

Crawley Borough Council

	Report No:FIN/282	E
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Report to Audit & Governance Committee

26 September 2012

Approval of the 2011/2012 Statement of Accounts

1. Key Points

- 1.1 The purpose of this report is to seek member approval of 2011/12 Statement of Accounts and to comply with the statutory deadline of 30 September 2012.

2. Recommendations

2.1 It is recommended that

- a) the 2011/2012 Statement of Accounts be approved
- b) the Chair of the Committee be authorised to sign the 2011/2012 Statement of Accounts on behalf of the Council

DAVE RAWLINGS
Head of Finance, Revenues & Benefits

3. Background

- 3.1 The Accounts and Audit (England) Regulations 2011 set out the requirements for the accounts and audit of certain public bodies. One of the requirements is for the statement of accounts to be approved by a resolution of a Committee and for the Chair to sign the accounts. The latest date for approval is 30 September 2012.
- 3.2 To enable the accounts to be signed by the due date and to encourage a robust review of the accounts, full Council has delegated the approval to this Committee.
- 3.3 This report deals with the Council's accounts as published in the required statutory format. The focus of the report is on recording all the assets and liabilities of the Council rather than a comparison with the original budget plans for the year. A summary of the outturn for 2011/2012 comparing actual expenditure against approved budgets was considered by Cabinet in July.

4. Members' Role

- 4.1 The purpose of a local authority's published statement of accounts is to give electors, members, employees and other interested parties clear information about the financial health of the authority.
- 4.2 The accounts are prepared in line with the Code of Practice on Local Authority Accounting in the UK [the Code]. This is produced by the the Chartered Institute of Public Finance and Accountancy [CIPFA]. It sets out the proper accounting practice as required by:
- section 21[2] of the Local Government Act 2003; and
 - the Accounts and Audit Regulations
- 4.3 The Code is revised on an annual basis to incorporate and changes in the accounting regulations. It prescribes the accounting treatment and disclosures of all normal local authority transactions. It also sets out the accounting concepts and principles that underpin the statement of accounts.
- 4.4 Members are required to ensure that the statement of accounts is prepared in accordance with the Accounts and Audit Regulations and that it presents fairly the financial position and transactions of the Council.
- 4.5 The Audit Commission's annual governance report for the Council (elsewhere on the agenda for this meeting) should give the Committee reassurance on the financial statements.

5. Statement of Accounts 2011/2012

- 5.1 The 2011/2012 Statement of Accounts is attached as Appendix 1 and includes a brief explanation of the purpose of each section (see pages 2 to 3).
- 5.2 The statement of accounts is a very technical document and is not easy to understand. The main points from the accounts are set out below:
- 5.2.1 Presentation of the Comprehensive Income and Expenditure Account differs in a number of respects from that used for budget monitoring and outturn reporting to Cabinet and Performance Monitoring Scrutiny Panel. Performance is summarised by services as defined by CIPFA rather than by portfolios or directorates. In addition, General Fund and Housing Revenue Fund performance is combined. This is intended to allow easier comparison

between local authorities. The segmental reporting note (note 26) provides a bridge between the budget and the financial statements.

- 5.2.2 The gross revenue expenditure on services in the year was £423.7 million. Income attributable directly to services was £115.5 million, resulting in a net cost of services of £308.2 million. After grants, investment income and other income and expenditure, the Comprehensive Income and Expenditure Account records a deficit of £288.6 million. However, this excludes a number of accounting adjustments that are recorded in the Movement in Reserves Statement (MiRS). More details of these transactions are provided in note 7 on pages 45 to 50 of the accounts.
- 5.2.3 The MiRS shows a decrease in the General Fund balance before transfers to earmarked reserves of £3.1 million (page 23). Note 8 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have decreased during the year from £74.9 million to £70.1 million.
- 5.2.4 The Balance Sheet (page 26 - 27, Appendix 1) shows that the Council's total assets less liabilities have reduced by £292.5 million to £368.1 million. The main reasons for this are:
- The HRA self-financing settlement of £260.3 million
 - The pension scheme liability has increased by £9.8 million to £19.2 million

6. Annual Governance Statement

- 6.1 The Accounts and Audit (England) Regulations 2011 establish requirements relating to systems of internal control, and the review and reporting of those systems. Internal control and risk management are recognised as important elements of good corporate governance. The regulations state that:

“the relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk”

- 6.2 The Council is required to produce an Annual Governance Statement in line with guidance contained in the CIPFA/SOLACE document “Delivering Good Governance in Local Government”. Details of the 2011/2012 review are set out in Appendix 1 (pages 10 to 18). The Annual Governance Statement has been approved and signed by the Leader and the Chief Executive.

7. Audit of Accounts for 2011/2012

- 7.1 The audit of the accounts commenced at the end of June. The work has been completed. As stated in the Audit Commission's Annual Governance Report (elsewhere on the agenda) no substantial issues have emerged as a result of the audit.

8. Ward Members' Views

- 8.1. The statement of accounts are not specific to any particular ward.

9. Staffing, Equalities, Financial and Legal Implications/Powers

- 9.1 There is a statutory requirement on the Council to approve the accounts by 30 September.

10. Risk Implications

10.1 None

11. Environmental Impacts

11.1 None

12. Links to the Sustainable Community Strategy and Corporate Plan

12.1 The proposals contained in this report relate to the following key areas of the Sustainable Community Strategy

Community Cohesion	y	Community Safety	y
Young People and Children	y	Health and Well Being	y
Older People	y	The Environment	y
The Local Economy	y	Social Inclusion	y

The following key principles are applicable:-

(i) Working together	y
(ii) Dignity, respect and opportunities for all	y
(iii) Involving People	y
(iv) Making it last	y

The statement of accounts covers all aspects of the Council's activities

The report relates to the following areas in which the Council operates to enhance the town and the quality of life of local people:-

(i) Prosperity	y
(ii) Community	y
(iii) Environment	y
(iv) Value for Money	y

13. Reasons for the Recommendation

13.1 The Council has a statutory responsibility to approve the statement of accounts by 30 September

14. Background Papers

1. The Accounts and Audit Regulations 2011
2. Code of Practice on Local Authority Accounting in the UK 2011/2012 (Chartered Institute of Public Finance and Accountancy)
3. Guidance Notes for Practitioners (Chartered Institute of Public Finance and Accountancy)

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Statement of Accounts

2011 – 2012

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1. Introduction

The accounts for 2011/12 show the financial performance of Crawley Borough Council for the year, together with its overall financial position as at 31 March 2012. The purpose of the published statement of accounts is to give local taxpayers, Council Members and other interested parties clear information about the Council's finances. The accounts provide the reader with information on the cost of services provided by the Council in the year 2011/12, how these services were paid for and a statement of the Council's assets and liabilities at the year end.

The Council's accounts are presented in the following order:

- Statement of Responsibilities for the Statement of Accounts

This identifies the officer who is responsible for the proper administration of the Council's financial affairs.

- The Annual Governance Statement

This identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

- Main Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

Comprehensive Income and Expenditure Statement

The purpose of this account is to report income and expenditure relating to all the services provided by the Council and how the net cost of those services has been financed by local taxpayers and the Government.

Balance Sheet

This statement shows the balances and reserves at the Council's disposal as well as the liabilities as at 31 March 2012. It also summarises the fixed and current assets used to carry out the Council's functions.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes. It differs from other accounts in that creditors and debtors are excluded.

- Notes to the Main Financial Statements

The explanatory notes in this section are largely prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) issued by the CIPFA/LASAAC Local Authority Code Board. Additional notes have been provided wherever possible to assist understanding of the financial statements.

Foreword (Continued)

- Statement of Accounting Policies

The Council's accounts have been prepared in accordance with the Code. In addition, supporting notes have been included where appropriate.

- Supplementary Financial Statements

Housing Revenue Account

This account shows the major element of expenditure on the provision of Council housing and how this has been financed by rents and other income.

Collection Fund

The Collection Fund summarises the income received from council tax payers and how it has been distributed to the three authorities providing services to residents - West Sussex County Council, Crawley Borough Council and Sussex Police Authority. In addition, this financial statement includes transactions relating to the business rates collected and distributed to the Government.

- Glossary of Terms

A glossary of the most commonly used technical terms in these accounts is provided.

2. Revenue Expenditure and Income in 2011/12

In March 2011 the Council set a net expenditure budget for 2011/12 of £14.6 million. This resulted in a Band D Council Tax for Crawley of £187.83 and a total Band D Council Tax including the precepts from West Sussex County Council and Sussex Police Authority of £1,488.24.

Summary of General Fund Services

The Council set a net budget of £14.6m for 2011/12, which was partly funded from Central Government grant (£7.8m) and the balance from Council Tax (£6.8m).

The budget included the planned use of reserves of £1.699m, due to savings identified in the year and the late notification of receipt of New Homes Bonus the final use of reserves was £0.933m.

Summary of the Housing Revenue Account

The Council continues to be the provider of rental accommodation within the borough with a stock of 8,171 dwellings at 31 March 2012. The Council is required to maintain a separate ring fenced account to record all the financial transactions relating to those dwellings.

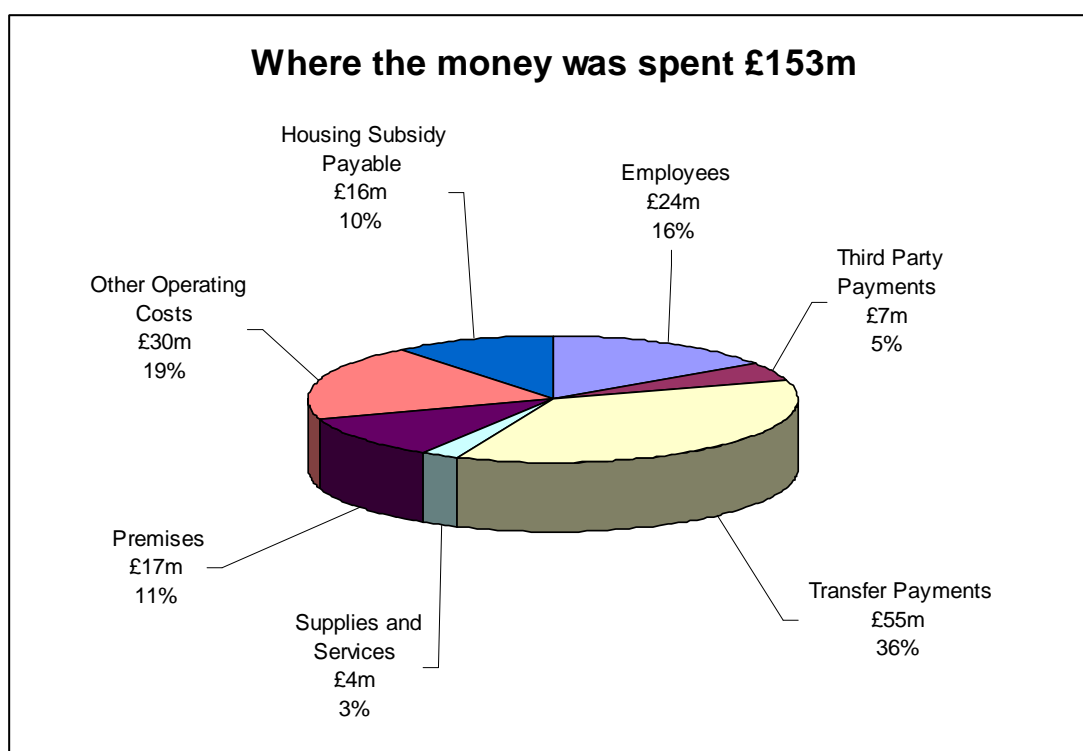
The income from tenants in council property was £40.2m in the year with other income to the HRA of £1.8m. The council pays money back to the Government from this income in the form of negative subsidy; this equated to £16.3m in 2011/12. The balance was invested in the provision of council housing including management and maintenance of over 8,000 dwellings, 5,200 garages and 1,485 leasehold properties. The surplus in the year was £271,000 which was transferred to the HRA reserve.

Foreword (Continued)

In the year the Government changed the way that the Housing Revenue account is funded, on 28th March 2012 the Council paid over to the Government £260.325m which was borrowed from the Public Works Loan Board (PWLB). This payment replaces the negative housing subsidy, in the future there is more certainty within the Housing Revenue Account as the interest has been fixed over the next 26 years and a robust business plan to invest additional resources is being built up.

Total Revenue Expenditure

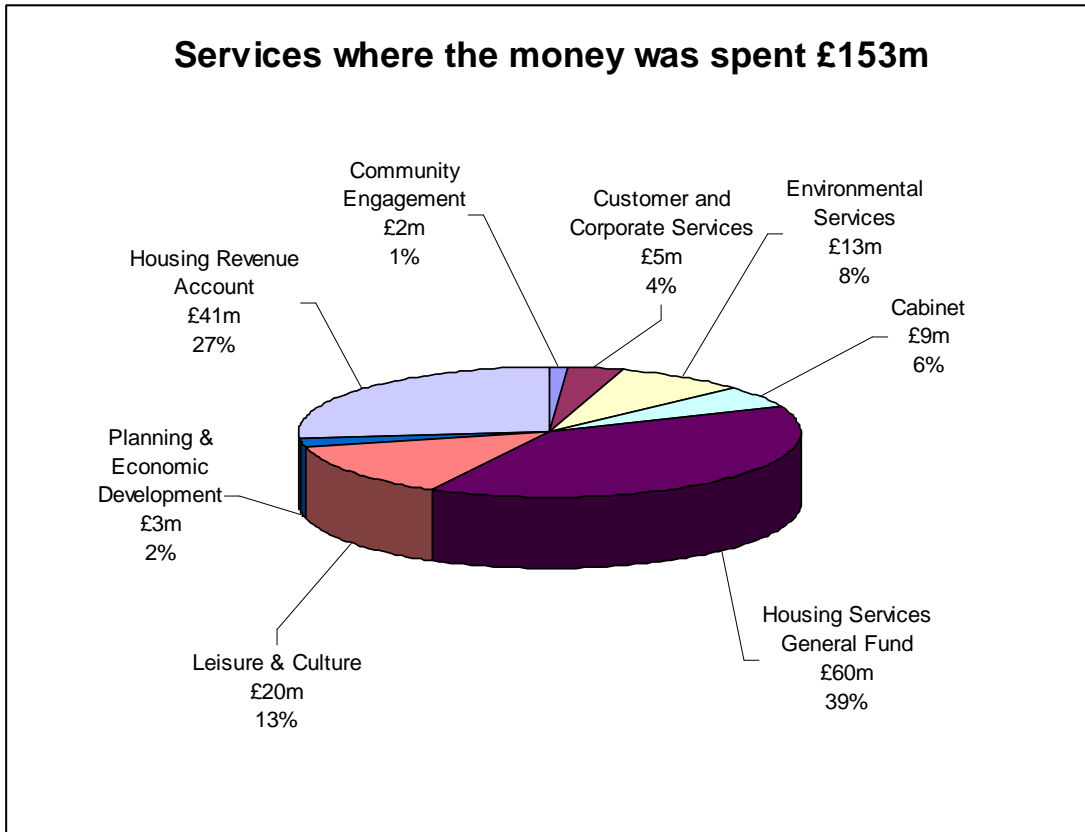
Overall the Council incurred expenditure in 2011/12 of £153m on its services to the public.



