assets				2,480
Community Assets				876
Assets Under Construction				135
Net Book Value of Assets at 31 March 2013				35,605

12. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement.

	2012/13	2011/12
	£'000	£'000
Rental income from investment property	(852)	(825)
Direct operating expenses arising from investment property	219	186
Loss on Disposal	0	64
Revaluation Changes	(378)	(305)
Net (Gain) / Loss	(1,011)	(880)

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

The following table summarises the movement in fair value of investment properties over the year. Investment properties are revalued annually, with the latest revaluation at 31st March 2013, undertaken by the council's internal valuer (Assets and Estates Manager).

	2012/13	2011/12
	£'000	£'000
Balance at start of year	8,960	9,460
Additions	0	0
Disposals	0	(805)
Transfers from Plant, Property and Equipment	267	0
Net gains/losses from fair value adjustments	378	305
Balance at Year end	9,605	8,960

13. INTANGIBLE ASSETS

The authority 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.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives assigned to the major software suites used by the authority is generally 5 years, with one item relating to a bar coding system - 10 years.

The carrying amount of these software licences is amortised on a straight line basis. The amortisation of £25k to revenue was charged to IT administration and financial services and then absorbed as an overhead across all service headings in the Net Expenditure of Services within the Comprehensive Income and Expenditure Statement.

	2012/13	2011/12
	£'000	£'000
Balance at start of year		
Gross Carrying amount	916	916
Accumulated amortisation	(889)	(856)
Net Carrying Amount at start of year	27	60
Additions	0	0
Amortisation for Period	(25)	(33)
Net Carrying Amount at end of year	2	27

14. HERITAGE ASSETS

Reconciliation of the carrying value of heritage assets held by the authority is set out below. Valuations are undertaken, as set out below, with the last valuation dated January 2010.

	Ceramics £'000	Art Work £'000	Civic Regalia £'000	Other £'000	Total Heritage Assets £'000
Cost or Valuation					
1st April 2010	65	176	60	119	420
Additions -2011/12		95			95
Gross Cost/Valuation	65	271	60	119	515
Depreciation b/f	(2)	(12)	(2)	(6)	(22)
Depreciation	(1)	(8)	(1)	(3)	(13)
Cumulative Depreciation	(3)	(20)	(3)	(9)	(35)
Net Book Value 31/3/12	63	259	58	113	493
Net Book Value 31/3/13	62	251	57	110	480

Ceramics, Porcelain & Silverware etc

The authority's collection of ceramics, porcelain work and silverware is reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

Art Collection

The authority's art collection includes a number of paintings and bronze figures which are held at both the Town Hall and the Brewhouse as well as a number of sculptures located around the Borough. Paintings are held within the Balance Sheet at insurance valuation, which is based on market values. These are updated periodically. Sculptures are held at within the balance sheet at depreciated historic cost.

Civic Regalia

This includes the mayoral chains, mace and stand. These are reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

Other items

This includes other misc items including fifty two leaded window panels of past mayors of the Borough from 1880 – 1975. These items are also reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

Additions

During the course of 2012/13 there were no new additions.

The code requires, where practical, the disclosure of information in relation to these assets for the previous 4 years. This is neither practical or significant in the context of these accounts.

15. LONG-TERM INVESTMENTS

	2012/13	2011/12
	£	£
Branston Golf Club	28,617	28,617
Burton Albion Football Club (400 Shares)	496	496
Icelandic Investments*	1,138,645	1,265,522
Instaffs (UK) Ltd	1	1
Outwoods Parish Council	2,144	2,144
Uttoxeter Racecourse (19 Shares)	19	19
Uttoxeter Estates Limited (19 Shares)	19	19
War Stock	12,147	12,147
	1,182,089	1,308,965

*This represents the long term element of the Impaired Icelandic investments. Further details can be found at Note 41.

16. LONG-TERM DEBTORS

These are mortgage advances made to Council tenants and private individuals under the Housing Act 1958, a loan made to Branston Golf Club for capital purposes and plant, property and equipment finance leases. In addition, following the winding up of the Kickstart programme, loans to households totalling £162k have transferred to the Council. Transactions for the year are as follows:

	Balance at 1 April £'000	Transfer to Short Term* £'000	Repaid for year £'000	Balance at 31 March £'000
Housing Advances	23	-	(1)	22
Loan - Branston Golf Club	95	(19)	-	76
Kick Start Loan Portfolio	162	-	-	162
Plant, Property and Equipment - Finance Leases	694	-	-	694
	974	(19)	(1)	954

*this relates to the element of the loan that is repayable within 12 months.

17. FINANCIAL INSTRUMENTS

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Short-Term	
	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
Financial liabilities at amortised cost	11,112	17,275	6,362	301
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	11,112	17,275	6,362	301
Loans and receivables	1,140	1,267	13,739	20,018
Available-for-sale financial assets	0	0	0	0
Unquoted Equity Investment at Cost	42	42	0	0
Total Investments	1,182	1,309	13,739	20,018
Financial assets carried at contract amounts	954	974	4,877	3,164
Total Debtors	954	974	4,877	3,164
Financial liabilities carried at contract amounts	0	0	4,139	9,261
Total Creditors	0	0	4,139	9,261
Finance Lease Liabilities	1,224	1,418	0	0
Total other Long Term Liabilities	1,224	1,418	0	0

An analysis of financial liabilities is shown in note 26 – Borrowing. Details of loans and receivables are given in note 15 – Long-term investments.

Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities		Financial Assets		Total
	31st March 2013	31st March 2012	31st March 2013	31st March 2012	31st March 2013
	£'000	£'000	£'000	£'000	£'000
Interest expense	779	787	0	0	779
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Total expense in surplus or deficit in the provision of services	779	787	0	0	779
Interest income	0	0	427	465	427
Impairment changes	0	0	(13)	266	(13)
Total income in surplus or deficit in the provision of services	0	0	414	731	414
Net loss/(gain) for the year	779	787	414	731	1,193

Fair Values of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and investments 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 methodology and assumptions:

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments/receipts in the future in today's terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to an instrument from a comparable lender. This is the rate applicable in the market on the date of valuation.

The new borrowing rate, as opposed to the premature repayment rate, has been used for PWLB borrowing. The premature repayment rate includes a margin representing the lender's profit on rescheduling loans, which should not be included in the fair value calculation.

Accrued interest has been included in the fair value calculation to provide a comparison with the carrying value on the Balance Sheet.

Fair value has not been established for the authority's unquoted equity investments as it cannot be reliably estimated – attempts to value these assets has produced significant differences in valuations, particularly with respect to the investment in Branston Golf Club. As this is the case, these are measured at cost until reliable estimates can be obtained.

The rates used in the valuation were obtained by Sector from the market on 31 March 2013, using bid prices where applicable.

The fair values calculated are as follows:

	31 March 2013		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities	17,474	20,462	17,576	19,971
The fair value is higher than the carrying amount as premia would be payable if loans were prematurely repaid.				
Loans and receivables	14,921	14,924	21,284	21,299
The fair value utilises a Net Present Value approach, and a prevailing rate of a similar instrument with a published market rate, as the discount factor				

The loans and receivables figure assumes fair value of the Icelandic Investments is the same as the carrying amount. Further information in relation to the Council's Icelandic Investments is shown at Note 41.

18. FINANCIAL INSTRUMENTS RISKS

Nature of Risks

The Council's activities expose it to a variety of financial risks, with the key risks being:

- 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;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in factors such as interest rate movements.
- Exchange rate risk – in relation to the Icelandic investments.

Procedures for Managing Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. These procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing, its maximum and minimum exposures to fixed and variable rates, its maximum and minimum exposures in the maturity structure of its debt and its maximum annual exposures to investments maturing beyond a year;
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties.

The Council meeting of 27th February 2012 approved and accepted the Treasury Management Strategy Statement and Annual Investment Strategy 2012/2013 covering the above and which includes Prudential Indicators for 2012/2013 to 2014/2015. Actual performance for 2012/2013 is reported in the Annual Treasury Management Report submitted to Council in June 2013.

The Council maintains documented principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These are included in Treasury Management Practices which are a requirement of the Code and are reviewed annually.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers i.e. outstanding debtors. Deposits are not made with banks and financial institutions unless they meet the minimum requirements and do not exceed the limits set in the investment criteria outlined in the Annual Investment Strategy 2012/2013.

The Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moodys and Standard Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The strategy recognises only institutions in Countries with an 'AAA' sovereignty weighting, with the UK being the only exception, and reviews all ratings on a regular basis, removing those counterparties that no longer meet the criteria.

The table below highlights all short-term investments held at the 31st March 2013.

Balance Sheet 31st March 2012 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2013 £
2,532,665	Lloyds TSB	2,500,000	71,507	2,571,507
2,260,156	Bank Of Scotland	1,500,000	43,644	1,543,644
884,175	Icelandic Investments (Short Term Element)	277,600	-	277,600
20,907	Icelandic Escrow Account	23,368		23,368
5,697,903	Total	4,300,968	115,151	4,416,118

Other deposit account investment balances held within the balance sheet as cash equivalents are as follows:

Balance Sheet 31st March 2012 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2013 £
393,856	Bank Of Scotland	59,226	180	59,406
-	Barclays	1,502,183	5,285	1,507,468
2,751,763	Natwest	2,788,798	206	2,789,004
3,634,042	Royal Bank of Scotland	1,210,722	-	1,210,722
5	Santander	-	-	0
-	Prime Rate Money Market Fund	1,250,000	-	1,250,000
4,000,000	Insight Money Market Fund	2,750,000	-	2,750,000
4,000,000	Ignis Money Market Fund	-	-	0
14,779,666	Total	9,560,929	5,671	9,566,600

Further information relating to financial assets that have been impaired (Icelandic Investments) can be found in notes 41.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies 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 Authority's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

	Amounts at 31 March 2013 £000s	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2013 %	Estimated maximum exposure to default and uncollectability £000s
Customers	1,857	1.6%	2.0%	37
Total	1,857			37

In relation to customers, the overdue amount from customers can be classified by age. This is shown in the table below.

Period	£000
Less than 90 days	1,081
90 days to 150 days	49
150 days to 365 days	184
Greater than 365 days	543

Liquidity Risk

The Council has access to borrowings from the Money Markets to cover any day to day cash flow needs and the Public Works Loan Board provides access to longer term funds. The Council is required by the Local Government Finance Act 1992 to set a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Re-financing Risk

This risk relates to both the maturing of longer term financial assets and financial liabilities. The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for longer than one year are the key parameters used to address this risk.

Operational risks are addressed within the approved parameters which includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is shown in note 26.

Market Risk

The Council is exposed to interest rate movements on its borrowings and investments and has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy Statement sets the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The authority also, as part of the budget setting process, models the potential variation of interest rates during the year and the effect this would have on the budget, and in turn on the I&E at the year end. Given the level of variable rate deposits held as at the 31st March 2013, an increase (or decrease) of 1% on this day would not have a significant impact upon the accounting statements.

The Council has minimal financial assets or liabilities denominated in foreign currencies. Therefore it has limited exposure to loss arising from movements in exchange rates. The only asset held in foreign currency is the Escrow Account relating to Icelandic Deposits containing £23,368.

19. STOCKS / INVENTORIES

Stock balances at the end of each year are as follows:

	31 March 2012	Expenses	Drawn Down	31 March 2013
	£'000	£'000	£'000	£'000
Fuel	14	379	(369)	24
Other Stock Items	90	332	(321)	101
	104	711	(690)	125

20. CONSTRUCTION CONTRACTS

During 2012/13 and as at 31st March 2013 the authority did not have any construction contracts.

21. DEBTORS

		31 March 2013	31 March 2012
	Note	£'000	£'000
Amounts falling due in one year -			
Customs and Excise		90	206
Other Government Departments	a	1,106	243
Local Authorities		495	437
Collection Fund		455	402
Sundry Debtors	b	3,620	2,451
		5,766	3,739
Provision for bad debts	c	(889)	(575)
		4,877	3,164

Notes

- a) The increase in the Government Debtors figure for 2012/13 relates to amounts due from the NNDR Pool.
- b) The main reason for the increase in sundry debtors relates to an increase of £0.4m in Housing Benefits overpayments to be reclaimed and £0.2m general customer accounts.
- c) The provision for bad debts includes £0.691m (£0.414m in 2011/12) relating to general customer accounts and £0.198m (£0.161m in 2011/12) relating to the authority's share of outstanding Council Tax.

22. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2013	31 March 2012
	£'000	£'000
Bank current accounts	(244)	(459)
Investment deposit accounts	9,567	14,779
Short term deposits of less than one month	0	0
	<u>9,323</u>	<u>14,320</u>

23. ASSETS HELD FOR SALE (CURRENT)

There are no assets classified as held for sale.

24. CREDITORS

	Note	31 March 2013	31 March 2012
		£'000	£'000
Inland Revenue		205	213
Other Government Departments	a	550	1,431
Amount due to Precepting Authorities	b	544	621
Other Local Authority Creditors		336	336
Collection Fund		189	171
Sundry Creditors	c	2,315	6,489
		<u>4,139</u>	<u>9,261</u>

Notes

- The decrease in creditors to other Government Departments is due to the NNDR Pool balance falling within debtors in 2012/13.
- There has been a decrease in the surplus on the Collection Fund which accounts for the reduction in the amount due to Precepting Authorities.
- A payment of £3.7m for the purchase of Bargates in 2011/12 represents the main reason for the decrease in Sundry Creditors.

25. PROVISIONS

The following table provides a list of provisions the authority has made at the end of the financial year:

	Note	31st March 2012	Provisions Made	Amounts used	31st March 2013
		£'000	£'000	£'000	£'000
Municipal Mutal Insurance	a	35	-	-	35
Central Precinct	b	58	-	-	58
West Midlands Pensions	c	43	-	(6)	37
		<u>136</u>	0	(6)	130

- a) Municipal Mutual Insurance
MMI ceased to trade in 1992. If MMI is eventually declared insolvent, the provision represents the estimated amount liable to claw back from this Council.
- b) Central Precinct
The Council had a liability to pay an annual amount to the owners of the Central Precinct for a period of 15 years ending in 2003/2004. However no demand was received for the last 5 years.
- c) W M Pensions Liability
The Council has a liability to contribute towards the pension cessation liability associated with West Midlands Councils. This will be repaid over a 25 year period.

26. BORROWING

	As at 31 March 2013	As at 31 March 2012
	£'000	£'000
Long Term		
Analysis of Loans by Type		
Public Works Loan Board	6,612	12,775
Money Market - LOBOs	4,500	4,500
Total Long Term Borrowing	11,112	17,275
Analysis of Loans by Maturity		
Maturing in 1-2 Years	81	6,163
Maturing in 2-5 Years	195	218
Maturing in 5-10 Years	286	288
Maturing in 10-15 Years	6,822	6,843
Maturing in more than 15 Years	3,728	3,763
	11,112	17,275
Short Term		
Public Works Loan Board	6,275	219
Other Loans	87	82
Total Short Term Borrowing	6,362	301

27. USABLE RESERVES

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

28. UNUSABLE RESERVES

A breakdown of the unusable reserves is set out in the following tables:

	Note	31 March 2013 £'000	31 March 2012 £'000
Revaluation Reserve	a	3,379	3,315
Capital Adjustment Account	b	22,568	22,858
Financial Instruments Adjustment Account	c	(402)	(433)
Pensions Reserve	d	(42,473)	(35,464)
Deferred Capital Receipts Reserve	e	278	280
Collection Fund Adjustment Account	f	159	171
Accumulated Absences Account	g	(207)	(236)
		<u>(16,698)</u>	<u>(9,509)</u>

(a) Revaluation Reserve

This was established with an opening balance of zero in 2007/08. The Reserve records as a credit the accumulated gains on the Property, Plant and Equipment held by the Council, arising from increases in value as a result of inflation or other factors. The Reserve is debited with amounts equal to depreciation charged on the revalued part of each asset, or where greater their impairment value and with the carrying amount of any asset sold or otherwise disposed of.

	2012/13 £'000	2011/12 £'000
Balance Brought Forward	3,315	2,957
Revaluation of Fixed Assets	232	445
Transfer of disposed Asset Balance to Capital Adjustment Account	(87)	-
Depreciation of Revaluation Gains	(81)	(87)
Balance as at 31st March	<u>3,379</u>	<u>3,315</u>

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with amounts set aside by the authority as financing towards the costs.

