STATEMENT OF ACCOUNTS

2011 / 2012

Stafford
BOROUGH COUNCIL

CONTENTS

Explanatory Foreword

This Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2011/12, which requires that it presents a true and fair view of the financial position of Stafford Borough Council for the year ended 31 March 2012.

This Statement of Accounts contains several statements and these are summarised below:

Explanatory Foreword	This document is presented as a foreword to the Statement of Accounts to fulfil a similar purpose to a directors' report in company accounts. It provides a guide for the reader of the accounts to the most significant aspects of the Council's financial performance, year-end financial position and cash flows.
Statement of Responsibilities for the Statement of Accounts	This statement sets out the responsibilities of the Council and the Chief Financial Officer (the Deputy Chief Executive) in respect of the Statement of Accounts.
Movement in Reserves Statement	This statement provides a summary of the changes that have taken place in the Council's reserves over the financial year by analysing the increase or decrease in net worth as a result of: • incurring expenses and generating income; • movements in the fair value of the Council's assets; and • movements between reserves according to statutory provisions.
Comprehensive Income and Expenditure Statement	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice.
Balance Sheet	This statement summarises the Council's financial position as at 31 March each year. It shows the value of the assets and liabilities recognised by the Council and how they have been financed.
Cash Flow Statement	This statement summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year.
Notes to the Financial Statements	Notes are provided to assist in the interpretation of the accounts (for example the first note details the Council's Accounting policies), to provide further disclosures required by the Code of Practice and to provide additional information that is not presented elsewhere that will help the reader to understand the accounts.
Collection Fund	As a billing authority, the Council is required to provide this statement which summarises the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.
Glossary	Explains the technical terms contained within the Statement of Accounts.

Explanatory Foreword

Local Authority accounts are prepared on an International Financial Reporting Standards (IFRS) basis. IFRSs are a suite of accounting standards used across the world that are seen as best practice and allow for international comparisons to be made. The statements that follow the explanatory foreword have therefore been prepared on an IFRS basis.

The **Movement in Reserves Statement** on page 14 reveals that the Council's usable reserves have reduced from £17.382 million on 31 March 2011 to £16.557 million on 31 March 2012, a decrease of £0.825 million. Usable reserves have decreased primarily as a result of an increase in capital expenditure being funded from reserves (£0.873 million).

The **Comprehensive Income and Expenditure Statement** on page 16 reveals an increase in the net cost of services year on year of £10.903 million (2011/12 £16.043 million and 2010/11 £5.140 million). This is primarily as a result of a one-off credit item being recorded in the 2010/11 Comprehensive Income and Expenditure Statement to recognise the change introduced by the government in June 2010 to link pensions increases to the Consumer Prices Index rather than the Retail Prices Index.

An increase in the Council's share of the Staffordshire County Council pension fund's liabilities of £5.967 million is recorded in the actuarial losses on pension liabilities line of the Comprehensive Income and Expenditure Statement as a result of the pensions fund actuary's valuation assumptions being less favourable for 2011/12 than they were in 2010/11. This results in a change of £13.562 million year on year. This coupled with the impact of the change from RPI to CPI in 2010/11 has led to an increase in total comprehensive income and expenditure of £28.207 million year on year.

The significant increase in the Council's share of the pension fund's liabilities is also the biggest change to report following the compilation of the Council's **Balance Sheet** on page 17. The combined effect of the factors mentioned above relating to the Council's share of the pension fund's liabilities serves to increase the value of the Council's share of the pension fund's liabilities by £6.846 million and therefore has had a considerable negative impact on the Council's overall net worth.

The **Cash Flow Statement** on page 18 summarises flows of cash in and out of the Council's bank accounts. The change in the value of cash and cash equivalents year on year (£0.829 million) relates primarily to changes in investing and financing activities detailed in notes 27 and 28 on page 53.

Overview of Portfolio Spending

The following pages provide a brief overview of the financial position of the Council for 2011/12, in terms of the Council's management accounting framework, rather than the statutory IFRS framework.

Revenue spending

The General Fund records all the day-to-day spending on Council services. The net cost of services contained within the General Fund are met primarily from central government funds and from income derived from the Council Tax payers within the Borough.

The Government provides our main source of income in the form of general and specific grants. It also determines the amount of business rates we receive. Band D Council Tax was frozen at £150.73 for the second year running.