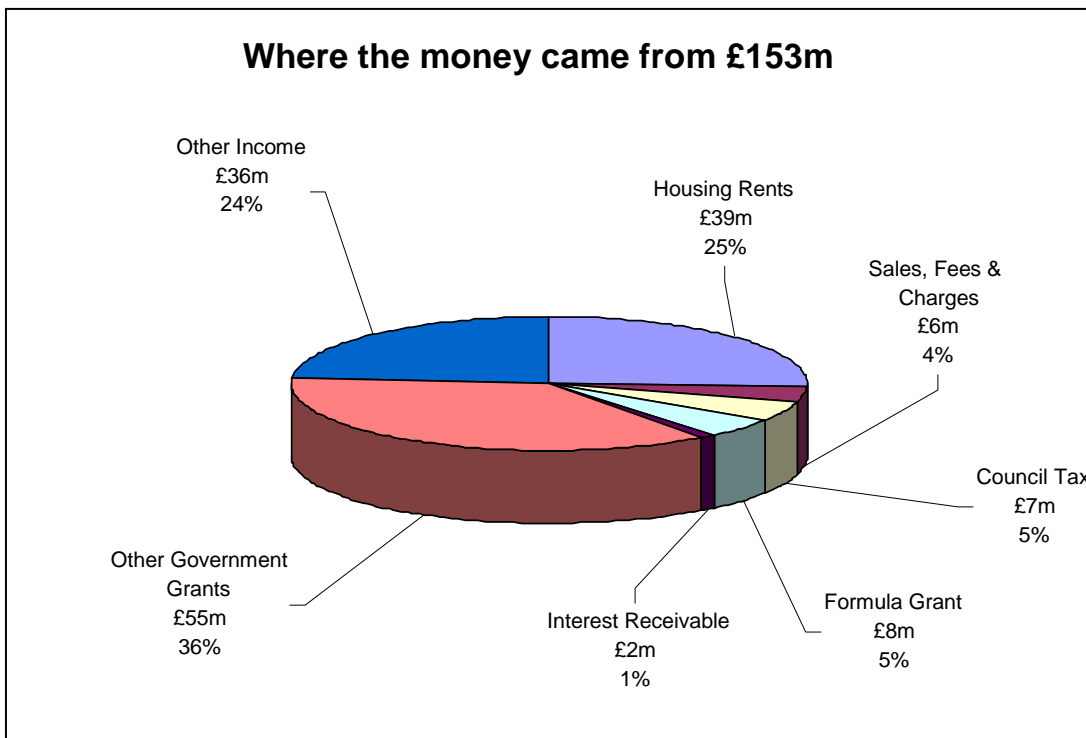
The main elements of expenditure are:

- Premises £17m – includes £10.6m building maintenance.
- Transfer Payments £55m – includes £21.8m rent rebates and £25.1m rent allowances.
- Other operating costs £30m – includes £1.52m transport costs for vehicles used by the council.
- Third Party Payments £7m – includes £1.41m refuse collection contract and £0.655m Grants to Voluntary Organisations.

A transfer of £2.5m was made from the General Fund balance to a capital programme reserve in the year for investment in future capital schemes.



The main sources of income are depicted below:



- Formula Grant £7.76m – a grant paid by the Government in aid of local services generally, which includes non-domestic rates of £5.80m and Revenue Support Grant of £1.79m, and Council Tax freeze grant of £0.17m
- Council Tax 6.86m – this is Crawley’s element of the tax collected from local taxpayers.

Foreword (Continued)

- Other Government Grants £55m – these are grants from the Government for support on a range of specific services including benefits (£53.9m).

Financial outturn

The table below reconciles the outturn for the General Fund and HRA back to the Income and Expenditure Accounts.

	General Fund £'000	HRA £'000	Combined £'000
Surplus / (deficit) in year	(933)	271	(662)
Movement in Pension reserve	1,125	(25)	1,100
HRA Loan / revenue expenditure funded from capital under statute	(2,234)	(260,325)	(262,559)
Costs / income associated with disposals of assets	(1,978)	(234)	(2,212)
Capital expenditure funded from revenue	1,867	260	2,127
Capital Grants Applied	1,151	100	1,251
Depreciation, Impairment/Revaluation of Fixed Assets	(5,995)	(25,463)	(31,458)
Transfer to/(from) earmarked reserves	297	13	310
Movement in investment properties	(186)	1	(185)
Capital grants unapplied	87	0	87
Accumulated absences	(30)	(3)	(33)
Collection fund adjustment	42	0	42
Transfer to the Major Repairs Reserve	0	6,022	6,022
Transfer from General Fund balance to capital reserve	(2,458)	0	(2,458)
Deficit on Provision of service in the Income and Expenditure account	(9,245)	(279,383)	(288,628)

3. Capital Expenditure and Finance in 2011/12

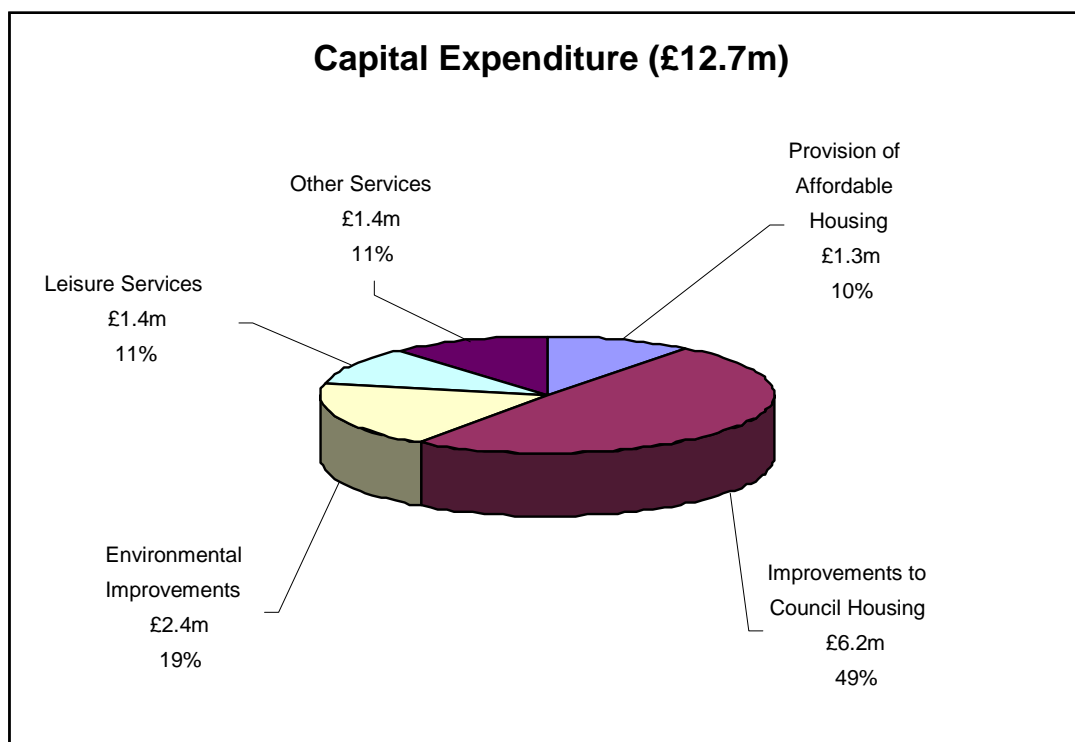
In 2011/12 the Council spent £12.7 million on capital assets, which was funded from the sale of assets, capital grants, external funding and revenue resources. The major schemes included in this capital spending were:

- Improvement to Council housing (£6.23 million)
- New affordable housing units (£1.33 million)
- Environmental improvements (£2.35 million), including £0.1m on flood alleviation and £1.25 million on parade and environmental improvements
- Leisure Services (£1.37 million)

In addition as stated above on 28th March 2012 the Council took on borrowing of £260.325m as part of the Housing reform subsidy buy out; the way that council housing is financed

Foreword (Continued)

moved from annual subsidies controlled by central government to a locally devolved one. For Crawley we had to pay 'negative subsidy' to the Government - £16.3m in 2011/12. Instead we will now pay interest of £8.3m per annum for the first 10 years with no principal repayments then stepped repayments and reduced interest over the next 16 years. This gives the Council an opportunity to invest in its stock and look at providing new stock. A business plan for this stock investment is being prepared during 2012/13.



The table above excludes the £260.325m self-financing payment.

4. Pensions Liability

The table below outlines the change in the pension liability for the year resulting in an increase of £9.77m.

	Year to 31 March 2012 £'000
(Deficit) as at 1 April 2011	(9,430)
Employer contribution	2,500
Current service cost	(2,860)
Contributions in respect of unfunded benefits	350
Past service costs	(60)
Impact of settlements and curtailments	(200)
Interest on pension scheme liabilities	(7,950)
Expected return on employer assets	9,320
Actuarial gains/(losses)	(10,870)
(Deficit) as at 31 March 2012	(19,200)

Foreword (Continued)

5. Change in accounting policies

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

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see Note 1 (xi) on Page 36).

6. Economic Downturn

There are a number of services where budgets are susceptible to changes outside the direct control of the council. These tend to be demand-led services such as commercial rent income, homelessness, land charges, benefit payments. For such budgets, the latest information on usage was used to calculate the budget.

Due to the risk that the economic downturn will continue to significantly effect demand-led expenditure budgets and some income budgets. Revenue budgets are monitored by officers on a monthly basis and the Corporate Management Team receives a monthly update on "hotspot" budgets while a quarterly revenue and capital budget monitoring report is considered by the Cabinet and the Performance Monitoring Scrutiny Panel. This ensured that any projected variances were identified at an early stage and measures put in place to manage these variances. There has been a significant reduction in commercial property income, this has been factored in the budget strategy.

7. Further Information

Further information about the 2011/12 Statement of Accounts is available from:

Paul Windust, Corporate Accounting and Treasury Services Manager,
Town Hall, The Boulevard, Crawley, West Sussex, RH10 1UZ.
Tel: (01293) 438693 email: paul.windust@crawley.gov.uk

Dave Rawlings
Head of Finance, Revenues & Benefits

Date: 29 June 2012

Statement of Responsibility for the Statement of Accounts

The Council's Responsibilities

The Crawley Borough Council 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 Council, that officer is the Head of Finance, Revenues & Benefits
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * to approve the statement of accounts.

Responsibilities of the Head of Finance, Revenues & Benefits

The Head of Finance, Revenue & Benefits is responsible for the preparation of the Council'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, Revenue & Benefits has:

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

The Head of Finance, Revenues & Benefits is also responsible for:-

- * keeping proper accounting records which are up-to-date;
- * taking responsible steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31st March 2012. These financial statements replace the unaudited financial statements authorised for issue by the Head of Finance, Revenues and Benefits on 29th June 2012.

Dave Rawlings
Head of Finance, Revenues & Benefits
Date: 26 September 2012

Member Sign Off

I certify that these accounts were approved by the Audit and Governance Committee under delegated powers at a meeting held on 26th September 2012.

Councillor A.J.E. Quirk
Chair of the Audit and Governance Committee
Date: 26 September 2012

Annual Governance Statement

1. Scope of Responsibility

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

In discharging this overall responsibility, Members and senior officers are responsible for putting in place proper arrangements for the governance of Crawley Borough Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

To this end, Crawley Borough Council has prepared a Code of Corporate Governance for approval by the Council, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government – Framework'. A copy of our code is available from The Town Hall, The Boulevard, Crawley, West Sussex. RH10 1UZ.

This statement explains how Crawley Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement of internal control.

It is confirmed that 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* (2010) as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*

This *Statement on the Role of the Chief Financial Officer in Local Government* supports CIPFA's work to strengthen governance and financial management across the public services and sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The CFO in a public services organisation:

- should be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy
- must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

must lead and direct a finance function that is resourced to be fit for purpose

must be professionally qualified and suitably experienced.

Annual Governance Statement (Continued)

For each principle, the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many day to day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

Crawley Borough Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice. The Section 151 Officer (and Head of Finance, Revenues and Benefits) and Monitoring Officer and Solicitor to the Council (Head of Legal and Democratic Services) have been given responsibility for:

- Overseeing the implementation and monitoring the operation of the Local Code.
- Reviewing the operation of the Local Code in practice.
- Reporting annually to the Audit and Governance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, Crawley Borough Council's Head of Legal and Democratic Services has the responsibility to review the arrangements independently and report annually to the Cabinet and the Audit and Governance Committee and to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.

In discharging this overall responsibility, Crawley Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Crawley Borough Council's functions, and which include arrangements for the management of risk.

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at Crawley Borough Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Identifying and communicating our vision and outcomes for citizens and service users

Annual Governance Statement (Continued)

The Corporate Plan, entitled 'Creating a Successful Future for Crawley – 2010-2015' is revised on an annual basis and was agreed by Cabinet and full Council in February 2012. The Corporate Plan is the key strategic document that sets out the overall vision and direction for the council over the next five years. It has been assessed against the current local, regional and national challenges facing the council. It is based upon research and consultation undertaken by the council. It links the various individual service strategies together and gives an overview of the key actions to be undertaken over the next five years. A Corporate Plan update is produced annually.

Reviewing our vision and its implications for our governance arrangements

The Corporate Plan is revised on an annual basis and achievements are reported to Cabinet along side the budget strategy in February each year.

Established clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation

The CMT agreed in May 2012 a Corporate Community Engagement Work Programme for 2012/13 which covers all consultation initiatives that will be supported corporately over the next year.

Defining and documenting the roles and responsibilities of the cabinet, regulatory, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Crawley Borough Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Cabinet is responsible for most decisions, other than those that are reserved to Full Council. The Cabinet is made up of the Leader, who is appointed by the Council for a four-year term, and six councillors, who are appointed by the Leader. In December 2010 the Council adopted the strong leader cabinet Model. When key decisions are to be discussed or made, these are published in the Cabinet's Forward Plan so far as they can be anticipated, and will generally be discussed in a meeting open to the public, except where exempt information as defined or confidential matters are to be discussed. All decisions must be made in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide. There is an Overview and Scrutiny Commission which performs all overview and scrutiny functions on behalf of the Council, enables non-Cabinet Members to investigate services and propose improvements on behalf of the local people, challenge and hold the Cabinet, Senior Officers and external bodies to account for their actions. It allows citizens to have a greater say in Council matters by holding scrutiny reviews into matters of local concern. This leads to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budgets and service delivery. The Overview and Scrutiny Commission also monitors the decisions of the Cabinet, helping them to consider whether the decision is appropriate and are permitted to recommend that the Cabinet reconsider a decision.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of members and officers of Crawley Borough Council, its partners and the community are defined and communicated through codes of conduct and protocols. These include:

Annual Governance Statement (Continued)

- Councillors Code of Conduct
- An effective performance management system
- Regular performance appraisals for staff
- An Anti-Fraud and Corruption Strategy
- Protocol on Member/Employee Relations
- A Standards Committee, currently with six councillors and four independent members
- Employees' Code of Conduct
- Planning code of Conduct

Relevant Policies and Documentation were updated to take account of the provisions in the Bribery Act 2010.

Whistle blowing and receiving and investigating complaints from the public

The Whistle Blowing policy was updated in the year, and was approved by the Audit and Governance Committee on 13th December 2011. This policy includes contractors working for the Council. Internal whistleblowers are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous. With regard to external whistleblowing, there is a link on the Crawley Borough Council website which provides information about how to report benefit fraud, but not other types of activity that might be reported via whistleblowing.