The account also contains accumulated gains and losses on Investment Properties. In addition, the account also contains accumulated revaluation gains on Property, Plant and Equipment, before the Revaluation Reserve was created.

	2012/13	2011/12
	£'000	£'000
Balance Brought Forward	22,858	19,847
<u>Capital Financing</u>		
Usable Capital Receipts	127	283
Revenue	334	567
Grants and Contributions	521	5,475
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Depreciation and Impairment of Fixed Assets	(1,717)	(1,722)
Revaluation Losses on Plant, Property and Equipment	(88)	(14)
Amortisation of Intangible Assets	(25)	(33)
Revenue Expenditure Financed from Capital Under Statute	(808)	(1,850)
Revenue Expenditure Financed from Capital Under Statute - 2010/11 Adjustment	-	(126)
Fixed Asset Disposals	(101)	(872)
Minimum Revenue Provision	921	911
Movements in market value of investment properties	378	305
Gain or loss on Disposal of Fixed Asset		
<u>Other Movements</u>		
Revaluation Reserve - transfer of disposal balance	87	
Revaluation Reserve - Depreciation	81	87
Balance as at 31st March	22,568	22,858

(c) Financial Instrument Adjustment Account

This account holds the deferred cost of premiums incurred following the restructuring of debt. The balance is charged to the general fund balance within the Movement in Reserves Statement and is detailed in note 6 to the accounts.

	31st March 2012	Movements	31st March 2013
	£'000		£'000
Deferred Premia	(433)	31	(402)
Total	(433)	31	(402)

(d) Pensions 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 authority 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 investments returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority 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.

	31 March 2013	31 March 2012
	£'000	£'000
Balance at 1 April	(35,464)	(28,412)
Actuarial gains and (losses) on pensions assets and liabilities	(6,181)	(6,931)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(2,572)	(2,129)
Employers pension contributions and direct payments to pensioners payable in year	1,744	2,008
Balance at 31st March	<u>(42,473)</u>	<u>(35,464)</u>

(e) Deferred Capital Receipts Reserve

Deferred capital receipts are amounts derived from the sale of assets or from advances made to other bodies, which will be received or be repayable in instalments over agreed periods of time. They arise from mortgages on the sale of council houses and a loan made to Branston Golf Club, which are shown as long-term debtors on the asset side of the Balance Sheet.

	31 March 2013	31 March 2012
	£'000	£'000
Balance at 1 April	280	122
In year advance - Kickstart	-	162
Transfer to the Capital Receipts Reserve upon receipt of cash	(2)	(4)
Balance at 31st March	<u>278</u>	<u>280</u>

(f) Collection Fund Adjustment Account

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

	31 March 2013	31 March 2012
	£'000	£'000
Balance at 1 April	171	192
Amount by which council tax income collected to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(12)	(21)
Balance at 31st March	159	171

(g) Accumulated Absences Account

The 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.

	31 March 2013	31 March 2012
	£'000	£'000
Balance at 1 April	236	205
Cancellation of accrual made at end of preceding year	(236)	(205)
Amounts accrued at the end of the current year	207	236
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(29)	31
Balance at 31st March	207	236

29. CASH FLOW STATEMENT – OPERATING ACTIVITIES

Adjustments made to the Net Surplus or deficit on the Provision of Services for non cash and other movements not relating to operating activities are as follows:

	31 March 2013	31 March 2012
	£'000	£'000
Depreciation	(1,717)	(1,722)
Impairment and downward revaluations	(101)	126
Amortisation	(25)	(33)
Increase/ decrease in debtors	663	376
Increase/decrease in creditors	142	1,497
increase/decrease in stock	21	12
pension liability	(828)	(121)
Carrying amount of non-current assets sold	(101)	(872)
Increase/decrease in other provisions	6	(35)
Increase/decrease in value of investment properties	378	305
Icelandic Interest	96	164
Other	(3)	4
Adjustment for non-cash movements	(1,469)	(299)
Capital grants credited to income and expenditure account	521	5,475
Proceeds from sale of Property, plant and equipment	93	745
Other asset sales	0	3,609
Adjustment for investing and financing activities	614	9,829

The Cash flows for operating activities include the following items:

	31 March 2013	31 March 2012
	£'000	£'000
Interest received	(257)	(428)
Interest paid	777	786
Total	520	358

30. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31 March 2013	31 March 2012
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	3,897	1,004
Purchase of short term and long term investments	8,500	11,271
Proceeds from sale of short term and long term investments	(10,066)	(14,109)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(95)	(749)
Other capital receipts	0	(3,609)
Grant repaid	0	50
Other grants and contributions received (with conditions outstanding)	(468)	(487)
Total	<u>1,768</u>	<u>(6,629)</u>

31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	31 March 2013	31 March 2012
	£'000	£'000
Cash receipts of short and long term borrowing	0	0
cash payments for the reduction of outstanding liabilities relating to finance leases	421	428
Repayments of short and long term borrowing	100	559
Net Outflow from NNDR collected and payable to the pool	2,407	(3,307)
Net Outflow from Council Tax collected and payable to the preceptors	77	193
Loan Repayment from Bretby Crematorium	0	(600)
Total	<u>3,005</u>	<u>(2,727)</u>

32. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the authority based on budget reports analysed across service divisions aligned to the management structure. These reports are on a different accounting 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 employers pensions contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for and not charged to front line services.

Reconciliation of Income and Expenditure reported to under Management Structure Arrangements to Cost of Services in the Comprehensive Income and Expenditure Statement

	31 March 2013	31 March 2012
	£'000	£'000
Net Expenditure in the Management Structure Analysis	12,652	13,530
Amounts in the Comprehensive Income and Expenditure Statement not reported in the Management Analysis (i.e. Recharges, Depreciation, amortisation etc)	6,831	5,268
Amounts included in the analysis but not in the Comprehensive Income and Expenditure Statement (i.e. Central Support Services, Trading Accounts & Investment Properties)	(4,964)	(4,880)
Cost of Services in Comprehensive Income and Expenditure Statement	14,519	13,918

Reconciliation to Subjective Analysis

This reconciliation shows how figures in the management structure analysis of 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.

The income and expenditure of authority principal recorded in the budget reports for the year is as follows:

MANAGEMENT REPORTING – SEGMENTAL/ SERVICE ANALYSIS

2012/13	Chief Executive £'000	Financial Services £'000	Legal and Democratic £'000	Regulatory Services £'000	Built Environment £'000	Service Commissioning £'000	Contingencies £'000	Total £'000
Fees, charges and other income	(12)	(1,934)	(151)	(3,307)	(2,561)	(3,740)	0	(11,705)
Government grants	0	(5)	0	(791)	0	(36,084)	(172)	(37,052)
Total Income	(12)	(1,939)	(151)	(4,098)	(2,561)	(39,824)	(172)	(48,757)
Employee expenses	649	448	566	2,714	2,716	4,831	0	11,924
Other service expenses	44	2,110	538	1,340	5,144	39,599	710	49,485
Support service recharges	0	0	0	0	0	0	0	0
Total Expenditure	693	2,558	1,104	4,054	7,860	44,430	710	61,409
Net Expenditure	681	619	953	(44)	5,299	4,606	538	12,652

2011/12 – Comparative figures	Corporate Management Team £'000	Financial Services £'000	Legal and Democratic £'000	Regulatory Services £'000	Built Environment £'000	Service Commissioning £'000	Contingencies £'000	Total £'000
Fees, charges and other income	(5)	(1,907)	(278)	(3,314)	(2,667)	(3,627)	0	(11,798)
Government grants	0	0	0	(681)	0	(34,700)	(175)	(35,556)
Total Income	(5)	(1,907)	(278)	(3,995)	(2,667)	(38,327)	(175)	(47,354)
Employee expenses	650	495	636	2,532	2,895	4,937	0	12,145
Other service expenses	14	2,371	581	2,273	5,205	38,242	53	48,739
Support service recharges	0	0	0	0	0	0	0	0
Total Expenditure	664	2,866	1,217	4,805	8,100	43,179	53	60,884
Net Expenditure	659	959	939	810	5,433	4,852	(122)	13,530

The comparative figures for 2011/12 have been revised to those previously published to take into account changes in management responsibilities, ensuring a like for like comparison.