The Council set a net revenue budget for 2011/12 of £13.362 million. The actual spend was £307,000 (2.3%) less than budgeted. The table overleaf sets out the net revenue spending and financing compared with the budget for the year:

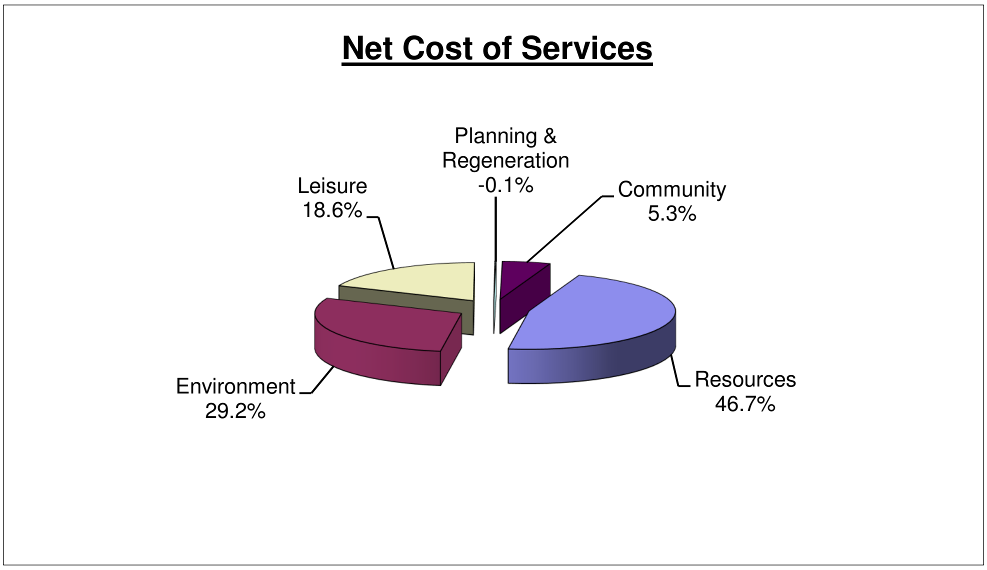
	Budget £000	Actual £000	Variation £000
Portfolio Budgets	13,818	13,622	(196)
Interest payable	120	84	(36)
Investment income	(350)	(307)	43
Technical items	(226)	(344)	(118)
Net Revenue Budget	**13,362**	**13,055**	**(307)**
Financed by:			
Formula Grant	(6,474)	(6,474)	-
Council Tax income	(6,888)	(6,888)	-
Transfer to Working Balance	-	307	307
Total financing	**(13,362)**	**(13,055)**	**307**

The table above shows the budget anticipated net expenditure of £13.362 million, to be principally funded from Central Government (£6.474 million) and from Council Taxpayers (£6.888 million).

The actual position shows that net expenditure was £307,000 lower than budgeted. This was principally due to the reduced net cost of the Waste and Recycling service (£201,000), better than expected income from Council Tax court costs (£189,000), better than expected income from the New Homes Bonus grant (£122,000), additional income from the department of Health to cover the costs of hosting the Stafford Hospital Public Inquiry (£172,000), offset by reduced income from car parking (£299,000) and planning fees (£113,000).

Investment income was £43,000 less than the budget as a result of continuing low interest rates available on the investment market. Technical items include recharges to the capital account for staff salaries and the Council's statutory annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The overall position resulted in the transfer of £307,000 to the General Fund working balance.

The table above provides a simplified version of the Comprehensive Income and Expenditure Account which appears later in this booklet. The Comprehensive Income and Expenditure Account includes accounting items required under the Code of Practice but which do not affect the actual movement in the General Fund balance as shown in the above table and therefore presents the same financial information but includes further accounting entries to comply with the Code.



Financial performance against Budget in 2011/12

Portfolio expenditure was £196,000 lower than the budget. The **principal variances** on each portfolio are ((+) is an unfavourable variance (-) is a favourable variance):

Environment

- Waste and Recycling – costs associated with the waste collection and recycling contract were less than anticipated by £136,000(-). Additionally, income from recycling credits was better than expected by £91,000(-) which contributed to an overall saving of £201,000(-) on the Waste and Recycling service.