The Council has an effective formal complaints procedure. Under the scheme in place, as agreed by CMT, complaints are usually dealt with by the Head of Service rather than someone independent of the service provided they have not been involved in dealing with the initial complaint.

Reports on complaints received are presented to CMT and the Performance Monitoring Scrutiny Panel on a quarterly basis.

The 2011/2012 report from the Local Government Ombudsman shows that 9 complaints were investigated fully and of those, 2 found not enough evidence of fault, 1 found no or minor injustice and 6 were concluded with a finding of injustice which was remedied during enquiries.

Details of complaints are sent to CMT and the Performance Monitoring Scrutiny Panel on a quarterly basis.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Head of Legal and Democratic Services is responsible for ensuring that the Constitution is subject to annual review, and review on an ad-hoc basis as required. Changes to the Constitution were agreed by Council periodically in 2011 and annual review of the Constitution was also undertaken in February 2012.

Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Crawley Borough Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Procurement Code, which are available to all officers via the

Annual Governance Statement (Continued)

Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website.

Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation by means of alerting them in regular team meetings, newsflashes on the intranet and where appropriate, arranging training for all or key members of staff.

The Council has been working on a revised approach to risk management and this will be built upon in the new financial year with the approval of a revised Risk Management Strategy in June 2012.

Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

Crawley Borough Council through its budgetary monitoring and control processes ensures that financial resources are being used to their best advantage, via monthly management reporting to the CMT and quarterly reports to Cabinet and Performance Monitoring Scrutiny Panel.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified to the Corporate Management Team, and where necessary approved by the Cabinet. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. The CMT is tasked with prioritising resources to ensure that the objectives within Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate objectives.

The group monitors performance using the following sources of data:

- Financial data

Economic, effective and efficient use of resources is subject to review by the Budget Advisory Group, the Crawley Homes Advisory Group, through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review for example, Audit Commission Value for Money work.

Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

Annual Governance Statement (Continued)

In particular, the process in 2011/2012 included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget;
- Reporting to the Budget Advisory Group as required;
- Setting of financial and performance targets;
- Quarterly reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a three year Budget Strategy;
- Managing risk in key financial service areas;
- Approval of Treasury Management Strategy;
- Maintaining performance against the approved Treasury Management Strategy;
- Introduction of monthly 'hot spots' report to CMT.

Effectiveness of Internal Audit

The Audit and Risk Section reports to the Head of Finance, Revenues and Benefits, who is also the section 151 officer. The main responsibility of the Audit and Risk Section, with regard to internal audit, is to provide assurance and advice on the internal control system of the Council to the Corporate Management Team and Members. The Audit and Risk Section reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets; and
- The integrity and reliability of information and data.

As part of the wider annual review of the governance arrangements and in particular the System of Internal Control, the Council is required to undertake an annual review of the effectiveness of the system of internal audit. This review was undertaken by the Head of Finance (Section 151 Officer). The review concluded that an effective system of internal audit is provided by the Audit and Risk Section.

An Audit and Governance Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

It is a responsibility of the Audit and Governance Committee (as detailed in the Constitution) to review the key findings from the work of the Audit and Risk Section and seek assurances that action has been taken by relevant managers. In addition, they are tasked with reviewing the effectiveness of the Council's internal control framework.

Performance and Risk Management

The Audit and Governance Committee agreed a Risk Management Strategy in March 2011. During the following year the approach to risk management was reviewed. Though discussions with CMT and Cabinet members a revised approach was developed. The main changes in the approach were a greater emphasis on the process of assessing and managing risks (as opposed to completing forms), a shift in culture towards a more balanced approach to risk and the identification of Heads of Service as the having a key role in

Annual Governance Statement (Continued)

implementing and maintaining the new approach. This was reflected in a revised Strategy that is due to be approved by the Leader of the Council.

The Audit and Governance Committee considers the effectiveness of the risk management arrangements as part of its responsibilities and has not provided any adverse comments.

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

The Member Development Policy was updated in January 2012 and provides a statement of the Council's support for member development. The Council was awarded the SEE Charter for Elected Member Development in 2008 and successfully retained the Charter in 2011. A training needs analysis activity continues to be undertaken to identify priority member development needs and was used to help establish the budget and training priorities for 2012/2013 to meet these needs in line with corporate priorities. The member Development Executive Support Group is member led (4 members) and is supported by 2 officers (Head of Legal and Democratic Services and Organisational Development Manager). It meets quarterly to plan, organise and monitor member development. During the year a programme of development activities was offered to all members, some delivered in house whilst others were joint events in collaboration with Mid Sussex and Horsham District Councils. Members are also supported to attend external conferences/seminars. Two members attended the LGiD Leadership Academy programme and one member studied for the Certificate in Local Governance.

With regard to senior officers, a 'Leading in Turbulent Times' management development programme was developed and provided by Roffey Park Institute for the directors and service heads. Four workshops were provided with the final fifth workshop due to be delivered in June 2012. A Leadership Conference was provided in March 2012 which 56 managers attended and a programme of management training will be provided for third tier officers in 2012-13. In addition, directors and service heads completed an annual talent management assessment of their direct reports, as part of their appraisal, against the talent book matrix.

Incorporating good governance arrangements in respect of partnerships and other group working

Roles and responsibilities are clearly defined in contractual arrangements. A Partnership Protocol was approved by Cabinet on 25th March 2009.

The ethical conduct of members and officers of this Council

The Councillors Code of Conduct is contained in the Constitution, which was revised in February 2012.

The Localism Act which received royal assent in 2011 introduces a new standards regime for Councils. During 2011/2012 the Standards committee has been briefed on the changes that are proposed in the Act which include a new Code of Conduct for members, new arrangements for dealing with complaints that a member has breached the Code, the appointment of an independent person, changes to the definition and registration of interests together with the creating of criminal offences. An all member seminar on the Standards provisions in the Act was given to members in February 2012.

The national statutory regulator The Standards for England, SFE, was abolished in April 2012.

Annual Governance Statement (Continued)

Members had received regular support on standards issues via the Members' bulletin which included supplying Members with all the latest Bulletins from Standards for England as well as other material supplied by them. During 2011/2012 as the current standards regime was to be abolished by the Localism Act, Standards for England have not provided any new material on standards issues. Councils were not required to provide annual statistical information to them anymore.

The Standards Committee was not now required to produce an Annual Report on its work for the year 2011/2012.

Staff can find out information on the Standards Committee on a dedicated page on the Council's intranet which was updated in 2010/2011. Independent members of the Committee regularly attend other meetings of the Council to observe Members' behaviour. The independent chair of the Standards Committee meets six monthly with the Chief Executive, the Leader of the Council and the Leader of the opposition Group and meets Quarterly with the Monitoring Officer.

4. Review of Effectiveness

Crawley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates as follows:

Council

The Council has also adopted the revised model code of conduct for members.

Audit and Governance Committee

The Audit and Governance Committee approves the 3 year strategic, and one year annual internal audit plans and receives quarterly progress reports from the Audit and Risk Manager, via the Head of Finance, Revenues and Benefits on the assurance which can be placed against various systems and processes during the year.

The Audit and Governance Committee have reviewed reports presented to it by the Audit and Risk Manager, via the Head of Finance, Revenues and Benefits in connection with the review of internal control. The Committee reviews the key findings from the work of the Audit and Risk Section and seeks assurance that action has been taken by relevant managers. Additionally, this committee receives the Council's Annual Governance Statement, the Audit and Risk Manager's Annual Report and the Annual Review of Internal Audit, and ensures the effectiveness of the Council's risk management arrangements.

Standards Committee

The Standards Committee has met on four occasions in 2011/2012. A new Independent chair was appointed in November 2010; further the Council confirmed the re-appointment of Independent members for a further term of office. The Committee has received regular updates on the new Standards Regime in the Localism Act as well as updates on complaints against members. The Committee will recommend to Council in June 2012 a new Code of Conduct for members and new arrangements for dealing with Complaints.

The Standards committee approved a short work programme for 2011/12.

Annual Governance Statement (Continued)

The sub-committees of the Standards Committee continue to deal with the local assessment of complaints. There are 3 subcommittees - initial, review and hearing. There have been 4 complaints in 2011/12 either, No further action was taken on the complaint or the complaint was referred to the Monitoring Officer for Other Action. The Standards Committee Members continue to receive training and support on standards/ethics. Training on standards have been given to new members as part of their induction in May 2011 as well as to new members serving on the Standard Committee. Independent members were also given training in 2011. In March 2011 the Standards Committee was provided with its first report on the changes to the current standards regime as set out in the Localism Bill.

Internal Audit

Work is regularly undertaken by the Audit and Risk Section to monitor the implementation of high priority findings. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments, the Audit and Risk Manager is satisfied that an adequate level of internal audit coverage has been in place.

5. Improvements During the Year

In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements in respect of the following areas, which had been previously identified as areas in which we could improve:

- Systems Thinking interventions have been undertaken in the following areas:
 - Waste and Recycling
 - Council Tax
 - Democratic Services
- Member training on standards and ethics.
- The Council successfully retained the south East Charter for Elected member Development in November 2011.
- The Council undertook its annual review of the Constitution.

6. Significant Governance Issues

On the basis of the Corporate Governance Position Statements compiled by the Monitoring Officer following a review of the Council's processes, and reviewed by the Council's Corporate Management Team, and the Statements produced by the Heads of Service, we are satisfied that, except for the matters listed below, that the Corporate Governance arrangements for Crawley Borough Council are adequate and operating effectively.

Areas of Non Compliance:

During the year there was a significant overspending on the development of Maidenbower Pavilion. This was subject to a review by The Audit and Risk Manager and CMT. An Independent assessment of the value for money obtained from work was commissioned to

Independent Auditor's Report to Members of Crawley Borough Council

Opinion on the Authority financial statements

I have audited the financial statements of Crawley Borough Council for the year ended 31 March 2012 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, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund 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 2011/12.

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

Respective responsibilities of the Head of Finance, Revenues and Benefits and auditor

As explained more fully in the Statement of the Head of Finance, Revenues and Benefits' Responsibilities, the Head of Finance, Revenues and Benefits 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. My responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing 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, Revenues and Benefits; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Crawley Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Independent Auditor's Report to Members of Crawley Borough Council (Continued)

Matters on which I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on 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.

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Independent Auditor's Report to Members of Crawley Borough Council (Continued)

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Crawley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

Lizzie Peers
Engagement Lead
Audit Commission,
Ground floor, Bicentennial Building,
Southern Gate,
Chichester, West Sussex PO19 8EZ.
27 September 2012

Movement in Reserves Statement

Details of Movement on Reserves in the year

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2010	26,282	12,908	3,130	27	44,821	4,500	1,616	93,284	690,217	783,501
Movement in reserves during 2010/11										
Surplus or (deficit) on the provision of services	2,012	-	(143,162)	-	-	-	-	(141,150)	-	(141,150)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	18,212	18,212
Total Comprehensive Income and Expenditure	2,012	-	(143,162)	-	-	-	-	(141,150)	18,212	(122,938)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(2,552)	-	141,401	-	(11,465)	(4,351)	(241)	122,792	(122,792)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(540)	-	(1,761)	-	(11,465)	(4,351)	(241)	(18,358)	(104,580)	(122,938)
Transfers to/from Earmarked Reserves (Note 8)	(14,962)	14,962	(83)	83	-	-	-	-	-	-
Increase/Decrease in 2010/11	(15,502)	14,962	(1,844)	83	(11,465)	(4,351)	(241)	(18,358)	(104,580)	(122,938)

Movement in Reserves Statement (Continued)

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011 Carried Forward	10,780	27,870	1,286	110	33,356	149	1,375	74,926	585,637	660,563
Movement in reserves during 2011/12										
Surplus or (deficit) on the provision of services	(9,245)	-	(279,383)	-	-	-	-	(288,628)	-	(288,628)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(3,873)	(3,873)
Total Comprehensive Income and Expenditure	(9,245)	-	(279,383)	-	-	-	-	(288,628)	(3,873)	(292,501)
Adjustments between accounting basis & funding basis under regulations (Note 7)	6,152	-	279,667	-	(2,078)	139	(55)	283,825	(283,825)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(3,093)	-	284	-	(2,078)	139	(55)	(4,803)	(287,698)	(292,501)
Transfers to/from Earmarked Reserves (Note 8)	(297)	297	(13)	13	-	-	-	-	-	-
Increase/Decrease in Year	(3,390)	297	271	13	(2,078)	139	(55)	(4,803)	(287,698)	(292,501)
Balance at 31 March 2012 Carried Forward	7,390	28,167	1,557	123	31,278	288	1,320	70,123	297,939	368,062

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The 2010/11 has been restated as required under the Service Reporting Code of Practice (SeRCOP).

2010/11 (Restated)				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
12,335	(10,633)	1,702	Central Services to the Public	12,244	(10,806)	1,438
22,648	(11,894)	10,754	Cultural and Related Services	20,181	(9,346)	10,835
12,579	(5,320)	7,259	Environment and Regulatory Services	12,404	(5,074)	7,330
3,463	(661)	2,802	Planning Services	2,876	(632)	2,244
175	(131)	44	Education and Children's Services	111	(123)	(12)
5,336	(633)	4,703	Highways and Transport Services	1,779	(254)	1,525
148,166	-	148,166	Local Authority Housing – revaluation losses on dwellings (HRA note 6)	-	-	-
-	-	-	Local Authority Housing – settlement payment to Government for HRA self-financing (HRA note 10)	260,325	-	260,325
37,299	(39,482)	(2,183)	Local authority Housing - other	60,936	(42,045)	18,891
46,431	(44,368)	2,063	Other Housing Services	49,551	(46,742)	2,809
1,049	(215)	834	Adult Social Care	794	(215)	579
3,097	(308)	2,789	Corporate and Democratic Core	2,348	(258)	2,090
-	(16,470)	(16,470)	Non distributed costs – change in inflation factor for retirement benefits	-	-	-
200	-	200	Non distributed costs - other	200	-	200
292,778	(130,115)	162,663	Cost of Services	423,749	(115,495)	308,254

Comprehensive Income and Expenditure Statement (Continued)

2010/11 (Restated)		2011/12
Net Expenditure £'000		Net Expenditure £'000
1,281	Other operating expenditure (Note 9)	2,212
(4,425)	Financing and investment income and expenditure (Note 10)	(5,501)
-	Surplus or deficit of discontinued operations	-
<u>(18,369)</u>	Taxation and non-specific grant income (Note 11)	<u>(16,337)</u>
141,150	(Surplus) or Deficit on Provision of Services	288,628
16,648	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(6,997)
-	(Surplus) or deficit on revaluation of available for sale financial assets	-
<u>(34,860)</u>	Actuarial gains/losses on pension assets/liabilities	<u>10,870</u>
<u>(18,212)</u>	Other Comprehensive Income and Expenditure	<u>3,873</u>
<u>122,938</u>	Total Comprehensive Income and Expenditure	<u>292,501</u>

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Crawley Borough Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The 2010 and 2011 Balance Sheet comparatives have been restated as required in the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, the requirement was that heritage assets are to be disclosed and recognised separately on the balance sheet.