2012/13	Management Analysis £'000	Amounts not in Analysis £'000	Amounts not reported to Management £'000	Amounts not included in the I & E £'000	Net Cost of Services (in the I & E) £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(11,376)	(904)	874	2,944	(8,462)	(1,553)	(10,015)
Interest and Investment Income	(329)	0	0	0	(329)	(3,513)	(3,842)
Income from council tax	0	0	0	0	0	(8,081)	(8,081)
Government grants and contributions	(37,052)	0	(444)	854	(36,642)	(7,271)	(43,913)
Total Income	(48,757)	(904)	430	3,798	(45,433)	(20,418)	(65,851)
Employee expenses	11,924	292	(354)	(2,826)	9,036	2,773	11,809
Other service expenses	48,706	612	246	(5,157)	44,407	2,090	46,497
Central Support Recharges	0	0	4,023	0	4,023	(4,023)	0
Depreciation, amortisation, impairment and revaluations	0	0	2,486	0	2,486	(213)	2,273
Interest Payments	779	0	0	(779)	0	5,226	5,226
Precepts and Levies	0	0	0	0	0	1,117	1,117
Gain or loss on disposal of fixed assets	0	0	0	0	0	8	8
Total Expenditure	61,409	904	6,401	(8,762)	59,952	6,978	66,930
Surplus or deficit on the provision of services	12,652	0	6,831	(4,964)	14,519	(13,440)	1,079

2011/12 – COMPARATIVE FIGURES	Management Analysis	Amounts not in Analysis	Amounts not reported to Management	Amounts not included in the I & E	Net Cost of Services (in the I & E)	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(11,506)	(906)	(109)	3,262	(9,259)	(5,155)	(14,414)
Interest and Investment Income	(292)	0	0	292	0	(5,051)	(5,051)
Income from council tax Government grants and contributions	0	0	0	0	0	(7,895)	(7,895)
	(35,556)	0	(1,361)	556	(36,361)	(11,463)	(47,824)
Total Income	(47,354)	(906)	(1,470)	4,110	(45,620)	(29,564)	(75,184)
Employee expenses	12,145	289	(601)	(2,982)	8,851	2,978	11,829
Other service expenses	47,952	617	(456)	(5,221)	42,892	2,076	44,968
Central Support Recharges	0	0	4,145	0	4,145	(4,145)	0
Depreciation, amortisation, impairment and revaluations	0	0	3,650	0	3,650	(476)	3,174
Interest Payments	787	0	0	(787)	0	6,151	6,151
Precepts and Levies	0	0	0	0	0	980	980
Gain or loss on disposal of fixed assets	0	0	0	0	0	67	67
Total Expenditure	60,884	906	6,738	(8,990)	59,538	7,631	67,169
Surplus or deficit on the provision of services	13,530	0	5,268	(4,880)	13,918	(21,933)	(8,015)

33. TRADING ACTIVITIES

The Council operated retail markets in Burton upon Trent and in Uttoxeter during 2012/13, generating rental income from the letting of stalls - the trading objective is to maximise the surplus. Their financial results were:

2011/12				2012/13		
Exp £'000	Income £'000	Deficit £'000		Exp £'000	Income £'000	Deficit £'000
373	(340)	33	Market Undertakings	353	(280)	73
373	(340)	33		353	(280)	73

34. MEMBERS ALLOWANCES

The Council is required to disclose the total of members allowances paid each year. In 2012/2013 a total of £261,318 was paid in allowances. In addition other expenses reimbursed by the Council including travel and subsistence and telephone/broadband charges totalled £4,671. Comparative figures for 2011/2012 were £260,076 and £8,400 respectively.

35. OFFICERS' REMUNERATION

The number of employees whose remuneration in the year ended 31 March 2013 was £50,000 or more, excluding employers' pension contributions, in £5,000 bands is set out in the table below.

The authority has undertaken significant management restructuring exercises in recent years, which has generated significant on-going savings. As a result of this there are 7 ongoing posts attracting salaries above £50,000. The number of employees within the bandings below includes payments due to compensation for loss of office.

As part of the Council's ongoing efficiency drive, two middle manager posts have been removed from the establishment list in 2012/13 following restructuring. This included the Building Consultancy Manager with a salary of £50,262 plus £52,469 compensation for loss of office and the Environmental Health Manager with a salary of £34,105 plus £38,269 compensation for loss of office. These posts are highlighted in a separate column below.

Remuneration Band	2012/13	2012/13	2011/12	2011/12
	Total Number of Employees	Of which, Employees leaving during 2012/13	Total Number of Employees	Of which, Employees leaving during 2011/12
£50,000 - £54,999	1		1	1
£55,000 - £59,999			1	
£60,000 - £64,999				
£65,000 - £69,999				
£70,000 - £74,999	1	1	5	
£75,000 - £79,999	5			
£80,000 - £84,999				
£85,000 - £89,999				
£90,000 - £94,999				
£95,000 - £99,999				
£100,000 - £104,999	1	1		
£105,000 - £109,999				
£110,000 - £114,999				
Over £115,000	1		1	
	9	2	8	1

Further details in relation to Senior Officers' remuneration are outlined within the tables below. This information is in accordance with statutory regulations which came into effect from 31st March 2010 and includes comparator information for 2011/12. The definition used to determine Senior Officers has been taken from the Audit and Accounts Regulations which reference the Local Government and Housing Act 1989, and for this authority includes the Chief Executive and Heads of Service.

Detailed Information of Senior Officers Remuneration – 2012/13

The authority has generated significant ongoing savings through a management re-structuring in recent years and this is set out in more detailed above. Benefits in Kind figures represent car allowance and mileage payments made to officers using cars to drive for business need. In addition, these figures include costs associated with the car leasing scheme, whereby officers have sacrificed salary in terms of their entitlement to incremental grade progression.

Post holder information	Salary (including fees & allowances) 2012/13	Benefits in Kind (see note above)	Total Remuneration excluding pension contributions 2012/13	Pension contributions	Total Remuneration including pension contributions 2012/13
	£	£	£	£	£
<u>Current Senior Management Roles</u>					
Chief Executive	119,902	4,525	124,427	21,120	145,547
Head of Finance and Asset Management	72,500	4,954	77,454	12,760	90,214
Head of Regulatory Services	72,917	4,340	77,257	12,833	90,090
Head of Built Environment	72,500	4,698	77,198	12,760	89,958
Head of Legal & Democratic Services	72,469	4,195	76,664	12,760	89,424
Head of Service Commissioning	72,485	4,143	76,628	12,760	89,388

Detailed Comparative Information of Senior Officers Remuneration – 2011/12

Post holder information	Salary (including fees & allowances) 2011/12	Benefits in Kind (see note above)	Total Remuneration excluding pension contributions 2011/12	Pension contributions	Total Remuneration including pension contributions 2011/12
	£	£	£	£	£
<u>Current Senior Management Roles - following restructure</u>					
Chief Executive	119,969	550	120,519	21,120	141,639
Head of Service Commissioning	72,993	1,071	74,064	12,760	86,823
Head of Built Environment	73,044	746	73,790	12,760	86,550
Head of Finance and Asset Management	72,500	1,040	73,540	12,760	86,300
Head of Regulatory Services	72,500	637	73,137	12,760	85,897
Head of Legal & Democratic Services	72,607	423	73,030	12,760	85,790

36. EXTERNAL AUDIT SERVICES

Fees payable to Grant Thornton for external audit and inspection were:

	2012/13 £'000	2011/12 £'000
Code of Practice Audit	59	98
Certification of Grant Claims and Returns	37	49
	<u>96</u>	<u>147</u>

37. GRANT INCOME

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

	2012/13 £'000	2011/12 £'000
Credited to Taxation and non Specific Grant Income		
Revenue Support Grant	(121)	(1,665)
Business Rates	(6,220)	(5,388)
New Homes Bonus	(682)	(381)
Council Tax Freeze Grant	(172)	(175)
Capital Grants and Contributions	(77)	(3,854)
Credited to Services		
Growth Point	(13)	(76)
Local Services Support Grant		(50)
NNDR Collection Grant	(181)	(182)
Homeless Prevention Grant	(50)	(30)
Housing Benefits Administration Grants	(805)	(866)
Housing and Council Tax Benefits Subsidy	(34,986)	(33,649)
Business Rates Deferral Scheme	(3)	0
New Burdens Grant	(172)	(224)
Disabled Facilities Grant	(431)	(443)
Disabled Facilities Grant - PCT	0	50
Regional Housing Grant	0	(891)
	<u>(43,913)</u>	<u>(47,824)</u>

The authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver if these conditions are not met. The balances at year end are as follows:

	31st March 13 £'000	31st March 12 £'000
Growth Point	1,632	1,698
Regional Housing Grant	686	686
Section 106 - Developers Deposits	425	410
Reconnect Project	2	2
	<u>2,745</u>	<u>2,796</u>

38. RELATED PARTY TRANSACTIONS

Under FRS 8 "Related Party Disclosures" the Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council, and include members, chief officers and close family members of the same household as these individuals. 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 authority.