Leisure

- Leisure Centres – Income across the Council's Leisure Centres was better than anticipated by £40,000(-) primarily owing to an increase in gym membership at Stafford Leisure Centre and additional income from swimming at Alleyne's Sports Centre.
- Stafford Gatehouse Theatre – improved ticket sales net of additional costs of promotions amounted to £30,000(-).

Planning and Regeneration

- Development control – reduced planning fee income owing to the economic climate amounted to £113,000(+).
- Parking – income on parking was less than the budget due to the economic climate by £299,000(+).
- Borough Markets – income from markets was also less than anticipated as a result of the economic climate by £97,000 (+).
- The shortfall in income across the portfolio was partially offset by reduced operating costs.

Resources

- Public Buildings – additional income received from the Department of Health for hosting Stafford Hospital Inquiry at the Civic Centre amounted to £172,000(-).
- Revenues & Benefits – reduced net cost of benefits paid of £66,000 (-) and additional court fee income due to enforcement action of £189,000(-).

Other significant matters

The UK economy remains a difficult environment following the significant downturn in 2008 with relatively high unemployment and restricted bank lending impacting on both corporate investment and consumer spending. The commercial property market has followed these dynamics and remains subdued.

The revaluation of the Council's assets provided by Lambert Smith Hampton, the Council's valuers, reflects the sluggish property market mainly due to the shortage of bank funding and continued economic uncertainty. During 2011/12 the market has remained sluggish although there have been signs of a slow recovery.

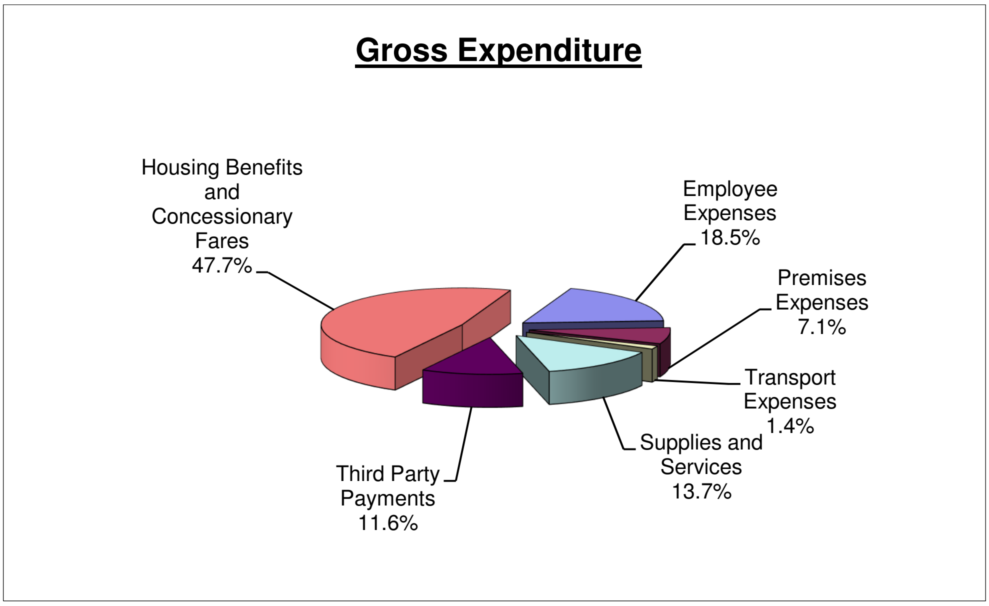
Bridge Street Car Park remained closed in 2011/12 as a result of structural problems. The value of this car park is therefore valued at a nominal value of £1 in the accounts. The car park is expected to be demolished in the Summer of 2012 as part of the redevelopment of the Riverside site.