Restated 1 April 2010 £'000	Restated 31 March 2011 £'000		Notes	31 March 2012 £'000
705,107	551,990	Property, Plant & Equipment	12	536,231
52	52	Heritage Assets	13	52
43,482	41,724	Investment Property	14	39,823
424	450	Intangible Assets	15	628
12,261	12,404	Long Term Investments	16	22,078
485	590	Long Term Debtors	16	602
761,811	607,210	Long Term Assets		599,414
85,516	67,047	Short Term Investments	16	54,063
-	201	Assets Held for Sale	19	73
55	50	Inventories		19
6,328	5,547	Short Term Debtors	17	4,974
1,748	5,184	Cash and Cash Equivalents	18	5,476
93,647	78,029	Current Assets		64,605

Balance Sheet (Continued)

Restated 1 April 2010 £'000	Restated 31 March 2011 £'000		Notes	31 March 2012 £'000
-	-	Short Term Borrowing	16	(68)
(11,011)	(14,037)	Short Term Creditors	20	(14,501)
(135)	(142)	Provisions	22(f)	(175)
(11,146)	(14,179)	Current Liabilities		(14,744)
-	-	Long Term Borrowing	16	(260,234)
(59,480)	(9,430)	Other Long Term Liabilities	37	(19,200)
(1,331)	(1,067)	Capital Grants Receipts in Advance	32	(1,779)
(60,811)	(10,497)	Long Term Liabilities		(281,213)
783,501	660,563	Net Assets		368,062
93,284	74,926	Usable Reserves	21	70,123
690,217	585,637	Unusable Reserves	22	297,939
783,501	660,563	Total Reserves		368,062

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of Crawley Borough Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

2010/11 £'000		2011/12 £'000
(141,150)	Net surplus/(deficit) on the provision of services	(288,628)
	Adjustments to net surplus or deficit on the provision of services for non cash movement	
296,355		32,329
<u>(149,521)</u>	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(5,062)</u>
5,684	Net cash flows from Operating Activities (Note 23)	(261,361)
(3,791)	Investing Activities (Note 24)	(2,424)
<u>1,543</u>	Financing Activities (Note 25)	<u>264,077</u>
3,436	Net increase or decrease in cash and cash equivalents	292
<u>1,748</u>	Cash and cash equivalents at the beginning of the reporting period	<u>5,184</u>
<u>5,184</u>	Cash and cash equivalents at the end of the reporting period (Note 18)	<u>5,476</u>

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Crawley Borough Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the change from Best Value to service reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS)

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

ii. Accruals of Income and Expenditure

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

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

Notes to the Financial Statement (Continued)

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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

Notes to the Financial Statement (Continued)

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

Termination Benefits

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

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

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by West Sussex County Council.

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the West Sussex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.7% (based on the indicative rate of return on high quality corporate bond, the iboxx Sterling Corporates Index, AA over 15 years).

Notes to the Financial Statement (Continued)

- The assets of West Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities- professional estimate
 - unitised securities- current bid price
 - property - market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return- credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
 - contributions paid to the West Sussex pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Notes to the Financial Statement (Continued)

beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events After the Balance Sheet Date

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into three types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- fair value through profit or loss – investments managed by external fund managers
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Notes to the Financial Statement (Continued)

Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Fair Value Through Profit or Loss

Assets are carried on the Balance Sheet at fair value which, in the case of investments, is at their quoted bid price at 31 March 2012. All interest receivable, realised and unrealised gains are credited to the Comprehensive Income and Expenditure Account.

Available-for-Sale Assets

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

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale

Notes to the Financial Statement (Continued)

Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve

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

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

x. Government Grants and Contributions

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

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

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

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

Notes to the Financial Statement (Continued)

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance pool reserve 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.

xi. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets and described below. The council's collections of heritage assets are accounted for as follows:

- **Public Works of Art** – the council considers that obtaining valuations for the vast majority of public works of art would involve a disproportionate cost in comparison to the benefits to the users of the council's financial statements. This is because of the unique nature of the assets held and the lack of comparable values. Other than the small number of items that have been acquired recently, the Council does not recognise this collection of heritage assets on the Balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – see note xvii in this summary of significant accounting policies.

xii. Intangible Assets

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

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

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

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

Notes to the Financial Statement (Continued)

relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiv. Jointly Controlled Operations and Jointly Controlled Assets

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

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

Notes to the Financial Statement (Continued)

xv. Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessor

Operating Leases

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

xvi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA service reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xvii. Property, Plant and Equipment

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

Notes to the Financial Statement (Continued)

Recognition

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

Assets Included

All land and buildings owned by the Council are included. Vehicles and equipment are included where the useful asset life is more than three years and the purchase cost is greater than £9,000 (vehicles), or £10,000 (equipment).

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

Notes to the Financial Statement (Continued)

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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a straight-line allocation over between 3 and 7 years according to estimated useful life.

Notes to the Financial Statement (Continued)

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Notes to the Financial Statement (Continued)

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Notes to the Financial Statement (Continued)

xix. Reserves

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

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

xx. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxi. VAT

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

2. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a change in accounting policy in relation to an amendment to IFRS 7 *Financial Instruments: Disclosures*, which will need to be adopted fully by the Council in the 2012/13 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of an amended standard, but is not yet required to be adopted by the Council, in this case, financial instruments. As is set out above, full adoption of the standard will be required for the 2012/13 financial statements. However, the council is required to make disclosure of the estimated effect of the amended standard in these (2011/12) financial statements. The adoption of this amended standard will not have a material effect on the 2011/12 financial statements.

Notes to the Financial Statement (Continued)

3. Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

4. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Term	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £180,237 for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £14.6m. A 1 year increase in member life expectancy would result in an increase in the pension liability of £4.7m. A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £3.6m. A 0.5% increase in the Pension Increase Rate would result in an increase in £10.80m.

Notes to the Financial Statement (Continued)

Arrears	At 31 March 2012, the Council had a balance of sundry debtors for £8.266m. A review of significant balances suggested that an impairment of doubtful debts of (£3.161m) 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 £3.161m to set aside as an allowance.
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This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. Material items of Income and Expense

As part of the ongoing passage of the Localism Bill, the government published a policy statement on the implementation of self financing in the Housing Revenue Account (HRA) from 1 April 2012. Instead of paying negative Housing Subsidy (£16.3 million in 2011/12) to the Government each year the Council took on debt and will finance this debt through the HRA business plan. The debt settlement for Crawley is £260.325 million; we were required to make a one off payment to the Government on 28th March 2012. We will pay this back over 26 years at a low rate of interest that has been offered by the Government. We do not intend to pay any debt off in the first 10 years in order to invest in our stock and look at providing more affordable housing within the Borough, then to pay off the balance over the following 16 years. This presents a significant opportunity for Crawley Borough Council.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised by issue by the Head of Finance, Revenue and Benefits on 29 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to funding HRA services.

Notes to the Financial Statement (Continued)

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Notes to the Financial Statement (Continued)

2011/12

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	3,377	4,472	-	-	-	(7,849)
Revaluation losses on Property Plant and Equipment	2,442	20,981	-	-	-	(23,423)
Movement in the market value of Investment Properties	186	(1)	-	-	-	(185)
Amortisation of intangible assets	177	10	-	-	-	(187)
Capital grants & contribution applied	(1,151)	(100)	-	-	-	1,251
Revenue expenditure funded from capital under statute	2,234	260,325	-	-	-	(262,559)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	464	2,920	-	-	-	(3,384)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Capital expenditure charged against the General Fund and HRA balances	(1,867)	(260)	-	-	-	2,127
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	(87)	-	-	-	87	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(142)	142
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(493)	(2,721)	3,214	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(3,297)	-	-	3,297

Notes to the Financial Statement (Continued)

2011/12

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	35	(35)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,007	-	(2,007)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	47	-	-	(47)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	(6,022)	-	6,022	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(5,883)	-	5,883
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37)	1,420	330	-	-	-	(1,750)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,545)	(305)	-	-	-	2,850
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(42)	-	-	-	-	42
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which offer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	30	3	-	-	-	(33)
Total Adjustments	6,152	279,667	(2,078)	139	(55)	(283,825)

Notes to the Financial Statement (Continued)

2010/11 Comparative Figures

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	2,858	4,542				(7,400)
Revaluation losses on Property Plant and Equipment	3,528	148,166				(151,694)
Movements in the market value of Investment Properties	721	(2)				(719)
Amortisation of intangible assets	156	1				(157)
Capital grants and contributions applied	(1,007)	-				1,007
Revenue expenditure funded from capital under statute	3,343					(3,343)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	838	1,981				(2,819)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against the General Fund and HRA balances	(1,157)	(2,765)				3,922
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	200				(200)	
Application of grants to capital financing transferred to the Capital Adjustment Account					(41)	41
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(787)	(2,827)	3,614			
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(13,030)	-	-	13,030

Notes to the Financial Statement (Continued)

2010/11

Comparative Figures

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	28	(28)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,049	-	(2,049)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	28	-	-	(28)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	(5,875)	-	5,875	-	-
Use of the Major Repairs Reserve to Finance new capital expenditure	-	-	-	(10,226)	-	10,226
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37)	(10,838)	(1,512)	-	-	-	12,350
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,509)	(331)	-	-	-	2,840
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	41	-	-	-	-	(41)
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	12	(5)	-	-	-	(7)
Total Adjustments	(2,552)	141,401	(11,465)	(4,351)	(241)	(122,792)

Notes to the Financial Statement (Continued)

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 1 April 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31 March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31 March 2012 £'000
General Fund:							
Capital Programme	4,624	(324)	16,627	20,927	(770)	2,458	22,615
Restructuring Impact Reserve	1,650	(580)	-	1,070	(450)	200	820
Housing & Planning Delivery Grant	1,332	(323)	-	1,009	(544)	-	465
LABGI Grant	1,035	(227)	-	808	(564)	-	244
Vehicles and Plant	800	(284)	100	616	(250)	200	566
Development of Facilities for Young People	714	-	-	714	(540)	-	174
Insurance Fund	493	-	220	713	(1)	-	712
ICT Replacement	350	(187)	50	213	(142)	100	171
Specialist Equipment at K2 and Hawth	350	(334)	52	68	(168)	100	-
Risk Management	156	(40)	-	116	-	-	116
Quick Wins	145	(128)	-	17	(10)	-	7
Community Cohesion	103	(19)	107	191	(29)	-	162
Heritage Strategy	63	(8)	-	55	-	-	55
Pathfinder	58	(128)	138	68	(31)	-	37
Local Development Framework	55	(55)	-	-	-	90	90
Climate Change	45	-	-	45	-	-	45
Town Hall Programmed Maintenance	37	(37)	-	-	-	-	-
Museum	31	-	-	31	(5)	-	26
Economic Development	25	(25)	-	-	-	-	-
Health & Wellbeing PCT	61	(25)	-	36	(20)	-	16
University bid	35	-	-	35	-	-	35
Defra Water Management	42	(6)	-	36	(4)	-	32
Local Housing Allowance	42	(42)	-	-	-	-	-
Health & Wellbeing Grant	370	-	62	432	(251)	46	227
Extreme Sports Officer	67	(29)	-	38	(15)	-	23
Anti social behaviour	5	-	-	5	-	-	5
Nature Centre bequests	41	(24)	-	17	(11)	-	6
Connecting Communities	35	(3)	-	32	(1)	-	31

Notes to the Financial Statement (Continued)

	Balance at 1 April 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31 March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31 March 2012 £'000
Priority 2 & 3	6	(55)	119	70	(14)	-	56
Community Arts	16	(4)	-	12	(12)	-	-
CABE	8	(8)	-	-	-	-	-
Smoke free	10	(4)	-	6	(1)	5	10
Homeless Strategy	38	(5)	-	33	-	-	33
Homeless grant	45	(17)	-	28	(152)	143	19
Employee support allowance	15	-	-	15	-	-	15
Housing benefits data scan	3	-	-	3	(3)	-	-
Leased car compensation	-	(176)	510	334	(158)	100	276
Legal action	-	-	34	34	-	-	34
Local Housing Allowance	-	-	22	22	(2)	-	20
Atlas Temp accommodation	-	-	5	5	(1)	6	10
IB & US Reassessment	-	-	3	3	-	7	10
Small Business Rate Relief	-	-	3	3	-	2	5
LSP Network	-	-	7	7	(7)	-	-
Operational Inroad	3	-	-	3	(3)	-	-
Town Centre and Regeneration Reserve	-	-	-	-	(30)	703	673
Housing Benefit Transition	-	-	-	-	-	19	19
New Homes Bonus	-	-	-	-	-	76	76
Preventing Repossessions	-	-	-	-	-	39	39
Recycling support	-	-	-	-	-	181	181
Discretionary housing Payments	-	-	-	-	-	11	11
Total	12,908	(3,097)	18,059	27,870	(4,189)	4,486	28,167

HRA:

Buy Back of Council Dwellings	27	(27)	-	-	-	-	-
Leased car compensation	-	-	110	110	(67)	-	43
Restructuring Impact	-	-	-	-	-	80	80
Total	27	(27)	110	110	(67)	80	123

Notes to the Financial Statement (Continued)

9. Other Operating Expenditure

2010/11 £'000		2011/12 £'000
2,048	Payment to the Government Housing Receipts Pool	2,007
(767)	Gains/losses on the disposal of non-current assets	205
1,281	Total	2,212

10. Financing and Investment Income and Expenditure

2010/11 £'000		2011/12 £'000
3	Interest payable and similar charges	68
430	Pensions interest costs and expected return on pensions assets	(1,370)
(2,234)	Interest receivable and similar income	(1,705)
(2,624)	Income and expenditure in relation to investment properties and changes in their fair market value	(2,494)
-	Other investment income	-
(4,425)	Total	(5,501)

11. Taxation and Non Specific Grant Incomes

The Following government grants are receivable which are not attributable to a specific service:

2010/11 £'000		2011/12 £'000
(6,795)	Council Tax Income	(6,916)
(9,153)	Non Domestic Rates	(5,801)
(1,614)	Non-ring fenced government grants	(2,717)
(807)	Capital grants and contributions	(903)
(18,369)	Total	(16,337)

Notes to the Financial Statement (Continued)

12. Property, Plant and Equipment

Movements on Balances

Movements in 2011/12

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2011	443,186	118,708	7,052	-	61	1,282	570,289
Additions`	7,388	2,109	241	-	-	447	10,185
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(18)	(1,449)	-	-	-	-	(1,467)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(23,030)	(4,714)	-	-	-	-	(27,744)
Derecognition – Disposals	(1,277)	(1,734)	(345)	-	-	-	(3,356)
Assets Reclassified (to)/from Held for Sale	-	(12)	-	-	-	-	(12)
Other movements in asset classification	740	1,825	6	-	-	(1,243)	1,328
At 31 March 2012	426,989	114,733	6,954	-	61	486	549,223
Accumulated Depreciation and Impairment							
At 1 April 2011	(4,234)	(9,372)	(4,693)	-	-	-	(18,299)
Depreciation charge	(4,205)	(3,081)	(563)	-	-	-	(7,849)
Depreciation written out to the Revaluation Reserve	299	8,165	-	-	-	-	8,464
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,927	394	-	-	-	-	4,321
Derecognition - Disposals	18	28	325	-	-	-	371
At 31 March 2012	(4,195)	(3,866)	(4,931)	-	-	-	(12,992)
Net Book Value							
At 31 March 2012	422,794	110,867	2,023	-	61	486	536,231
At 31 March 2011	438,952	109,336	2,359	-	61	1,282	551,990

Notes to the Financial Statement (Continued)

Restated - Comparative Movements in 2010/11

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2010	597,027	107,634	6,622	-	61	6,220	717,564
Additions	19,067	4,559	668	-	-	501	24,795
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(24,227)	6,739	-	-	-	-	(17,488)
Revaluation increases/(decreases) recognised in the surplus/Deficit on the Provision of Services	(147,771)	(4,352)	-	-	-	-	(152,123)
Derecognition-Disposals	(1,657)	(484)	(254)	-	-	-	(2,395)
Depreciation charge	-	-	-	-	-	-	-
Assets reclassified	747	4,612	16	-	-	(5,439)	(64)
At 31 March 2011	443,186	118,708	7,052	-	61	1,282	570,289
Accumulated Depreciation and Impairment							
At 1 April 2010	(4)	(8,033)	(4,420)	-	-	-	(12,457)
Depreciation charge	(4,241)	(2,650)	(509)	-	-	-	(7,400)
Depreciation written out to the Revaluation Reserve	-	840	-	-	-	-	840
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	429	-	-	-	-	429
Derecognition – Disposals	11	42	236	-	-	-	289
At 31 March 2011	(4,234)	(9,372)	(4,693)	-	-	-	(18,299)
Net Book Value							
At 31 March 2011	438,952	109,336	2,359	-	61	1,282	551,990
At 31 March 2010	597,023	99,601	2,202	-	61	6,220	705,107

Notes to the Financial Statement (Continued)

Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £6,143,969. Similar commitments at 31 March 2011 were £8,953,000.