Central Government

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the operates, provides the majority of its funding in the form of grants and prescribes the term of many of the transactions that the authority has with other parties (i.e council tax bills and housing benefits). Grants received from government departments are set out in note 37.

Members and Officers

Declarations under section 81 of the Local Government Act 2000 and under the Local Authorities (Model Code of Conduct) (England) Order 2001 are made by members. In addition, members and officers make annual disclosures of their interests to the Council's Monitoring Officer for inclusion in the Register of Members and Officers Interests. Members have to make declarations on individual committee agenda items. Finally a separate declaration has been returned at year-end by members and chief officers.

Based on these key data sources, no material related party transactions have been identified for 2012/2013 amongst either Members or Chief Officers.

A number of Councillors serve on, or have interests in the following outside bodies which receive or have received some form of financial support from the Council:

Branston Golf and Countryside Club	Burton Amateur Boxing Club
Burton Town Centre Management	East Staffordshire Citizens Advice Bure
East Staffordshire Sports Council	Midlands Co-operative Society Ltd
Uttoxeter Heath Community centre	ESREC

Financial support for the above bodies totalled £0.261m for 2012/2013 compared to £0.187m for 2011/2012. This figure includes bodies that have received grant aid during 2012/13. Receipts totalled £0.103m compared to £0.076m in 2011/2012.

In addition a number of councillors and officers serve on the following outside bodies, which have significant financial dealings with the Council:

Burton Caribbean Association	Harvey Girls
SARAC Burton & District	Staffordshire Wildlife Trust
YMCA	Trent and Dove Housing

Payments made to the above bodies in 2012/13 totalled £11.873m, with receipts being £0.070m. The payments total includes £11.812m paid to Trent and Dove Housing Ltd for housing benefits. This compares to payments of £11.562m and receipts of £0.054m for 2011/2012, which included £11.468m paid to Trent and Dove Housing Ltd for housing benefits.

39. CAPITAL EXPENDITURE AND FINANCING

The table below demonstrates that there has been a reduction in the capital financing requirement of £0.6m. The capital financing requirement represents the Council's underlying need to borrow in order to finance capital expenditure that has already been incurred. The reason for the reduction relates to principal repayments relating to finance leases and the annual statutory repayment of debt.

	2012/13	2011/12
	£'000	£'000
Opening Capital Financing Requirement	21,340	22,700
<u>Capital Investment:</u>		
Plant, Property and Equipment	520	4,496
Revenue Expenditure Financed from Capital Under Statute	808	1,849
<u>Sources of Finance:</u>		
Capital Receipts	(127)	(283)
Capital Grants	(521)	(5,475)
Revenue/Reserves	(334)	(567)
Minimum Revenue Provision	(921)	(911)
Other Changes in Deferred Liabilities	-	(27)
Increase/(Reduction) in Long-term Debtors	(2)	(442)
Closing Capital Financing Requirement	20,763	21,340
EXPLANATION OF MOVEMENTS IN YEAR		
In year Debt Repayment	(923)	(1,515)
Increase/(Decrease) in underlying need to borrow	346	155
	(577)	(1,360)

40. FINANCE AND OPERATING LEASE RENTALS

Authority as Lessee

Finance Leases

The assets acquired under finance leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts:

	2012/13	2011/12
	£'000	£'000
Plant, Property and equipment	1,020	1,197
	1,020	1,197

Depreciation in relation to these finance leases which is included within the Comprehensive Income and Expenditure Account amounts to £403,674 (£411,975 in 2011/12)

The authority 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 authority and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2012/13	2011/12
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)	1,224	1,417
Finance costs	199	281
Minimum Lease Payments	<u>1,423</u>	<u>1,698</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Not more than one year	461	498	373	391
later than one year and not later than five years	962	1,200	851	1,026
Later than five years		0		0
	<u>1,423</u>	<u>1,698</u>	<u>1,224</u>	<u>1,417</u>

Contingent rents incurred during the period amount to £41,136 (£34,950 – 2011/12)

Operating Leases

The authority has acquired a small number of vehicles and properties under operating leases.

Future minimum lease payments due under non-cancellable leases in future years are as follows:

	2012/13	2011/12
	£'000	£'000
Not more than one year	276	185
later than one year and not later than five years	929	774
Later than five years	1,325	1,422
	<u>2,530</u>	<u>2,381</u>

The expenditure is charged directly to the appropriate line within the Comprehensive Income and Expenditure Statement. In 2012/13 this amounted to £270,687.

Authority as Lessor

Finance Leases

The authority has leased out property at Branston Golf Course and Uttoxeter Racecourse on long term finance leases of 125 and 200 years respectively.

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

	2012/13	2011/12
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments)	693	693
Unearned finance income	8,100	8,160
Gross investment in the lease	8,793	8,853

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

	Gross Investment in the Lease		Finance Lease Liabilities	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Not more than one year	61	61	61	61
later than one year and not later than five years	244	244	244	244
Later than five years	8,488	8,548	7,795	7,855
	8,793	8,853	8,100	8,160

There were no contingent rentals receivable for the period.

Operating Leases

The authority leases out property under operating leases for the generation of income to support the budget.

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

	2012/13	2011/12
	£'000	£'000
Not more than one year	525	346
later than one year and not later than five years	1,306	1,333
Later than five years	7,632	7,797
	9,463	9,476

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

Income receivable in relation to operating leases was £531,166 in 2012/13 and this has been included within the Comprehensive Income and Expenditure Account.

41. IMPAIRMENT LOSSES

Impairment of Plant, Property and Equipment

There have not been any impairment losses relating Plant Property and Equipment during 2012/13.

Impairment of Investments

Background

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £5m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Deposit Date	Maturity	Amount (£)	Interest
KSF	08/09/2008	08/10/2008	2,000,000	5.41%
Landsbanki	01/09/2008	02/01/2009	1,000,000	5.87%
Landsbanki	01/08/2008	02/02/2009	1,000,000	6.05%
Landsbanki	01/08/2008	02/03/2009	1,000,000	6.00%

All monies within these institutions are subject to the respective administration and receivership processes.

Position at 31st March 2013

The current situation with regards to recovery of the sums deposited varies between each institution. The Council has received £3m of repayments between 2009/10, 2011/12 & 2012/13. However, the authority considers that it appropriate to make an impairment adjustment for the deposits. Based on the latest information the level of impairment shown within the 2011/12 accounts (£0.676m) has been adjusted downwards to **£0.593m**, as shown within the table below:-

Bank	Original Deposit £'000	2011/12		Repayments £'000	2012/13	
		Carry Amount £'000	Impairment £'000		Carry Amount £'000	Impairment £'000
KSF	2,000	395	339	1,527	174	299
Landsbanki	1,000	586	112	486	415	99
Landsbanki	1,000	586	111	490	414	96
Landsbanki	1,000	583	114	488	413	99
	5,000	2,150	676	2,991	1,416	593

The impairment loss shown within the accounts of £0.593m has been calculated by discounting the assumed cash flows at the effective interest rate of the deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Adjustments to the assumptions will continue to be made in future years as more information becomes available.

More detailed information regarding the current situation relating to the two institutions to which the authority holds deposits is set out in the following paragraphs.

Kaupthing Singer and Friedlander Ltd

At the time the 2011/12 accounts were published, the total amount estimated to be received was to be 83.5% of the claim.

The administrators issued the latest creditors report in April 2013. This report noted that the current estimated total distributions to unsecured creditors should be in the range of 84p to 86.5p in the pound.

Payments have been received totalling total £1.5m. The following repayment schedule has been assumed to calculate the recoverable amount (present value of £0.174m), as set out in the table above. This is based on expected total repayments of 85.25% of the claim (£1.7m).