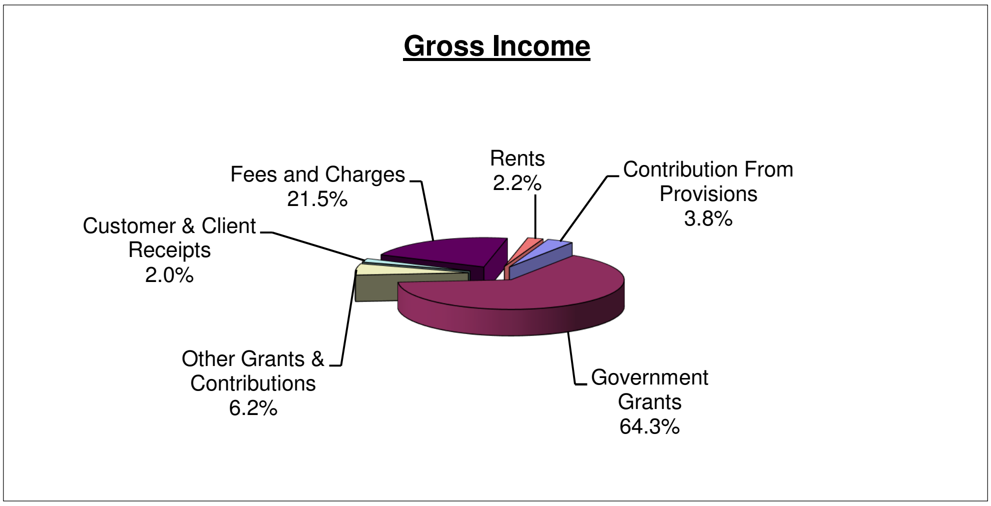
Shared services – sharing services with Cannock Chase District Council as a means of increasing efficiency and resilience for both councils gathered pace in 2011/12. Finance, Legal and Human Resources were established as shared services on 1 April 2011.

The Council repaid its Public Works Loans Board (PWLB) borrowing of £3 million when it matured in November 2011. Other long-term debt stands at £198,000 (being longstanding mortgage loans with Royal London Assurance).

Local Authority Mortgage Scheme - the Council is participating in the Local Authority Mortgage Scheme and therefore placed a 5 year deposit of £2 million with Lloyds TSB Banking Group in November 2011, being the overall value of the indemnity being provided by this cash backed scheme. The scheme effectively assists eligible first time buyers in the Borough to access a low deposit mortgage facility. The £2 million deposited (plus interest) is due to be returned in full at maturity in November 2016. The funds will be classed as a capital receipt when they are returned. The scheme has in 2012/13 so far, completed 3 mortgages with a further 2 in the pipeline.

The economic situation has continued to impact on interest rates. The Bank base rate remained at an historic low of 0.5% all year. This adversely affects the amount of interest that can be earned on the Council's cash investments. As a result of the investment strategy a number of investments were made for fixed terms at more advantageous interest rates although the target cash return for the year unsurprisingly was not met.





Future issues facing the Council

The Council plans its finances over a medium term 4 year rolling period for revenue and capital and it includes all known financial pressures that it faces over the medium term in its Financial Plan. Finances are sound now and the Council continues to plan for future spending pressures.

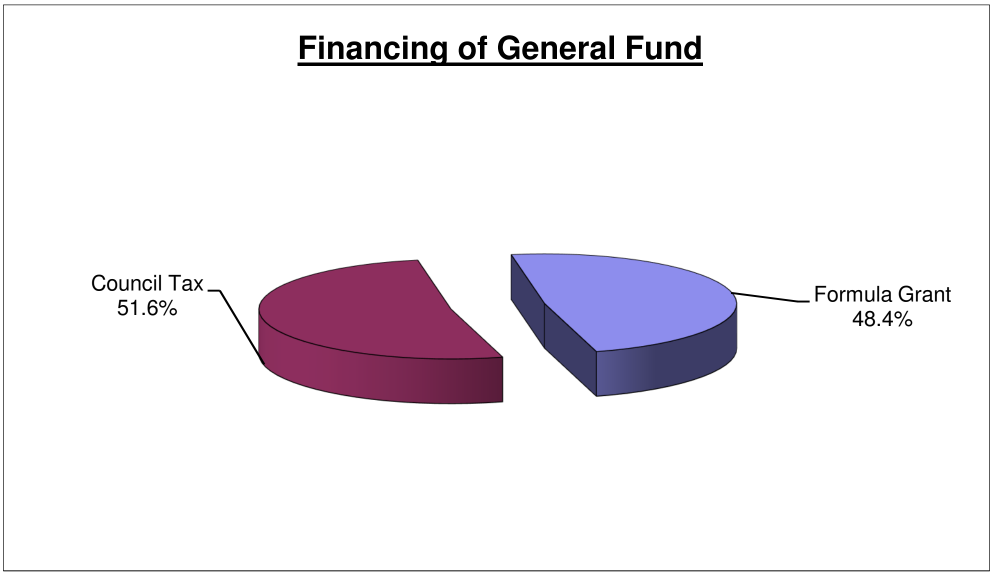
As part of its financial planning the Council identifies its key financial risks to ensure they are taken into account when considering the budget. Some of the key issues facing the Council in the future are:

- Central government funding – The government has made considerable cuts in public spending and most local authorities have implemented a freeze in Council Tax levels for 2012/13 for the second year running. This will inevitably lead to the Council being under pressure to deliver services within an extremely challenging financial settlement;

- Income levels – a number of main income streams are subject to demand, in particular leisure services, parking, bereavement services and planning, and in 2011/12 some have shown a marked deterioration due to the wider economic situation. The Council has limited means to address issues of demand however income is an area that receives particular budget monitoring attention;

- Interest rates – the amount of investment income the Council receives from its cash investments is dependent on the level of interest rates. Any overall decrease in rates will reduce income. An increase or decrease in interest rates of 0.5% changes investment income by about £100,000, although the bank rate is not now expected to increase until early 2014 and may even be cut in the short term;

- Inflationary pressures – inflation has been running above the Bank of England's target rate but is slowly decreasing. However there is concern it may return to a higher level in the medium term.



Planned future developments

Over the next three years the Council will be investing in adaptations to disabled housing at a cost of £2.9 million. Other areas of investment include upgrading the Crematorium to reduce mercury emissions as well as continuing improvements to Rowley Park. Funding has also been identified for a number of projects that help realise the planned housing growth across the Borough jointly with Staffordshire County Council.

Reconfiguration of the ground floor of the Civic Centre is also planned in 2012/13 for retail purposes, thus generating additional rental income.

The Council will also continue to transform services and seek improvements in efficiency by working with neighbouring Councils (particularly Cannock Chase District Council) to share resources to deliver services that the community require.

Collection Fund

The overall amount of Council Tax required by the precepting authorities to be collected through the Council's Collection Fund was £65.836 million, with the Borough Council's element being £6.888 million and £0.727 million required by Parish Councils in the Borough.

The detailed Collection Fund accounts show the overall position for the year in relation not only to Council Tax but also to the collection of National Non Domestic Rates on behalf of Central Government.

The net position on the Collection Fund for the year was a surplus of £61,000, which after taking account of previous years' deficits, leaves a net deficit on the fund of £237,000 at 31 March 2012.

Reserves

The Council holds the following reserves:

- General Fund balance – the balance at 1 April 2011 was £1.486 million and this was increased during 2011/12 to £1.793 million at 31 March 2012. The Council's policy is to retain a minimum General Fund balance of £1 million to cover contingencies and emergencies. £0.231 million has been set aside to support the budget in 2012/13 and the balance of £0.562 million can be used to support future years' budgets.
- Earmarked Reserves – In addition to the General Fund balance the Council maintains earmarked reserves that are held for specific purposes. They are provided to meet future and known commitments, support the budget in the future and, in some cases, to spread expenditure over a number of years. At 1 April 2011, earmarked reserves stood at £11.752 million and reduced to £10.554 million at 31 March 2012.

Pensions

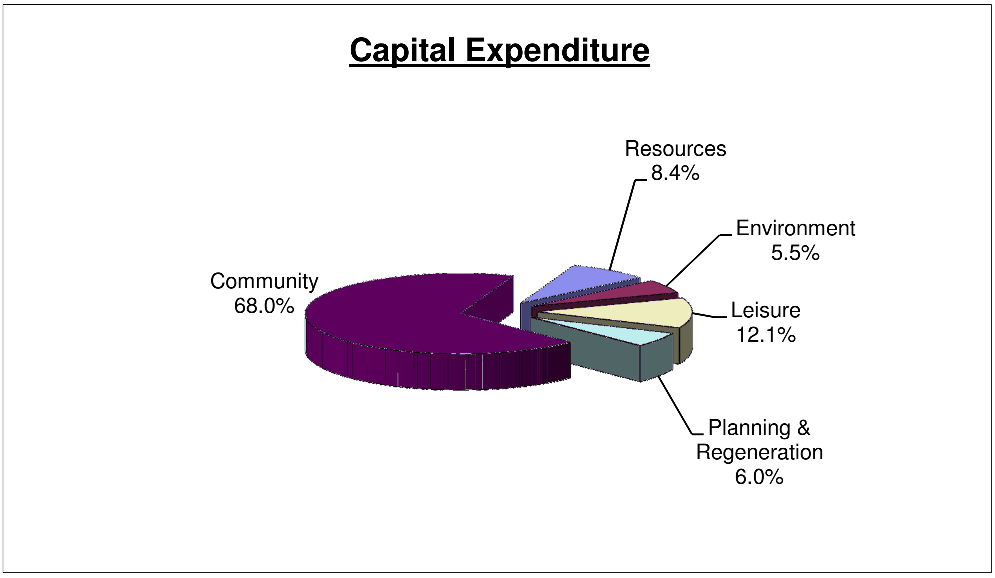
Councils are required to account for pension costs to show any deficit, or surplus, on the Pension Fund in the balance sheet. The fund is administered by Staffordshire County Council and the actuarial valuation at 31 March 2012 showed the Council's share of the fund to be a deficit of £38.171 million, an increase in the deficit of £6.846 million over the figure for the previous year. This generally reflects less favourable financial assumptions made by the fund's valuers, Hymans Robertson .This is primarily as a result of falling bond yields and poor asset returns. The combined effect of these factors served to increase the value of the Council's share of the fund's liabilities as at 31 March 2012 and thus has had a negative impact on the Council's balance sheet position. This has no impact on the level of Council Tax. The remaining deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