The major commitments at 31 March 2012 are:

	£'000
HRA Programmed repairs	5,376
Neighbourhood Parades Improvement	130
Neighbourhood Centres – Enhance	125
Environmental Improvement	108
Relocation Goffs Park Depot	79

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings are carried out externally by Wilks Head Eve Chartered Surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000
Carried at historic cost	-	-	2,023	-	486	2,509
Valued at fair value as :						
01 April 2011	422,794	75,854	-	-	-	498,648
01 April 2010	-	17,341	-	61	-	17,402
01 April 2009	-	8,676	-	-	-	8,676
01 April 2008	-	6,748	-	-	-	6,748
01 April 2007	-	2,248	-	-	-	2,248
	422,794	110,867	2,023	61	486	536,231

13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council.

Cost or Valuation	Public Works of Art
01 April 2010	52
Additions	-
Disposals	-
31 March 2011	52

Notes to the Financial Statement (Continued)

Cost or Valuation	Public Works of Art
01 April 2011	52
Additions	-
Disposals	-
31 March 2012	52

Public Works of Art

The Council has a number of sculptures and other art work throughout the Borough. These have been included in the Balance Sheet at cost where this information is available.

14. Investment Properties

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

	2010/11 £'000	2011/12 £'000
Rental income from investment property	(4,018)	(3,559)
Direct operating expenses arising from investment property	1,394	1,065
Net (Gain)/Loss	(2,624)	(2,494)

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 on income and proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property. With the exception of leases in which the Authority retains responsibility for undertaking repairs, the Authority does not undertake repairs, maintenance or enhancement.

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

	2010/11 £'000	2011/12 £'000
Balance at the start of the year	43,482	41,724
Additions:		
• Purchases	-	-
• Subsequent expenditure	(62)	-
Disposals	(713)	(245)
Net gains/losses from fair value adjustments	(719)	(185)
Transfers:		
• to/from Property, Plant and Equipment	(64)	(1,471)
• to/from Assets Held for Sale	(200)	-
Balance at end of the year	41,724	39,823

Notes to the Financial Statement (Continued)

Revaluations

The Council carries out a rolling programme that ensures that all Investment Property required to be measured at fair value is revalued at least every five years. Valuations of Investment Property are carried out externally by Wilks Head Eve Chartered Surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. None of the intangible assets are internally generated.

The carrying amount of all intangible assets is amortised on a straight-line basis across a useful life of 5 years. The amortisation of £187,000 charged to revenue in 2011/12 was charged to appropriate service headings in the Net Expenditure of Services.

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

	2010/11			2011/12		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of year:						
▪ Gross carrying amounts	-	1,937	1,937	-	2,120	2,120
▪ Accumulated amortisation	-	(1,513)	(1,513)	-	(1,670)	(1,670)
Net carrying amount at start of year	-	424	424	-	450	450
Additions:						
▪ Purchases	-	56	56	-	220	220
Assets reclassified	-	127	127	-	145	145
Amortisation for the period	-	(157)	(157)	-	(187)	(187)
Net carrying amount at end of year	-	450	450	-	628	628
Comprising:						
▪ Gross carrying amounts	-	2,120	2,120	-	2,485	2,485
▪ Accumulated amortisation	-	(1,670)	(1,670)	-	(1,857)	(1,857)
	-	450	450	-	628	628

Notes to the Financial Statement (Continued)

16. Financial Instruments

Categories of Financial Instruments

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

	Long-Term			Current		
	As at 1 April 2010 £'000	As at 31 March 2011 £'000	As at 31 March 2012 £'000	As at 1 April 2010 £'000	As at 31 March 2011 £'000	As at 31 March 2012 £'000
Investments						
Loans and receivables	12,261	12,404	19,580	52,995	34,195	23,188
Financial assets at fair value through profit and loss ²	-	-	2,498	32,521	32,852	30,875
Total Investments	12,261	12,404	22,078	85,516	67,047	54,063
Cash and Cash Equivalents						
Loans and receivables				2,238	4,514	256
Available-for-sale financial assets				1,543	1,321	7,001
Financial liabilities at amortised cost ¹				(2,033)	(651)	(1,781)
Total cash and cash equivalents				1,748	5,184	5,476
Debtors						
Loans and receivables	485	590	602	-	-	-
Financial assets carried at contract amounts				3,794	3,815	3,541
Total Debtors	485	590	602	3,794	3,815	3,541
Borrowings						
Financial liabilities at amortised cost	-	-	(260,234)	-	-	(68)
Total Borrowings	-	-	(260,234)	-	-	(68)
Creditors						
Financial liabilities carried at contract amount				(9,449)	(10,818)	(7,213)
Total creditors				(9,449)	(10,818)	(7,213)

Note 1 – Under accounting requirements the carrying value of the financial instrument value shown in the balance sheet which includes the principal amount borrowed or lent plus accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

Note 2 – Fair value has been measured by direct reference to published price quotations in an active market.

Note 3 – Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided a financial guarantee in respect of mortgages granted on shared ownership sales of certain Council dwellings, which has been initially recognised at fair value.

Notes to the Financial Statement (Continued)

Subsequently this is measured at the higher of the amount recognised initially and the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Assets less when appropriate cumulative amortisation. Therefore, the carrying amount of the financial guarantee would remain at the original amount estimated at inception (less cumulative amortisation) unless payment under the guarantee becomes probable at which point the amount of the liability will be determined in accordance with IAS 37.

Income, Expense, Gain and Losses

	2010/11					2011/12				
	Financial liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for Sale £'000	Assets and Liabilities at fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities Measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available For Sale £'000	Assets & Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest Expense	3	-	-	-	3	68	-	-	-	68
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reduction in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	3	-	-	-	3	68	-	-	-	68
Interest Income	-	(1,763)	(83)	(365)	(2,211)	-	(1,021)	(105)	(386)	(1,512)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	(23)	(23)	-	-	-	(29)	(29)
Gains on derecognition	-	-	-	-	-	-	-	-	(164)	(164)
Fee Income	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services		(1,763)	(83)	(388)	(2,234)	-	(1,021)	(105)	(579)	(1,705)
Net gain/(loss) for the year	3	(1,763)	(83)	(388)	(2,231)	68	(1,021)	(105)	(579)	(1,637)

Notes to the Financial Statement (Continued)

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2012	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	-	-	260,234	270,530

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the premature repayment rates from the PWLB.

	31 March 2011		31 March 2012	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans and receivables	12,404	12,671	19,580	19,767
Financial assets at fair value through profit and loss	-	-	2,498	2,498
Long-term debtors	473	473	471	471

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest above current market rates.

Financial assets at fair value through profit and loss are carried on the Balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

Notes to the Financial Statement (Continued)

17. Debtors

	1 April 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Central Government Departments	2,321	801	766
Other Local Authorities	457	920	906
NHS Bodies	-	-	-
Public Corporations and Trading Funds	-	-	-
Other Entities and Individuals	3,550	3,826	3,302
Total Debtors	6,328	5,547	4,974

18. Cash and Cash Equivalent

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

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
(2,033)	(651)	Cash overdrawn	(1,781)
2,238	4,514	Bank Call account	256
1,543	1,321	Money Market Funds	7,001
1,748	5,184	Total Cash and Cash Equivalents	5,476

19. Assets Held for Sale

	Current 2010/11 £'000	2011/12 £'000
Balance Outstanding at start of year	-	201
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	12
• Investment Property	140	-
Revaluation Losses	-	-
Revaluation Gains	61	-
Impairment Losses	-	-
Assets sold	-	(140)
Balance outstanding at year end	201	73

Notes to the Financial Statement (Continued)

20. Creditors

	As at 1 April 2010 £'000	As at 31 March 2011 £'000	As at 31 March 2012 £'000
Central Government Departments	1,403	4,290	7,113
Other Local Authorities	984	1,557	1,396
NHS Bodies	-	-	-
Public Corporations and Trading Funds	-	-	-
Other Entities and Individuals	8,624	8,190	5,992
Total Creditors	11,011	14,037	14,501

21. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 7 and Note 8.

22. Unusable Reserves

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
		Unusable Reserves Held for Capital Purposes	
29,605	12,636	Revaluation Reserve	18,760
720,021	582,435	Capital Adjustment Account	298,422
175	148	Deferred Capital Receipts Reserve	101
749,801	595,219	Total Unusable Reserves Held for Capital Purposes	317,283
		Unusable Reserves Held for Revenue Purposes	
(59,480)	(9,430)	Pension Reserve	(19,200)
31	(10)	Collection Fund Adjustment Account	31
(135)	(142)	Accumulated Absences Account	(175)
(59,584)	(9,582)	Total Unusable Reserves Held for Revenue Purposes	(19,344)
690,217	585,637	Total Unusable Reserves	297,939

Notes to the Financial Statement (Continued)

(a) Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2010/11			2011/12
£'000			£'000
29,605	Balance at 1 April		12,637
7,578	Upward revaluation of assets	7,329	
(24,226)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(332)	
(16,648)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		6,997
(287)	Difference between fair value depreciation and historical cost depreciation	(677)	
(33)	Accumulated gains on assets sold or scrapped	(197)	
(320)	Amount written off to the Capital Adjustment Account		(874)
12,637	Balance at 31 March		18,760

Notes to the Financial Statement (Continued)

(b) Capital Adjustment Account

The balance on this Account represents resources set aside to finance capital expenditure less the historical cost of acquiring, creating or enhancing fixed assets. However, the balance also includes revaluation gains prior to 1 April 2007 on assets that are currently held.

2010/11 £'000		2011/12 £'000
720,021	Balance at 1 April	582,435
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(7,400)	• Charges for depreciation and impairment of non current assets	(7,849)
(151,694)	• Revaluation losses on Property, Plant and Equipment	(23,423)
(157)	• Amortisation of intangible assets	(187)
(3,343)	• Revenue expenditure funded from capital under statute	(262,559)
(2,819)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,384)
(165,413)		(297,402)
320	Adjusting amounts written out of the Revaluation Reserve	874
(165,093)	Net written out amount of the cost of non-current assets consumed in the year	(296,528)
	Capital financial applied in the year:	
13,030	• Use of the Capital Receipts Reserve to finance new capital expenditure	3,297
10,226	• Use of the Major Repairs Reserve to finance new capital expenditure	5,883
1,007	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,251
41	• Application of grants to capital financing from the Capital Grants Unapplied Account	142
-	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-
3,922	• Capital expenditure charged against the General fund and HRA balances	2,127
28,226		12,700
(719)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(185)
-	Movement in the donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
582,435	Balance at 31 March	298,422

Notes to the Financial Statement (Continued)

(c) 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 Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £'000		2011/12 £'000
(59,480)	Balance at 1 April	(9,430)
34,860	Actuarial gains or losses on pensions assets and liabilities	(10,870)
12,350	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and expenditure Statement	(1,750)
2,840	Employer's pensions contribution and direct payments to pensioners payable in the year	2,850
(9,430)	Balance at 31 March	(19,200)

(d) Deferred Capital Receipts Reserve

The Deferred Capital Receipts reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11 £'000		2011/12 £'000
175	Balance at 1 April	148
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(27)	Transfer to the Capital Receipts Reserve upon receipt of cash	(47)
148	Balance at 31 March	101

Notes to the Financial Statement (Continued)

(e) Collection Fund Adjustment Account

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

2010/11 £'000		2011/12 £'000
31	Balance at 1 April	(10)
	Amount by which council tax income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year	
(41)	in accordance with statutory requirements	41
(10)	Balance at 31 March	31

(f) Accumulated Absences Account

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

2010/11 £'000			2011/12 £'000
(135)	Balance at 1 April		(142)
135	Settlement or cancellation of accrual made at the end of the preceding year	142	
(142)	Amounts accrued at the end of the current year	(175)	
	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		
(7)	with statutory requirements		(33)
(142)	Balance at 31 March		(175)

Notes to the Financial Statement (Continued)

23. Cash Flow Statement – Operating Activities

The 2010/11 cash flows has been restated due to a material error of impairments being included within depreciation.