June 2013	3.00%	June 2014	3.25%
June 2015	3.00%		

Landsbanki

At the time the 2011/12 accounts were published, the total payment was estimated to be 100%. Payments have been received totalling total £1.5m. The future pattern of distributions is not known but based on information available the estimated recovery schedule, totalling 100% of the claims assumed is as follows:

December 2013	7.5%	December 2014	7.5%
December 2015	7.5%	December 2016	7.5%
December 2017	7.5%	December 2018	7.5%
December 2019	5.35%		

A small proportion of the Landsbanki repayments have been made in Icelandic kroner and are being held within escrow accounts. This is due to currency controls operating in Iceland, the permission of the central bank of Iceland is required to release Icelandic Kroner held within the Icelandic banking system. The Council's balance as at 31st March 2013 held in the escrow account is £23,368 and is earning interest at 4.17% (as at 31st March 2013).

42. TERMINATION BENEFITS AND EXIT PACKAGES

The authority terminated the contracts of a number of employees in 2012/13 incurring liabilities of £232k (£235k in 2011/12). None of the 2012/13 total was payable to senior officers. This reduction in numbers of staff is consistent with the council's medium term financial strategy and the delivery of service efficiencies to ensure the best possible value for money is delivered for our residents. The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20k	9	3	13	2	22	5	£ 100,044	£ 27,568
£20 - £40k	4	5	1	0	5	5	135,063	151,712
£40 - £60k	0	1	0	0	0	1	0	52,469
£60 - £80k	0	0	0	0	0	0	0	0
£80 - £100k	0	0	0	0	0	0	0	0
£100 - £150k	0	0	0	0	0	0	0	0
Total	13	9	14	2	27	11	235,107	231,749

43. PENSIONS

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement 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 the employees earn their future entitlement.

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the council tax is based on the cash payable in the year, so the real costs of post employment 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:

	Local Government Pension Scheme	
	2012/13	2011/12
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current Service Cost of General Fund Services	1,319	1,504
Past Service Costs	19	(240)
Settlements and Curtailments	20	95
Financing and Investment Income and Expenditure		
Current Service Cost of Trading Accounts	8	11
Expected Return on Pensions Assets	(3,086)	(4,442)
Pensions Interest cost	4,292	5,201
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,572	2,129
Other Post Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (Gains) and Losses	(6,181)	(6,931)
Total Post Employment Benefits charged to the Comprehensive Income & Expenditure Statement	(3,609)	(4,802)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,572)	(2,129)
Actual Amount charged against the General Fund Balance for pensions in the year	1,744	2,008
	(828)	(121)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2013 is a loss of £32.0m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

	2012/13	2011/12
	£'000	£'000
Balance b/fwd	(90,236)	(81,116)
Current Service Cost	(1,327)	(1,514)
Past Service Gains	(19)	240
Settlements & Curtailments	(20)	(95)
Interest Cost	(4,292)	(5,201)
Actuarial Gains and Losses	(11,210)	(5,640)
Members Contributions	(460)	(473)
Unfunded Benefit Contributions	271	282
Benefits Paid	3,198	3,281
Balance c/fwd	<u>(104,095)</u>	<u>(90,236)</u>

Reconciliation of fair value of the scheme assets:

	2012/13	2011/12
	£'000	£'000
Balance b/fwd	54,772	52,704
Expected Return on Pension Assets	3,086	4,442
Actuarial Gains and Losses	5,029	(1,291)
Employers Contributions	1,473	1,725
Unfunded Benefit Contributions	271	283
Members Contributions	460	473
Benefits Paid	(3,198)	(3,281)
Unfunded Benefits Paid	(271)	(283)
Balance c/fwd	<u>61,622</u>	<u>54,772</u>

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.

The actual return on the scheme assets in the year was £8.123m. The corresponding figure for 2011/12 was £2.377m.

Scheme History

	2012/13	2011/12	2010/11	2009/10	2008/09
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	(104,095)	(90,236)	(81,116)	(98,535)	(61,459)
Fair value of assets	61,622	54,772	52,704	52,498	37,294
Net Liability	(42,473)	(35,464)	(28,412)	(46,037)	(24,165)

The liability shows the underlying long-term commitment that this authority has to pay retirement benefits. The total of £42,473m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet on page 12. The liability will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund's Actuary. As such the financial position of the authority remains sound.

The total contributions expected to be made into the scheme by the Council in 2013/14 is £1.3m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc

The principal assumptions used by the actuary have been:

	2012/13	2011/12
	%	%
Long Term expected rate of return on assets:		
Equities	4.5	6.2
Bonds	4.5	3.3
Property	4.5	4.4
Cash	4.5	3.5
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	21.2	21.2
Female	23.4	23.4
Longevity at 65 for future pensioners		
Male	23.3	23.3
Female	25.6	25.6
Rate of inflation	2.8	2.5
Rate of increase in salaries	5.1	4.8
Rate increase in pensions	2.8	2.5
Rate for discounting scheme liabilities	4.5	4.8
Take up of option to convert to tax free lump sum		
Pre April 2008	75.0	75.0
Post April 2008	50.0	50.0

The Council's share of the assets can be categorised as follows, shown as a proportion of the total assets held:

	Fund value of assets 31-Mar-13 %	Fund value of assets 31-Mar-12 %
Equities	79	78
Bonds	12	12
Property	8	9
Cash	1	1
	100	100

History of Experience Gains and Losses

The actuarial gains or losses identified as movements on the Pension Reserve in 2012/2013 and preceding years measured as a percentage of assets or liabilities are:

	2012/13 %age	2011/12 %age	2010/11 %age	2009/10 %age	2008/09 %age
On Assets	8.16	(2.38)	(5.28)	25.40	(39.84)
On Liabilities	0.10	1.85	5.08	0.19	0.16

Further information can be found in the Staffordshire County Council Pension Fund Annual Report, which is available upon request from the County Treasurers Department, Eastgate Street, Stafford.

44. CONTINGENT LIABILITES

Externally Funded Schemes

The Council is involved as the accountable body in a number of schemes where grants are received from external funding agencies - primarily the European Commission for European Regional Development Fund (ERDF) grant and Advantage West Midlands for Single Regeneration Budget grant. Under the conditions for offer of grant, there is a potential for these bodies to claw-back grants if these conditions are not met, although none are known at present.

Other Contingent Liabilities

On the Housing Stock transfer, the Deed of Collateral Warranty dated 26 March 2001, which the Council entered into in favour of Trent and Dove Housing, obliges the Council to comply with all the covenants in the Transfer Contract. Liability continues for 12 years from the date of the Deed and in respect of most warranties is capped at £62million, but for Environmental Pollution and any Ultra Vires matters, it is unlimited.

Local Land Charge fees legal assessment. A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £221k plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

The authority is subject to legal action from Mr. Malcolm Barrett and MJB Developments. The challenge is based upon the handling by the authority of the potential sale of a piece of land near to Uttoxeter in the early – mid 2000's. The claim is for the value of approximately £0.2m plus interest and potential costs.

The authority is subject to an application from Mr Andrew Riley for permission to judicially review a decision of a committee of the authority made in mid 2012. The court refused permission at first instance, but a renewal application has been lodged. The court will rule on any legal costs that may become payable.

45. EVENTS AFTER BALANCE SHEET DATE

Non adjusting event – Following the introduction of the Business Rates Retention Scheme from 1st April 2013, local authorities assume the liability for refunding ratepayers which have successfully appealed against the rateable value of their properties. This will include amounts previously paid over to the Government in respect of 2012/13 and prior years. This liability will be recognised in the Balance Sheet as at 31st March 2014. Based on latest estimates East Staffordshire Borough Council's share of this liability is £1.188m.

46. DATE FINANCIAL STATEMENTS AUTHORISED FOR ISSUE

The unaudited accounts were issued on 28th June 2013 and the audited accounts are authorised for issue on 30th September 2013. Events occurring after this date will not be recognised in the financial statements.