The cash flows for operating activities include the following items:

Restated 2010/11 £'000		2011/12 £'000
(141,150)	Net Surplus or (Deficit) on the Provision of Service	(288,628)
	Adjustment to net surplus or (deficit) on the provision of services for non cash movements	
7,400	Depreciation	7,849
152,413	Impairments and downward valuations	23,423
158	Amortisation	187
(22)	Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	(29)
-	Increase/Decrease in Interest Creditors	68
2,872	Increase/Decrease in Creditors	(1,767)
554	Increase/Decrease in Interest and Dividend Debtors	(150)
945	Increase/Decrease in Debtors	215
5	Increase/Decrease in Inventories	31
(15,190)	Pension Liability	(1,100)
-	Contribution to/(from) Provision	33
2,819	Carrying amount of non-current assets sold	3,384
-	Movement in Investment Property Values	185
151,954		32,329
	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	
(1,273)	Capital Grants credited to surplus or deficit on the provision of services	(1,339)
(261)	Proceeds from the sale of short and long term investments	(544)
(3,586)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,179)
(5,120)		(5,062)
5,684	Net Cash Flows from Operating Activities	(261,361)

Notes to the Financial Statement (Continued)

24. Cash Flow Statement – Investing Activities

The cash flows for operating activities include the following items:

2010/11 £'000		2011/12 £'000
(26,372)	Purchase of property, plant and equipment, investment property and intangible assets	(11,679)
(126,607)	Purchase of short-term and long-term investments	(157,580)
(93)	Other payments for investing activities	(132)
3,613	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,071
144,659	Proceeds from short-term and long-term investments	161,598
1,009	Other receipts from investing activities	2,298
(3,791)	Net cash flows from investing activities	(2,424)

25. Cash Flow Statement – Financing Activities

2010/11 £'000		2011/12 £'000
	- Cash receipts of short and long-term borrowing	260,234
1,543	Other receipts from financing activities	3,843
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-
	- Repayments of short and long term borrowing	-
	- Other payments for financing activities	-
1,543	Net cash flows from financing activities	264,077

26. 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 (SeRCOP)*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (where as depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation's are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

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

Notes to the Financial Statement (Continued)

Portfolio Income and Expenditure 2011/12	Community Engagement £'000	Continuous Improvement and Development £'000	Environmental Services £'000	Cabinet £'000	Housing Services £'000	Leisure & Culture £'000	Planning and Economic Development £'000	Total General Fund £'000	Housing Revenue Account £'000	Total £'000
Fees, charges and other service income	41	5,236	5,648	8,131	2,254	9,062	568	30,940	41,260	72,200
Government Grants	4	-	45	316	54,886	110	3	55,364	-	55,364
Total Income	45	5,236	5,693	8,447	57,140	9,172	571	86,304	41,260	127,564
Employee expenses	564	3,089	3,581	4,451	2,080	5,874	907	20,546	3,260	23,806
Other service Expenses	846	1,944	6,064	2,427	56,428	11,469	1,717	80,895	34,832	115,727
Support service recharges	309	343	3,369	1,722	1,447	3,314	506	11,010	2,634	13,644
Total Expenditure	1,719	5,376	13,014	8,600	59,955	20,657	3,130	112,451	40,726	153,177
Net Expenditure	1,674	140	7,321	153	2,815	11,485	2,559	26,147	(534)	25,613

Notes to the Financial Statement (Continued)

Portfolio Income and Expenditure 2010/11	Community Engagement £'000	Continuous Improvement and Development £'000	Environmental Services £'000	Cabinet £'000	Housing Services £'000	Leisure & Culture £'000	Planning and Economic Development £'000	Total General Fund £'000	Housing Revenue Account £'000	Total £'000
Fees, charges and other service income	21	7,315	4,941	9,882	2,234	11,361	515	36,269	39,650	75,919
Government Grants	119	83	-	645	52,227	52	-	53,126	4	53,130
Total Income	140	7,398	4,941	10,527	54,461	11,413	515	89,395	39,654	129,049
Employee expenses	627	3,680	3,373	4,802	2,028	6,174	986	21,670	3,652	25,322
Other service expenses	912	2,202	5,562	4,846	53,096	11,609	3,539	81,766	32,522	114,288
Support service recharges	339	1,875	3,074	3,765	1,824	4,800	655	16,332	2,682	19,014
Total Expenditure	1,878	7,757	12,009	13,413	56,948	22,583	5,180	119,768	38,856	158,624
Net Expenditure	1,738	359	7,068	2,886	2,487	11,170	4,665	30,373	(798)	29,575

Notes to the Financial Statement (Continued)

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

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

	2010/11 £'000	2011/12 £'000
Net expenditure in the Portfolio Analysis	29,575	25,612
Net expenditure of services and support services not included in the Analysis	-	-
Amount in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	132,450	280,168
	162,025	305,780
Amount included in the analysis not included in the Comprehensive Income and Expenditure Statement	638	2,474
Cost of Services in Comprehensive Income and Expenditure Statement	162,663	308,254

Notes to the Financial Statement (Continued)

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the provision of Services included in the Comprehensive Income and expenditure Statement.

2011/12	Directorate Analysis £'000	Services & support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other service income	72,166	-	157	(3,559)	(8,633)	60,131	3,658	63,789
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	34	-	-	(34)	-	-	1,705	1,705
Income from council tax	-	-	-	-	-	-	6,916	6,916
Government grants and contributions	55,364	-	-	-	-	55,364	9,322	64,686
Total Income	127,564	-	157	(3,593)	(8,633)	115,495	21,601	137,096
Employee expenses	23,806	-	200	(236)	-	23,770	(1,106)	22,664
Other service expenses	105,120	-	260,566	(682)	662	365,666	668	366,334
Support Service recharge	13,644	-	115	(133)	(9,295)	4,331	133	4,464
Depreciation, amortisation and impairment	10,606	-	19,444	-	-	30,050	-	30,050
Interest Payments	-	-	-	(68)	-	(68)	68	-
Precepts & Levies	-	-	-	-	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	2,007	2,007
Gain or Loss on Disposal of fixed Assets	-	-	-	-	-	-	205	205
Total expenditure	153,176	-	280,325	(1,119)	(8,633)	423,749	1,975	425,724
Surplus or deficit on the provision of services	25,612	-	280,168	2,474	-	308,254	(19,626)	288,628

Notes to the Financial Statement (Continued)

2010/11

	Directorate Analysis £'000	Services & support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other service income	75,849	-	1,404	(4,275)	4,007	76,985	4,275	81,260
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	70	-	-	(70)	-	-	2,233	2,233
Income from council tax	-	-	-	-	-	-	6,795	6,795
Government grants and contributions	53,130	-	-	-	-	53,130	11,575	64,705
Total Income	129,049	-	1,404	(4,345)	4,007	130,115	24,878	154,993
Employee expenses	25,322	-	(13,777)	(1,918)	-	9,627	500	10,127
Other service expenses	103,681	-	682	(1,416)	4,007	106,954	1,211	108,165
Support Service recharge	19,014	-	115	(373)	-	18,756	373	19,129
Depreciation, amortisation and impairment	10,607	-	146,834	-	-	157,441	-	157,441
Interest Payments	-	-	-	-	-	-	2	2
Precepts & Levies	-	-	-	-	-	-	(2)	(2)
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	2,048	2,048
Gain or Loss on Disposal of fixed Assets	-	-	-	-	-	-	(767)	(767)
Total expenditure	158,624	-	133,854	(3,707)	4,007	292,778	3,365	296,143
Surplus or deficit on the provision of services	29,575	-	132,450	638	-	162,663	(21,513)	141,150

Notes to Main Financial Statements

27. Trading Operations

The Council owns and manages Neighbourhood Parades and a number of other Non operational properties, in total there are around 350 leases generating rental income from letting premises. The trading objective is to maximise the surplus. The service also manages leases on properties let to some charity and community groups at a discounted rate.

	2010/11 £'000	2010/11 £'000	2011/12 £'000	2011/12 £'000
Turnover for commercial operations	4,160		3,559	
Turnover related to non commercial lets	122		128	
Total Turnover	<u>4,282</u>		<u>3,687</u>	
Expenditure	1,856		995	
Surplus		2,426		2,692

Trading operations are incorporated in the Comprehensive Income and Expenditure Statement.

	2010/11 £'000	2011/12 £'000
Net Surplus on trading operations	2,426	2,692
Net Surplus credited to Financing and Investment Income and Expenditure	<u>2,426</u>	<u>2,692</u>

28. Agency Services

The Council operates three agency agreements as detailed below, the cost of which is fully reimbursable. In the case of verge maintenance the Council undertakes additional cuts.

	2010/11 £'000	2011/12 £'000
WSCC – Verge/shrub maintenance		
Expenditure incurred in providing Verge/shrub maintenance	268	273
Income generated	(275)	(276)
Net	<u>(7)</u>	<u>(3)</u>
Environment Agency – Management of watercourses		
Expenditure incurred in providing watercourse management	43	44
Income generated	(46)	(39)
Net	<u>(3)</u>	<u>5</u>
WSCC – Civil Parking Enforcement		
Expenditure incurred providing Civil Parking enforcement for WSCC	356	381
Income generated	(384)	(486)
	<u>(28)</u>	<u>(105)</u>
Less: Fee payable by WSCC	-	-
Less net income due to WSCC	<u>(28)</u>	<u>(105)</u>

Notes to Main Financial Statements (Continued)

29. Members' Allowances

The Council paid the following amounts to members of the council during the year:

	2010/11 £'000	2011/12 £'000
Salaries	n/a	n/a
Allowances	335	338
Expenses	4	2
Total	339	340

30. Officers' Remuneration & Exit Package

The following table sets out the remuneration paid to the Council's Senior Officers.

		Salary, Fees and Allowances	Benefits in Kind	Expenses Allowances	Compensation for loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive	2011/12	117,656	9,573	-	-	18,117	145,346
	2010/11	113,914	4,940	-	-	16,203	135,057
Director of Resources	2011/12	84,452	1,357	-	-	13,979	99,788
	2010/11	84,853	11,540	-	-	12,771	109,164
Director of Community Services	2011/12	84,263	4,947	-	-	13,988	103,198
	2010/11	84,477	4,767	-	-	12,799	102,043
Director of Environment and Housing	2011/12	84,313	8,655	-	-	13,956	106,924
	2010/11	81,691	5,770	-	-	12,417	99,878
Head of Finance and Procurement (S.151 Officer) End Date 16-03-2011	2011/12	-	-	-	-	-	-
	2010/11	63,314	-	-	91,347	134,197	288,858
Head of Finance, Revenue and Benefits (S.151 Officer) Start Date 17-03-2011	2011/12	71,205	7,090	-	-	11,820	90,115
	2010/11	3,057	187	-	-	465	3,709

Payments have been made during 2011-12 for compensation of lease car benefits to employees who during the year have returned their lease car due to scheme closure and ending of contract. This payment was a lump sum, paid through the payroll system. Where relevant this has been included in the Benefits in kind figure. The scheme closing will generate savings of £273,000 per annum from 2013-14

Notes to Main Financial Statements (Continued)

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

Remuneration Band	Number of Employees 2010/11	Number of Employees 2011/12
£50,000 - £54,999	7	5
£55,000 - £59,999	6	1
£60,000 - £64,999	2	1
£65,000 - £69,999	6	6
£70,000 - £74,999	5	2
£75,000 - £79,999	2	1
£80,000 - £84,999	-	-
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	1

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	
	2010/11 Qty	2011/12 Qty	2010/11 Qty	2011/12 Qty	2010/11 Qty	2011/12 Qty	2010/11 £	2011/12 £
£0 - £20,000	12	26	-	-	12	26	116,140	185,404
£20,001 – £40,000	3	3	-	1	3	4	88,883	116,717
£40,001 – £60,000	1	1	-	-	1	1	42,740	44,479
£60,001 – £80,000	2	-	-	-	2	-	149,898	-
£80,001 – £100,000	-	1	-	-	-	1	-	89,543
£100,001 – £150,000	-	-	-	-	-	-	-	-
£150,001 – £200,000	-	-	-	-	-	-	-	-
£201,000 – £250,000	1	-	-	-	1	-	215,922	-
TOTAL	19	31	-	1	19	32	613,583	436,143

Notes to Main Financial Statements (Continued)

31. External Audit Cost

In 2011/12 the Council incurred the following fees payable to the Audit Commission relating to external audit and inspection:

	Restated 2010/11 £'000	2011/12 £'000
Fees payable to the audit commission with regard to external audit services carried out by the appointed auditor	151	144
Fees payable to the Audit Commission in respect of statutory inspection	-	-
Fees payable to the Audit Commission for the certification of grant claims	35	43
Fees payable to the Audit Commission for the certification of grant claims re: previous years	-	-
Fees payable in respect of other services provided by the appointed auditor	2	-
Total	188	187

During 2010/11, the Commission issued a rebate to the Council of £9,221 against the one-off cost of work relating to the first year implementation of international financial reporting standards (IFRS). In addition, the Commission made a further rebate of £2,260, reflecting the changed approach to local VFM work and a further decrease for IFRS. In 2010/11, the financial statements were shown net of the rebate.

Notes to Main Financial Statements (Continued)

32. Grant Income

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

	2010/11 £'000	2011/12 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,329	1,793
Capital Grants and Contributions	807	903
New Homes Bonus	-	553
Council Tax Freeze Grant	-	171
Preventing Homelessness	-	143
Pathfinder	138	-
Community Cohesion	106	-
Other Grants	41	57
	2,421	3,620
Credited to Services		
Rent Allowance	23,864	24,820
Rent Rebates	18,538	20,144
Council Tax Benefits	8,665	8,945
Benefits Administration	1,005	955
Concessionary Fares	343	-
NNDR Collection	227	219
Priority 2 & 3	118	-
Homeless Strategy	105	10
Streamlined Customer Transactions	74	-
Other Grants	186	137
	53,125	55,230

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver, if the condition is not met. The balance at the year end is £82,124.99.

	2010/11 £'000	2011/12 £'000
Capital Grants Receipts in Advance		
S106 – Transport	916	1,120
S106 – Amenity Space	106	424
S106 – Other Grants	45	235
	1,067	1,779

33. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely within the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 26 reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 32.

Chief Officers and Members

Relevant Chief Officers and Members were canvassed and signed declarations have been obtained from them to ascertain any material transactions with related parties. In the financial year the Voluntary Sector Grants Awarded totalled £654,826 in which eighteen members and one Senior Officer had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

During 2011/12, works and services to the value of £5.88m were commissioned from two companies in which a Senior Officer has declared an interest. Contracts were entered into in full compliance with the council's standing orders.

There are no other material items to report for this year.

Notes to Main Financial Statements (Continued)

34. Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2010/11 £'000	2011/12 £'000
Opening Capital Financing Requirement	(330)	(330)
Capital Investment		
Property, Plant and Equipment	24,795	10,185
Investment Properties	(62)	-
Intangible Assets	56	220
Revenue Expenditure Funded from Capital under Statute	3,343	262,559
Long Term Debtors	94	61
Sources of Finance		
Capital receipts	13,030	3,297
Major Repairs Reserve	10,226	5,883
Government Grants and other contributions	1,048	1,393
Revenue contributions	3,922	2,127
Closing Capital Financing Requirement	(330)	259,995
	2010/11 £'000	2011/12 £'000
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	-	260,325
Increase/(decrease) in Capital Financing Requirement	-	260,325

35. Leases

Council as Lessor

Operating Leases

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

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses.

Notes to Main Financial Statements (Continued)

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

	31 March 2011 (Restated) £'000	31 March 2012 £'000
Not later than one year	2,656	2,773
Later than one year and not later than five years	9,296	9,415
Later than five years	13,761	13,488
	25,713	25,676

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £1,193,848 contingent rents were receivable by the authority (2010/11 £1,083,354).

The comparative figures above have been restated because they previously showed total lease payments receivable rather than the minimum lease payments receivable.

36. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £436,000 (£613,000 in 2010/11). Various staffing reductions were identified via Budget Advisory Group and the breakdown of the £436,000 is as follows:

- Due to restructures within the Resources Directorate, £110,000 was payable in the form of compensation for loss of office and £67,000 in the form of enhanced pension benefits.
- Due to restructures within the Environment & Housing Directorate, £25,000 was payable in the form of compensation for loss of office and £16,000 in the form of enhanced pension benefits.
- Due to restructures within the Community Directorate, £202,000 was payable in the form of compensation for loss of office and £15,000 in the form of enhanced pension benefits.

Notes to Main Financial Statements (Continued)

37. Defined Benefit Pension Scheme

Participation in pension schemes

Employees of Crawley Borough Council may participate in the West Sussex County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Fund is administered by the County Council in accordance with the Local Government Pension Scheme Regulations 1997.

Employees were required to pay a contribution, calculated as a percentage of pensionable earnings, towards their pension. The rate payable is dependent on the pay band each employee falls into, see the table below –

Bands	Percentage
£0 to £12,900	5.5%
£12,901 to £15,100	5.8%
£15,101 to £19,400	5.9%
£19,401 to £32,400	6.5%
£32,401 to £43,300	6.8%
£43,301 to £81,100	7.2%
More than £81,100	7.5%

The Council's contribution is set to meet the balance of the fund liabilities as required under the pension regulations. In 2011/12 the Council made a contribution of £2.50 million, 16.6% of pensionable pay (2010/11 £2.51 million, 13.3%). In addition the Council made a contribution for unfunded benefits of £0.35 million (2010/11 £0.33 million). The agreed contribution rate for future years stands at 16.6% of pensionable pay.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable into the pension fund. The difference between these two amounts is taken to a Pensions Reserve and is included in the reconciling item in the Statement of Movement on General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on General Fund Balance:

	Local Government Pension Scheme	
	2010/11	2011/12
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• current service cost	(3,490)	(2,860)
• past service costs	16,470	(60)
• settlements and curtailments	(200)	(200)
<i>Financing and Investment Income and Expenditure:</i>		
• Interest cost	(9,620)	(7,950)
• Expected return on scheme assets	9,190	9,320
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services:</i>	12,350	(1,750)

Notes to Main Financial Statements (Continued)

Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement

- | | | |
|------------------------------|----------|--------|
| • actuarial gains and losses | (34,860) | 10,870 |
|------------------------------|----------|--------|

<i>Total Post Employment Benefit Charged to Comprehensive Income and Expenditure Statement</i>	<u>(22,510)</u>	<u>9,120</u>
--	-----------------	--------------

Movement in Reserve 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 | (15,190) | (1,100) |
|---|----------|---------|

Actual amount charged against the General Fund Balance for pensions in the year:

- | | | |
|--|----------------|----------------|
| • employers' contributions payable to scheme | <u>(2,840)</u> | <u>(2,850)</u> |
|--|----------------|----------------|

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £22,670,000.

Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	£'000	
	2010/11	2011/12
Opening Liability	(188,040)	(145,460)
Current service cost	(3,490)	(2,860)
Interest cost	(9,620)	(7,950)
Contribution by Members	(1,070)	(1,020)
Actuarial Losses/(Gains)	35,020	(6,130)
Past service costs/ (Gains)	16,470	(60)
Losses / (Gains) on Curtailments	(200)	(200)
Estimated Unfunded Benefits Paid	330	350
Estimated Benefits Paid	5,140	5,500
Closing Balance at 31 March	<u>(145,460)</u>	<u>(157,830)</u>

Notes to Main Financial Statements (Continued)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	£'000	
	2010/11	2011/12
Opening Balance at 1 April	128,560	136,030
Expected Return on Assets	9,190	9,320
Contributions by Members	1,070	1,020
Contributions by Employer	2,510	2,500
Contribution in respect of unfunded benefits	330	350
Actuarial Gains / (Losses)	(160)	(4,740)
Unfunded Benefits Paid	(330)	(350)
Benefits Paid	(5,140)	(5,500)
Closing balance at 31 March	136,030	138,630

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £4.6m (2010/2011: £10.59m).

Scheme history

	2007/08	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	116,930	92,360	128,560	136,030	138,630
Present Value of Defined Benefits Obligation	(118,370)	(116,380)	(188,040)	(145,460)	(157,830)
Surplus / (Deficit)	(1,440)	(24,020)	(59,480)	(9,430)	(19,200)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits.

The total contributions expected to be made to the Local Government Pension scheme by the Council in the year to 31 March 2013 is £2.59m.

Basis of 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 dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robinson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

Notes to Main Financial Statements (Continued)

Local Government Pension Scheme

	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	6.2%
Bonds	4.9%	4.3%
Property	5.5%	4.4%
Other	4.6%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.7	22.7
• Women	24.2	24.2
Longevity at 65 for future pensioners:		
• Men	24.3	24.3
• Women	26.4	26.4
Rate of inflation	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	5.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

	31 March 2011 %	31 March 2012 %
Equities	77	76
Bonds	14	14
Property	7	9
Other assets	2	1
	100	100

Notes to Main Financial Statements (Continued)

History of experience gains and losses

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

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(13.26)	(35.29)	(24.29)	-	(3.4)
Experience gains and losses on liabilities	(0.23)	(0.09)	-	(14.2)	1.3

38. Contingent Liabilities

The Council has entered into indemnity agreements with financial institutions in respect of mortgages granted by the institutions on shared ownership sales of certain Council dwellings. At 31 March 2012, the total amount guaranteed was £1,307,354.

39. Nature and Extent of Risks arising from Financial Instruments

Key Risks

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

- **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 requiring 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 such measures as interest rates movements.

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

Notes to Main Financial Statements (Continued)

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing overs/constitution;
- by approving annually in advance prudential and treasury 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 for exposures to the maturity structure of its debt;
 - 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 in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 23/02/2011 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £10m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £0m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £100m and £40m based on the Council's investments.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

Notes to Main Financial Statements (Continued)

- Credit ratings of Short Term of F1, Long Term A-, Support C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria;
- UK institutions with support from the UK Government;
- Building Societies with assets in excess of £1bn.

The full Investment Strategy for 2011/12 was approved by Full Council on 23/02/2011 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £77,914 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2012 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default & uncollectability at 31 March 2012 £'000	Estimated maximum exposure at 31 March 2011 £'000
AAA	16,359	0.012	0.012	2	-
AA	25,700	0.019	0.019	5	1
A	40,346	0.176	0.176	71	1
BBB	-	-	-	-	4
Unrated	-	-	-	-	2
Customers*	4,746	22.6	22.6	1,074	1,048
Total	<u>87,151</u>			<u>1,152</u>	<u>1,056</u>

*-Excluding statutory debtors-Council Tax/NNDR

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

The Council does not generally allow credit for its customers, such that £1.6m of the £4.7m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011 £'000	31 March 2012 £'000
Less than three months	1,075	746
Three to six months	232	147
Six months to one year	285	164
More than one year	817	513
Total	<u>2,409</u>	<u>1,570</u>

Notes to Main Financial Statements (Continued)

The council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2012 was £0.4m.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding the sums due from customers, is as follows:

	31 March 2011	31 March 2012
	£'000	£'000
Less than 1 year	72,883	61,320
Between 1 and 2 years	5,000	3,386
Between 2 and 3 years	2,404	10,000
More than 3 years	5,000	8,693
Total	<u>85,287</u>	<u>83,399</u>

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- 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 as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Mid Year Review):

Notes to Main Financial Statements (Continued)

	Approved minimum limits	Approved maximum limits	Actual 31 March 2012 £'000	Actual 31 March 2011 £'000
Less than one year	0%	100%	-	-
Between 1 and 2 years	0%	20%	-	-
Between 2 and 5 years	0%	20%	-	-
Between 5 and 10 years	0%	20%	-	-
More than 10 years	0%	100%	260,325	-
Total			<u>260,325</u>	<u>-</u>

Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure statement will rise, and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss was partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Notes to Main Financial Statements (Continued)

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(86)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	<u>(86)</u>
Share of overall impact credited to the HRA	<u>(2)</u>
Decrease in fair value of fixed rate investment assets	318
Impact on Other Comprehensive Income and Expenditure	<u>-</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<u>34,821</u>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 16 – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk

The Council does not generally invest in equity shares or marketable bonds.

Foreign exchange risk

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

40. Heritage Assets: Five-Year Summary of Transactions

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Cost of Acquisitions of Heritage Assets	20	-	-	-	-
Value of Heritage Assets Acquired by Donation	-	-	-	-	-
Disposals of Heritage Assets					
- Carrying Value	-	-	-	-	-
- Proceeds	-	-	-	-	-
Impairment recognised in the period	-	-	-	-	-

Notes to Main Financial Statements (Continued)

41. Heritage Assets: Change in Accounting Policy Required by the Code of Practice for Local Authority Accounting in the United Kingdom

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

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see Note 1 (xi) on Page 36).

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment at £51,000 should now be recognised as heritage assets and measured at £51,000. These assets relate to a number of public works of art that are situated throughout the borough.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of Heritage Assets is presented at its valuation at £51,000. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £51,000.
- The fully restated 1 April 2010 Balance Sheet is provided on page 26. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	2010/11 Statements £'000	Restatement £'000	Adjustments Made £'000
Property, Plant and Equipment	705,159	705,107	(52)
Heritage Assets	-	52	52

Comprehensive Income and Expenditure Statement

There has been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

Movement in Reserve Statement

There has been no restatement of any of the lines of the Movement in Reserves Statement.

Notes to Main Financial Statements (Continued)

The resulting restated Balance sheet for 31 March 2011 is provided on page 26. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2011

	2010/11 Statements £'000	Restatement £'000	Adjustments Made £'000
Property, Plant and Equipment	552,042	551,990	(52)
Heritage Assets	-	52	52

Housing Revenue Account – Income and Expenditure Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rent to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised is shown in the Movement on the HRA Statement.

2010/11 £'000		2011/12 £'000
	Expenditure	
9,455	Repairs and Maintenance	9,935
7,601	Supervision and Management	8,401
869	Rent Rebates	697
14,537	Subsidy Payable to the Secretary of State (Note 7)	16,283
-	Settlement Payment to Government for HRA Self-Financing (Note 10)	260,325
294	Increased provision for bad & doubtful debts	157
4,543	Depreciation & Impairments of non-current assets (Note 5)	4,482
148,166	Revaluation Losses (Note 6)	20,981
185,465	Total Expenditure	321,261
	Income	
(35,744)	Dwelling Rents (Note 8)	(37,741)
(1,756)	Non-dwelling Rents (gross)	(1,807)
(1,981)	Charges for Services and Facilities	(2,497)
-	Contributions towards expenditure	-
-	HRA Subsidy Receivable	-
(39,481)	Total Income	(42,045)
145,984	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	279,216
(1,932)	HRA services' share of Corporate and Democratic Core	-
-	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services	-
144,052	Net Income for HRA Services (cost if positive)	279,216
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(817)	(Gain) or loss on sale of HRA non-current assets	234
-	Interest payable and similar charges	68
(73)	Interest and Investment Income	(35)
-	Non-specific grant income	(100)
143,162	(Surplus) or deficit for the year on HRA services	279,383

Movement on the HRA Statement

2010/11 £'000			2011/12 £'000
(3,130)	Balance on HRA at the end of the previous year		(1,286)
143,162	(Surplus) or deficit for the year on the HRA income and expenditure statement	279,383	
(141,401)	Adjustment between accounting basis and funding basis under regulation (note 9)	(279,667)	
1,761	Net (increase) or decrease before transfers to or from reserves	(284)	
83	Transfers to or (from) reserves	13	
1,844	(Increase) or decrease in year on the HRA		(271)
(1,286)	Balance on the HRA at the end of the current year		(1,557)

Notes to the Housing Revenue Account

1. Housing Stock

The Council was responsible for over 8,100 dwellings in 2011/12. The stock at the year-end was made up as follows:

	31 March 2011	31 March 2012
Houses	4,543	4,528
Flats and Maisonettes	3,011	3,026
Bungalows	438	438
Hostels – lettable units	103	61
Number of rented units	<u>8,095</u>	<u>8,053</u>
Shared Ownership *	124	118
Total Stock	<u>8,219</u>	<u>8,171</u>

*Shared ownership properties are owned in part by the Council. A rent, based on the proportion of the dwelling owned by the Council is charged to the occupier who is also responsible for maintaining the property.

The change in stock can be summarised as follows:

	2010/11	2011/12
Stock at 1 April	8,250	8,219
Less Sales	(22)	(22)
Demolitions/Disposals	(9)	(42)
Add New Build	-	16
Acquisitions	-	-
Stock at 31 March	<u>8,219</u>	<u>8,171</u>

2. Stock Valuation

The following statement shows the value of HRA assets in the Balance Sheet. Valuation of land and buildings are carried out externally by Wilks Head Eve Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies.

	31 March 2011 £'000	31 March 2012 £'000
Property, Plant and Equipment:		
Council	438,952	422,794
Other Land and Buildings	20,366	16,611
Vehicles, Plant & Equipment	18	13
Investment Properties	764	765
Intangible Assets	45	35
Total	<u>460,145</u>	<u>440,218</u>

Notes to the Housing Revenue Account (Continued)

The vacant possession value of dwellings within the Council's HRA, excluding hostels, as at 1 April 2011 was £1,302 million (£1,312 million in April 2010). The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rents.

3. Major Repairs Reserve (MRR)

Authorities are required to set up a Major Repairs Reserve, and to transfer into it a sum not less than the Major Repairs Allowance (MRA). The MRA is calculated as part of the HRA subsidy and indicates the resources needed to maintain the value of the housing stock over time. In 2011/12, the Major Repair Allowance was £6,021,878 (2010/11: £5,875,659).

	31 March 2011 £'000	31 March 2012 £'000
Balance on MRR 1 April 2011	4,500	149
Transfer from Capital Adjustment Account	4,543	4,483
Amounts transferred to HRA in year		
Excess of Major Repairs Allowance over depreciation on dwellings	1,635	1,816
Depreciation on HRA assets other than dwellings	(303)	(277)
Financing of capital expenditure	(10,226)	(5,883)
Balance on MRR 31 March 2012	<u>149</u>	<u>288</u>

4. Capital Expenditure

Capital expenditure on land, houses and other property within the Council's HRA during the financial year was as follows:

		£'000
Opening Capital Financing Requirement		-
Capital Investment		
Enhancements to Council Housing	6,227	
Other Capital Expenditure	16	
Acquisition of Council Dwellings	1,231	
Revenue Expenditure Funded from Capital under Statute	<u>260,325</u>	267,799
Sources of Finance		
Usable Capital Receipts	743	
Revenue Contribution to Capital	260	
Major Repairs Reserve	5,883	
Government Grant and Other Contributions	588	(7,474)
Closing Capital Financing Requirement		<u>260,325</u>

Notes to the Housing Revenue Account (Continued)

	£'000	£'000
A summary of capital receipts is as follows:		
Capital Receipts		
Sale of Houses	2,729	
Less Pooled Housing Capital Receipts	(2,007)	722
Miscellaneous HRA Land Sales		4
		<u>726</u>

5. Depreciation & Impairment of Non-Current Assets

Depreciation charges for council dwellings within the HRA amounted to £4,205,289. Depreciation on other HRA assets amounted to £277,236. No impairment charges were applied to HRA assets during the financial year, giving a total charge for depreciation and impairment losses of £4,482,525.

6. Revaluation Losses an Exceptional Item in 2010/11

During 2010/11 there was an increase of £99m to vacant possession value of dwellings within the HRA. However, the value shown in the Statement of Accounts is the existing use value – Social Housing which is 32% of the vacant possession value. In 2009/10 this adjustment was 45%. The reduction resulted in a revaluation loss of £172 million. Of this £148 million is recognised in the surplus/deficit on the provision of services and £24 million recognised in the revaluation reserve.

7. Government Subsidy

Housing Revenue Account subsidy is based on a notional Housing Revenue Account which takes into consideration certain notional costs relating to repairs, management and maintenance, capital financing costs and other minor items of expenditure. Notional income, mainly from rent and interest is deducted from the total notional expenditure and any resultant surplus is required to be transferred to the Secretary of State under the Local Government Act 2003. In 2011/12, the Council paid £16,283,304 to the Secretary of State from the HRA to meet these requirements.