Lisa Turner CPFA
Chief Accountant
Deputy 151 Officer

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**Collection
Fund
2012 – 2013**

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2013

		2012/13		2011/12	
	Note	£'000	£'000	£'000	£'000
INCOME					
Council Tax					
Income from Council Tax	3	(49,398)		(48,842)	
Council Tax Benefits	3	(7,119)	(56,517)	<u>(7,123)</u>	(55,965)
Business Ratepayers	4		(51,769)		<u>(51,392)</u>
Total Income for Year			<u>(108,286)</u>		<u>(107,357)</u>
EXPENDITURE					
Precepts and Demands					
Staffordshire County Council		38,442		38,239	
Staffordshire Police Authority		6,637		6,601	
Staffordshire Fire Authority		2,527		2,514	
East Staffordshire Borough Council		7,995	55,601	<u>7,824</u>	55,178
Distribution of 2011/12 Fund Balance					
Staffordshire County Council		480		432	
Staffordshire Police Authority		83		75	
Staffordshire Fire Authority		32		28	
East Staffordshire Borough Council		98	693	<u>91</u>	626
Business Rates					
Payment to National Pool		51,103		51,060	
Cost of Collection		181		182	
Interest on Refunds		4		1	
Increase in Bad Debts Provision		481	51,769	<u>149</u>	51,392
Provision for Council Tax Bad Debts			326		<u>270</u>
Total Expenditure for Year			<u>108,389</u>		<u>107,466</u>
(Surplus)/Deficit for year			103		109
Surplus as at 1 April			(1,210)		(1,319)
Surplus as at 31 March	5		(1,107)		(1,210)

NOTES TO THE COLLECTION FUND ACCOUNT

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to council tax and business rates and illustrates the way in which these have been distributed to preceptors and the General Fund.

2. Council Tax Base

The Council Tax Base, which is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Valuation Band	No. of Dwellings after Discounts and Exemptions	Ratio to Band D	Band D Equivalent Dwellings
A Up to £40,000	15,028	6/9	10,013
B £40,001 to £52,000	9,375	7/9	7,292
C £52,001 to £68,000	7,247	8/9	6,442
D £68,001 to £88,000	5,246	9/9	5,246
E £88,001 to £120,000	3,683	11/9	4,502
F £120,001 to £160,000	1,935	13/9	2,795
G £160,001 to £320,000	1,022	15/9	1,704
H Over £320,000	67	18/9	134
	43,603		38,128
Less adjustment for collection rates and property changes			(763)
Council Tax Base for 2012/13			37,365

The valuation bands are based on the open market capital values as at 1 April 1991.

3. Income from Council Tax

The Council set a total average Council Tax of £1,488.02 for a Band D property, compared to £1,484.57 for 2011/2012. This includes the precepts made by the County Council, Police Authority, Fire Service and Parish Councils.

The amounts credited to the Collection Fund in respect of income from Council Tax can be analysed as follows:

	2012/13 £'000	2011/12 £'000
Opening Debits and Adjustments	63,092	62,635
LESS Tax Band Changes	0	0
	63,092	62,635
LESS Reductions and Discounts	(6,575)	(6,670)
	56,517	55,965
To be collected from:		
Council Tax Payers	49,398	48,842
Transfer from General Fund for Council Tax Benefits	7,119	7,123
	56,517	55,965

4. Income from Business Ratepayers

Under the revised arrangements for uniform business rates, the Council collects business rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain relief and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to the Council its share of the pool based on a standard amount per head of the local adult population.

The total non-domestic rateable value at 31 March 2013 was £130.932m, compared to £133.933m at 31 March 2012. The national non-domestic rate multiplier for the year was 45.8p for properties with a rateable value in excess of £18k and 45.0p for properties with a rateable value lower than £18k, compared to 43.3p and 42.6p respectively for the previous year.

5. Surplus on Collection Fund

The balance of the surplus on the Collection Fund at 31st March 2013 of £1,107,348 will be distributed in subsequent financial years to the Borough Council, Staffordshire County Council, the Police Authority and the Fire Authority in proportion to the respective demands and precepts made on the Collection Fund

The balance has been disaggregated for the purpose of these Accounts to attribute the following amounts to the billing authority and the precepting authorities:

	£
East Staffordshire Borough Council	159,229
Staffordshire County Council	765,614
Staffordshire Police Authority	132,173
Staffordshire Fire Authority	50,333
	1,107,348

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST STAFFORDSHIRE BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of East Staffordshire Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund Income and Expenditure Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of East Staffordshire 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of East Staffordshire Borough Council as at 31 March 2013 and of its expenditure and income 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 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, East Staffordshire Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of East Staffordshire Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson
Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

30th September 2013

Glossary of Terms

GLOSSARY OF TERMS

Accounting Concepts

The fundamental accounting principles that are applied to ensure that the Statement of Accounts present a true and fair view of the financial performance and position of the local authority.

Accounting Policies

Accounting policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the authority that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy, for example, will specify the estimation basis for accruals where there is uncertainty over the amount.

Accruals

Sums included in the accounts to recognise revenue and capital expenditure and income incurred or earned in the financial year, but for which actual payment had not been made or received as at 31 March (see Creditors and Debtors).

Balances

The total level of funds the Council has accumulated over the years.

Capital Expenditure

Expenditure on the acquisition of a fixed asset, or which adds to the life or value of an existing fixed asset.

Capital Receipts

Income received from the sale of assets and from the repayment of grants and loans made by the Council. Capital receipts may be used to finance new capital expenditure or to repay loan debt.

Collection Fund

A separate account which records receipts of Council Tax and Business Rates. Payments to the Council and other precepting authorities and to the national Business Rates Pool are shown.

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.

Balance Sheet

A statement of the recorded assets, liabilities and other balances of the Council at the end of the financial year.

Creditors

Amounts owed by the Council for works done, goods received or services provided within the financial year, but for which payment has not been made at the end of the financial year.

Debtors

Amounts owed to the Council for works carried out, goods provided or services rendered within the financial year, but for which payment has not been received at the end of the financial year.

Deferred Credits

Are deferred capital receipts, which are amounts derived from the sale of assets which will be received in instalments over agreed periods of time.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

Earmarked Reserve

A sum set aside for a specific purpose.

Emoluments

All sums paid to or receivable by an employee, including the money value of any non-cash benefits.

Events After the Balance Sheet Date

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed for issue by the Head of Financial Services.

Fees and Charges

Income arising from the provision of services e.g. the use of leisure facilities.

GLOSSARY OF TERMS

Finance Lease

A lease that transfers all the risks and rewards of ownership of a fixed asset to the lessee.

Financial Year

The period of time to which the Statement of Accounts relates. The financial year of the Council is from 1 April to 31 March.

IFRS

International Financial Reporting Standards.

General Fund

The account which records the cost of all Council services except those shown in the Collection Fund.

Government Grants

Grants made by the government and other bodies towards either revenue or capital expenditure, in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Gross Expenditure (Total Cost)

Gross expenditure includes expenditure relating to employees, premises, transport, supplies and services, third party payments, transfer payments, support services and capital charges including depreciation.

Impairment

A reduction in the value of a fixed asset to below the amount it is included on the balance sheet.

Income and Expenditure Account

This statement reports the net cost for the year of all the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Infrastructure Assets

Assets belonging to the Council which cannot be transferred or sold and therefore their cost is only recoverable by continued use of the asset created. Examples are highways and footpaths.

Intangible Assets

Represents expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (e.g. computer software licences).

Investments

The lending of surplus revenue balances to provide additional income in the form of interest received.

Investment Properties

Are held by the Council for investment purposes only and cannot be classified as any other type of asset.

Liabilities

Amounts due to individuals or organisations, which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Materiality

An item is material if its omission, non-disclosure or mis-statement in financial statements could lead to a distortion of the view given by those statements.

National Non-Domestic Rates (NNDR)

Are rates levied on business properties and therefore known as business rates. The Council collects these rates and pays them into a national pool, which is then re-distributed by the Government on the basis of the local resident population.

Net Book Value

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

Net Current Replacement Cost

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

Net Expenditure

Net expenditure is gross expenditure less income from grants, contributions, sales, fees and charges, rents and recharges.

Net Realisable Value

Open market value of an asset in its existing use, less the expenses to be incurred in realising the asset.

GLOSSARY OF TERMS

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets surplus to requirements and awaiting sale or redevelopment.

Operating Lease

The ownership of the asset remains with the leasing company who charge an annual rental.

Operational Assets

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

Precepts

Amounts which the Council is required to collect as council tax on behalf of other authorities.

Prior Period Adjustments

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 which are likely to be incurred, but where the amount and date on which they will arise is uncertain.

Prudence

The concept that income is not anticipated but is recognised only when realised in the form of cash or other assets and which can be assessed with reasonable certainty.

Public Works Loan Board (PWLB)

Central Government Agency which lends money to local authorities, usually at interest rates which are more favourable than those found elsewhere.