Prior to 2005/06, rent rebates were also included within the notional Housing Revenue Account. This resulted in a small deficit on the notional account and therefore, subsidy was payable to the Council by the Secretary of State. From 2005/06, the Local Government Act 2003 moved the funding of rent rebates from the HRA to the General Fund and subsidy for rent rebates is received from the Department of Work and Pensions directly into the General Fund. However, the subsidy only covers the cost of rent rebates up to the level of the notional rent (determined by the Secretary of State). The element of rent rebates for rents above the notional level is met by the HRA. In 2011/12, the amount paid by the HRA to the General Fund was £696,621.

Notes to the Housing Revenue Account (Continued)

8. Rent Arrears

Rent arrears at the end of the financial year totalled £1,245,725 (£1,328,176 in 2010/11). Provision of £705,678 (£634,317 in 2010/11) for bad or doubtful debts has been made in the balance sheet.

9. Adjustments between Accounting Basis and Funding Basis under Regulation

Note 7 of the main financial statements include details of the adjustments in relation to the HRA.

10. Settlement Payment to Government for HRA Self-Financing

The HRA reform is contained within the Localism Act. From 28th March 2012 the way that council housing is financed moved from annual subsidies controlled by central government to a locally devolved one. For Crawley we had to pay 'negative subsidy' to the government - £16.3m in 2012/13.

The revised arrangements result in us no longer paying 'negative subsidy' to the Government. Instead the Council was required to take on debt.

As part of this reform, Crawley took on a debt settlement of £260.325m. This debt was borrowed from the Public Works Loans Board (PWLb), representing a portfolio of fixed rate loans ranging from 10 to 26 years.

11. Transfer to or from reserves

The transfer to or from reserves is detailed within the Movement in Reserves Statement and Notes 8 and 22 of the main financial statements.

Collection Fund

1.	Income and Expenditure Account	Notes	2010/11 £'000	2011/12 £'000
	Income			
	Council Tax	3	53,986	54,884
	Business Rates (NNDR) due	2	103,078	107,069
	Total Income		157,064	161,953
	Expenditure			
	Precepts and Demands on the Fund	4	53,923	54,324
	Business Rate			
	- payment due to National Pool	2	102,859	106,852
	- contribution to cost of collection		220	217
	Bad and doubtful debts (Council Tax)		150	85
	Total Expenditure		157,152	161,478
	Surplus/(Deficit) for Year		(88)	475
2.	Fund Balance			
	Deficit Brought Forward		199	(82)
	Add Surplus for the Year		(88)	475
	Less Surplus/(Deficit) Distributed			
	Council Tax			
	- Crawley Borough Council		(30)	(18)
	- West Sussex County Council		(146)	(111)
	- Sussex Police Authority		(17)	(13)
	Balance at the End of the Year		(82)	251
	Balance relates to:			
	Community Charge Surplus		-	-
	Council Tax Surplus/(Deficit)	1	(82)	251
			(82)	251

Notes to the Collection Fund

1. General

The Collection Fund is a statutory account administered separately by the Council as the billing authority for the area. The account reflects income due from the Council Tax payers, Non-Domestic Rate payers, residual Community Charge payments and the distribution of such sums.

The year-end surplus or deficit on the Council Tax element of the Collection Fund must be distributed between billing and precepting authorities in the following financial years. This in turn will reduce/increase the relevant authority's requirement from the Collection Fund in future years. Surpluses and deficits relating to Community Charge are retained by the Council to reduce its demand on the Collection Fund. The balance as at 31 March 2012 will be distributed as follows:

	£'000
Retained by Crawley Borough Council	
- Council Tax Surplus	(32)
Due from	
- West Sussex County Council	(196)
- Sussex Police Authority	(23)
	<u>(251)</u>

2. Income from Business Rates (NNDR)

Business Rates are set by the Government but collected locally by the Council. The amount collected is paid into a central pool administered by the Government after the deduction of an allowance towards collection costs. The Government specifies a uniform rate in the pound (43.3p for 2011/12) which is multiplied by the rateable value for each property to arrive at the charge per property for the year. For businesses that qualify for Small Business Rate Relief, the rate multiplier was 42.6p for 2011/12. At year-end, the total rateable value was £263 million.

3. Income from Council Tax

This figure represents the total Council Tax due for the year compiled as follows:

	£'000
Council Tax benefits paid by the General Fund	8,846
Balance payable by Council Tax Payers	<u>46,038</u>
Total Council Tax due for year	<u>54,884</u>

Each domestic property has been placed by the Inland Revenue into one of eight bands according to April 1991 valuations. The Council Tax due from each property varies according to the band it has been placed into. Band D has been assumed to be the national average with A having the lowest tax and H the highest. Statutory discounts relating to particular circumstances such as single occupancy reduce the Council Tax charged for relevant properties. An estimate of the Council Tax to be collected after allowing for discounts, changes in valuation, new properties and bad debts is made prior to the commencement of the year. This estimate is converted to a Band D equivalent number of properties described as the Council Tax Base. The figures for 2011/12 are shown in the following table.

Notes to the Collection Fund (Continued)

Band	Number of Properties (a)	Net Properties (b)	Ratio to Band D	Equivalent Number of Band D
A	801	692	6/9	461
B	6,434	5,535	7/9	4,305
C	20,634	18,595	8/9	16,529
D	8,309	7,700	9/9	7,700
E	3,678	3,476	11/9	4,248
F	2,155	2,019	13/9	2,916
G	444	420	15/9	700
H	12	5	18/9	11
				36,870
				(368)
				36,502

Less provision for bad debts

Council Tax Base

Notes

(a) Number of properties per October 2010 valuation list.

(b) Net properties after allowing for discounts and other estimated charges.

To arrive at the Council Tax payable per band, the precepts and demands on the fund are divided by the estimated Council Tax Base to arrive at a Band D charge for the year. Other bands are calculated pro rata to Band D by the proportions shown in the table above.

The Band D charge for the year was £1,488.24.

The Council Tax Surplus for the year was £474,909.43.

4. Precepts and demands from County and District

The Collection Fund is required to meet in full during the financial year precept and demands made on it by precepting authorities and this Council. Demands made on the 2011/12 Collection Fund are shown below:

	2010/11 £'000	2011/12 £'000
West Sussex County Council	42,102	42,415
Sussex Police Authority	5,015	5,053
Crawley Borough Council	6,806	6,856
	53,923	54,324

Glossary of Terms

Accounting Period

The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st March.

Accounting Policies

Accounting Policies are the specified principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its financial statements

Accounting Standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practice.

Accruals

The concept that income is accounted for when it is earned and expenditure when it is incurred, rather than when the money is received or paid.

Actuarial Gains and Losses

The changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with actuarial assumptions made for the last valuation (experience gains or losses), or
- (b) the actuarial assumptions have changed

Actuarial Valuation

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Agency Arrangements

Services which are performed by or for another Authority or public body, where the agent is reimbursed for the cost of the work done.

Amortisation

A term that applies to Intangible Assets and Capital Grants. It is an accounting adjustment that spreads the cost of an asset over its useful life.

Amortised Cost

The amortised cost of a financial asset or a financial liability is

- the amount at which the financial asset or financial liability is measured at initial recognition (usually "cost")
- minus any repayments of principal
- minus any reduction for impairment or uncollectibility, and
- plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.

Amortisation is calculated using the **effective interest method**.

Appropriations

The transfer of resources between various revenue reserves.

Area Based Grant

Area based grant is a non ring fenced general grant allocate directly to the Council.

Glossary of Terms (Continued)

Asset

An item having value to the authority in monetary terms. Assets are categorised as either current or fixed:

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A **fixed** asset provides benefits to the Council and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

Asset Register

A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

Audit Commission

The body responsible for the appointment of external auditors to local authorities, co-ordinating audits throughout the country, setting standards and carrying out Comprehensive Performance Assessments (CPAs).

Audit of Accounts

The audit of the accounts of an audited body comprises all work carried out by auditors in accordance with the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Available for Sale Financial Asset

An available for sale financial asset is a non derivative financial asset that is not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Balance Sheet

A Statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Benefit Payable during Employment

Benefits payable during employment covers:

- Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees but payable 12 months or more after the end of the reporting period, such as disability benefits.

Budget

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives

Capital Adjustment Account

The capital adjustment account provides a specific accounting mechanism to reconcile the different rates at which assets are depreciated under the Code and are financed through the capital controls system. Statute required that the charge to the General Fund Balance is determined by the capital control system.

Capital Expenditure

Glossary of Terms (Continued)

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

Capital Financing

This term describes the method of financing capital expenditure, the principal methods now being, capital receipts, the Major Repairs Reserve, government grants and revenue contributions.

Capital Programme

The capital schemes the Council intends to carry out over a specified period of time.

Capital Receipts

Monies received from the sale of assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

Carrying Amount

The carrying amount is the amount at which an asset is recognised in the Balance Sheet after deducting any accumulated depreciation and accumulated impairment losses.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

CIPFA

Chartered Institute of Public Finance and Accountancy

Collection Fund

The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business Rates are paid.

Community Assets

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

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting costing the year of providing services in accordance with generally accepted practices, rather than the amount to be funded from taxation.

Consistency

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

Contingent Asset

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

Contingent Liabilities

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the

Glossary of Terms (Continued)

occurrence of one or more uncertain future events not wholly within the Council's control; or

- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

These are the activities that a local authority engages in specifically because it is a democratically elected division making body. These are over and above what a private company would have if it were providing similar services. These costs are not apportioned to services but are shown separately. Examples of costs are Councillors' allowances, committee support and time spent by professional officers in giving policy advice.

Creditors

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

Current Asset

A current asset is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Council expects to realise the asset within 12 months after the reporting date.

Current Liability

A current liability is an amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

Current Service (Pensions) Cost

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

Curtailment

Curtailments will show the cost of the early payment of pensions benefits if any employee has been made redundant in the previous financial year.

Debtors

Sums of money due to the Council but not received at the end of the financial year.

Deferred Capital Receipts

This represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

Defined Benefit Scheme

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

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Glossary of Terms (Continued)

Depreciation

A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts.

Derivatives

Derivatives are securities or financial instruments whose value is derived from another, underlying asset.

Earmarked Reserves

These are amounts set aside for a specific purpose or a particular service, to meet future liabilities, for which it is not appropriate to establish provisions.

Effective Interest Method

This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument (either through to maturity or to the next re-pricing date) to the net carrying amount at initial recognition, i.e. a constant rate on the carrying amount. The effective interest rate is sometimes termed the level yield to maturity (or the next re-pricing date), and is the internal rate of return of the financial asset or liability for that period.

Equity

The Council's value of total assets less total liabilities.

Events after Balance Sheet Date

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

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

Expected Rate of Return on Pensions Assets

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

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Fixed Assets in the Balance Sheet.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from

Glossary of Terms (Continued)

straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

Fixed Assets

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

General Fund

The General Fund is the main revenue account of the Council which provides the finance for all of its services other than council housing (e.g. leisure services, environmental services etc).

Going Concern

Going Concern defines that the functions of the Council will continue in operational existence for the foreseeable future.

Government Grants

Grants made by the government 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.

Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Historic Cost

The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

Housing Revenue Account

Local authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing.

Impairment

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

Income

Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

Intangible Assets

Fixed assets that do not have physical substance, e.g. computer software licences

Interest Cost (Pensions)

The expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Interest on pension scheme liabilities

The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Internal control

The whole system of controls, financial and otherwise, that is established in order to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Glossary of Terms (Continued)

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards advise the accounting treatment and disclosure requirement of transactions so that the Council's accounts present fairly the financial position of the Council. IFRS applies to local authorities with effect from 1 April 2010.

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pensions Fund)

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

Investment Property

Investment property is property (land or a building) held solely to earn rentals or for capital appreciation.

LABGI – Local Authority Business Growth Incentive Grant

A Government grant payable to Councils for the growth, over a year, in the value of Non-domestic Rateable values in the area.

LASAAC

Local Authority (Scotland) Accounts Advisory Committee.

Liability

A liability is where the Council owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

Major Repairs Reserve

The major repairs reserve records the unspent balance of Housing revenue account (HRA) subsidy paid to the Council in the form on the Major Repairs Allowance.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Movement in Reserves Statement

Glossary of Terms (Continued)

The movement in reserves statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves and other reserves.

National Non-Domestic Rate (NNDR)

The rates paid by businesses. The amount paid is based on the rateable value set by the Inland Revenue multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of relevant population.

Negative Subsidy

If the Housing Revenue Account subsidy produces a result, which assumes that the Council's income is higher than its expenditure, a 'Negative Subsidy' situation arises. In this case the Council must pay an amount equivalent to the notional surplus, from its Housing Revenue Account to the government.

Net Book Value

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

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in realising the asset.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor and the annual rent is charged to the relevant service account.

Operational Assets

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

Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in the revaluation surplus; actuarial gains and losses on defined benefit plans; and gains and losses on the re-measuring available-for-sale financial assets.

Outturn

Actual income and expenditure in a financial year.

Past Service Costs

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

Pension Scheme Liabilities

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

Pooling Arrangements (Capital Receipts)

Glossary of Terms (Continued)

Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the Government; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Post Balance Sheet Events

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

Precepts

Amounts which the Borough Council is required to raise from Council Tax on behalf of other authorities.

Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with a physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and which are expected to be used during more than one period.

Provision

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

Prior Year Adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PWLB (Public Works Loans Board)

The PWLB is part of the Government Debt Management Organisation.

Rateable Value

The annual assumed rental value of a hereditament (normally a building), which is used for NDR purposes.

Related Parties

There is a detailed definition of related parties in IAS 24. For the Council's purposes, related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

Related Party Transactions

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Residual Value

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

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary

Glossary of Terms (Continued)

redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

Day to day expenses, mainly salaries and wages, general running costs and debt charges.

Revenue Expenditure funded from Capital under Statute

Revenue expenditure funded from capital under statute is revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of a fixed asset. Items generally include grants, advances and financial assistance to others, expenditure on property not owned by the Council and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Revenue Support Grant

Central Government Grant towards the cost of local authority services.

Right to Buy

The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the government under pooling arrangements.

Scheme Liabilities

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

Service Reporting Code of Practice (SeRCOP)

SeRCOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Code), by establishing practice for consistent reporting. It provides guidance in three key areas

- The definition of total cost
- Trading accounts
- Service expenditure analysis

Soft Loan

A loan made interest free or at a rate less than the market rate, usually for policy reasons. Such loans are often made to individuals or organisations that the Council considers benefits the local population.

SOLACE

Society of Local Authority Chief Executives.

Specific Government Grants

Central Government financial support towards particular services which is 'ring fenced', i.e. can only be spent on a specific service area or items.

Stocks

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

Temporary Borrowing

Temporary borrowing is a sum of money borrowed for a period of less than one year.

Transfer Payments

Glossary of Terms (Continued)

A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

Usable Capital Receipts

Holds the proceeds of fixed assets sales available to meet future capital investment. These capital receipts are held in this reserve until such time they are used to finance capital expenditure.

VAT

Value-added tax: a tax levied on the difference between the cost of materials and the selling price of a commodity or service.

Write-Offs

Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off