Related Party

Two or more parties are related where one party has control or is able to influence the financial or operational policies of another.

Residual Value

The net realisable value of an asset at the end of its useful life.

Revenue Expenditure

Expenditure on the day-to-day running of the Council, such as employee costs and supplies and services.

Revenue Support Grant (RSG)

A grant paid by Central Government towards the cost of providing services.

Rule of 85

The date on which the sum of-

- (a) the members age on the date his local government employment ends
- (b) his total membership in the Local Government Pension Scheme

Equals 85 years.

Stocks

The value of items purchased for use on a continuing basis, but which have not been used at the balance sheet date.

Tangible Fixed Assets

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Useful Life

Period over which the Council will derive benefits from the use of a fixed asset.



Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2012/2013

1. SCOPE OF RESPONSIBILITY

East Staffordshire Borough Council (ESBC) 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. ESBC 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.

In discharging this overall responsibility, ESBC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

ESBC 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 can be found on our website, or can be obtained from the Democratic Services Team. The statement explains how ESBC has complied with the code, and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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 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 process designed to identify and prioritise the risks to the achievement of ESBC'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.

The governance framework has been in place at ESBC for the year ended 31st March 2012 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

ESBC operates a number of systems and processes that comprise the authority's governance arrangements including:

- The clear statement of corporate objectives in the Corporate Plan and Service Plans, with the monitoring of achievement of corporate objectives via quarterly monitoring at the corporate management team, cabinet and scrutiny. The Corporate Plan, and Service Plans, are reviewed annually. Communication with respect to the Corporate Plan is with key stakeholders externally, and through internal communications. Service Plans are communicated through the internal communications, and via the employee appraisal process;

- The effective facilitation and operation of policies and decision-making processes including Cabinet and Scrutiny Committees, the Council's Constitution and delegated decision making powers. The Constitution sets out how the Council operates and the procedures which are followed to enable transparent and accountable decisions to be made by the Cabinet. Scrutiny Committees provide the opportunity for independent Member review of Cabinet decisions and Council services and meetings are open to the public except where confidential matters are being disclosed. In addition, delegated decision making authority is given to senior officers in certain circumstances outlined in the Council's Constitution. The Council publishes a Forward Plan containing forward details of key decisions to be made by the Council;
- The operation of the statutory officer roles of Head of Paid Service (Chief Executive), Chief Financial Officer (Head of Finance and Asset Management) and Monitoring Officer (Head of Legal and Democratic Services), having specific responsibility for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer has the authority to report to Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration, thereby stopping the proposal or decision being implemented until the report has been considered;
- The Council's procedure rules, and scheme of delegation are contained within the authority's Constitution. The constitution is reviewed on a regular and ongoing basis, with recommendations regarding changes and improvements being made to full Council;
- Effective financial management of the Council is conducted in accordance with Financial Regulations as Appended to Part 4 of the Constitution and appropriate professional standards, under the responsibility of the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. This includes comprehensive budget setting processes and budgetary control systems, clearly defined capital expenditure guidelines and regular reporting mechanisms to Services and Members including quarterly and annual financial reports that indicate financial performance against forecasts. The Council has introduced a reporting mechanism to demonstrate the relationship between financial and operational performance. The Council has in place an annually updated financial plan in line with Central Government's funding policy and aligned with the authority's Corporate Plan.
- The Council maintains an Internal Audit Service, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom';
- The Council has a formally constituted Audit Committee, which is responsible for providing independent assurance on the adequacy and effectiveness of the authority's control environment. The committee acts in accordance with the guidance and requirements outlined in the CIPFA guidance on Audit Committees: Audit Committee – Practical Guidance for Local Authorities;
- The authority has appointed an independent member to the Audit Committee.
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit and Inspection Letter;
- Actively using a formal robust risk management approach via a standing item on the Audit Committee Agenda. The policy enables the Council to identify, and take appropriate action to mitigate against or eradicate significant risks to the Council's objectives in line with the requirements of the Council's Risk Management Strategy. This approach is continually being developed, maintained and embedded through the proactive participation of all services, with the management and development of this being lead by the Chief Internal Audit. This approach strengthens the links between risk management and audit.
- Corporate review of services, processes and procedures to ensure the economical, effective and efficient use of resources, combined with target setting and monitoring via a

performance management framework designed to secure continuous improvement in the way in which its services are delivered;

- Services are delivered by suitably trained and experienced staff, all posts having detailed job descriptions and person specifications while training and development needs are identified through a staff appraisal scheme which ensures that objectives and targets are clear and agreed;
- Formal adoption and use of the PRINCE2 methodology to ensure the effective and ultimately successful management of projects. This, combined with the regular meeting of the Business Assurance Group (BAG), enabled the Council to proactively monitor and appraise projects;
- Comprehensive performance management framework including regular reporting to senior officers and members;
- To engage with local people and other stakeholders through developing mechanisms through partnership arrangements, an Outreach worker, the Citizens Panel, the Neighbourhood Forums and an East Staffordshire-wide exercise to ensure robust local accountability;
- A customer feedback scheme for the public to make complaints, comments, compliments and constructive criticism about any aspect of the Council's services, which is used to improve services;
- The Council's whistle-blowing policy enables the authority to receive and investigate alleged incidences of malpractice or illegal activities. The policy is reviewed and updated on a regular basis, and allows for staff, members, partners, public and other stakeholders the opportunity to report such instances of malpractice or illegal activity. The policy is widely publicised, and is effectively communicated to the aforementioned stakeholders;
- Appropriate governance arrangements are put in place for each of the partnerships the authority is involved with. Partnerships are managed/reviewed using the Partnership Toolkit, and reports on the risks, effectiveness and performance are reported to Members;
- Developing the capacity and capability of Members to be effective and ensuring that officers – including statutory officers – also have the capability and capacity to deliver efficiency, through the Member Development Programme.
- The authority's financial management arrangements conform with the governance requirements of the CIPFA statement on The Role of The Chief Financial Officer in Local Government. By doing so, the Authority is able to demonstrate that the core principals are adhered to and achieved.

4. REVIEW OF EFFECTIVENESS

ESBC 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 managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

In practice, this review of the effectiveness of the system of internal control is an ongoing process incorporating the various elements described above. This review has carried out throughout 2012/13 and encompassed the following: -

- The ongoing review of existing corporate policies and production and approval of new or revised policies and procedures in accordance with best practice;

- The ongoing review of the Council's Constitution by Members and Senior Officers of the Council;
- The continued operation of clear policy and decision making through Cabinet and Regulatory Committees and review and challenge through Scrutiny Committees which identified an amended scrutiny set-up which will improve challenge and robustness;
- Formal reporting mechanisms to members to review and monitor the work of the Internal Audit Service through reports to the Audit Committee, including an annual report containing an opinion statement on the overall adequacy and effectiveness of the Council's internal control environment;
- The development of the authority's chosen internal audit supplier, CW Audit, and implementing advice and guidance;
- The Audit Committee also, as part of its terms of reference, approves and/or recommends changes to the Annual Governance Statement, and reviews its content and effectiveness on an annual basis;
- The Audit Committee has scheduled training as to the roles and responsibilities of an effective Audit Committee.
- The Scrutiny Committee can review decisions made by Cabinet and areas of concern;
- The Standards Committee is responsible for the Council's ethical framework, and works closely with the Monitoring Officer. Issues covered by the committee's terms of reference include member conduct and ethical standards;
- Internal Audit review of services and functions based on a risk assessed 2 year audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control;
- External review of the Council's internal control environment by the Audit Commission, including a thorough review of internal audit's work and external review by other review agencies;
- Recommendations to strengthen our levels of governance were made by the Audit Commission in 2012. These were fully implemented.
- Following a review of the effectiveness of the governance framework by Internal Audit, an action plan has been developed to address the weaknesses noted and to ensure continuous improvement of the system. None of the issue raised were significant.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the executive and the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed, and those due to be addressed are outlined in this report. However there were no significant governance issues raised in 2011/12.

5. SIGNIFICANT GOVERNANCE ISSUES

During the 2012/13 financial year no significant governance issues arose.

We propose that we continue to maintain the level of governance at the authority, whilst striving to improve wherever we can.

Signed:.....

Leading Member on behalf of East Staffordshire Borough Council

Signed:.....

Chief Executive on behalf of East Staffordshire Borough Council