Capital Expenditure

The Council approves the Capital Programme for the financial year as part of the budget process and the amount that can be spent is limited by the amount of capital resources available to the Council.

Many of the schemes within the Capital Programme take some time to develop and implement, the detailed programme can experience many changes. Considerable variation can therefore arise over the 18 month period from the time the Capital Programme for the financial year is initially considered, right through to the end of March of the relevant year.

The Council spent £4.145 million on capital projects in 2011/12 which was £1.788 million less than the budget of £5.933 million. The main reason for the difference in 2011/12 is scheme slippage where the scheme will proceed later than planned and the expenditure will occur in a future year.

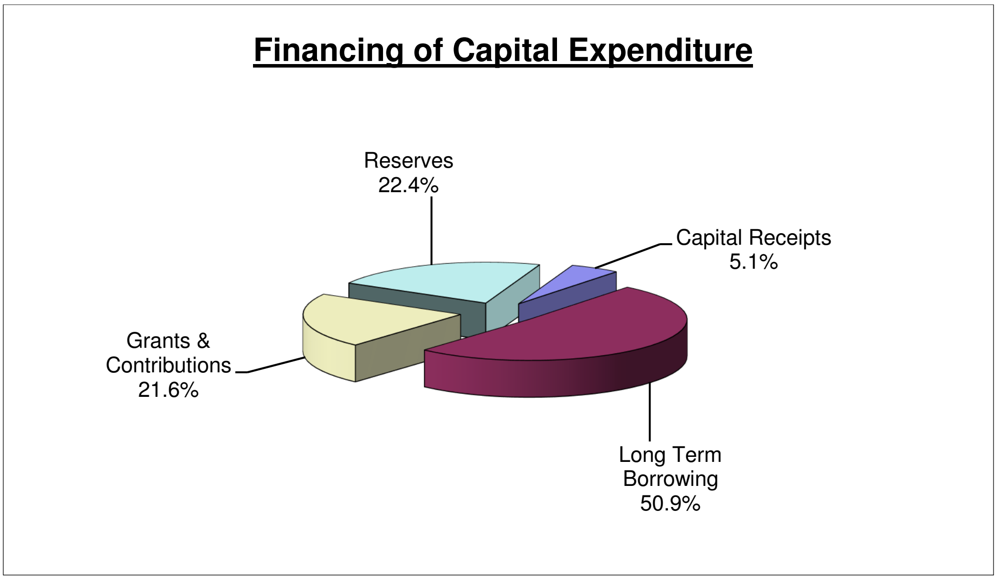


The major items of capital spend in the year were:

- **£2,000,000** on providing support to eligible first time homebuyers in the Borough through the Local Authority Mortgage Scheme;
- **£721,000** on the provision of grants for disabled adaptations in homes and other grants to improve private sector housing;
- **£503,000** on improvements to leisure facilities including the play facilities at Victoria Park;
- **£221,000** for the upgrade of IT hardware and software;
- **£220,000** on regeneration projects funded from the Growth Fund;
- **£125,000** on the installation of solar panels at the Civic Centre;
- **£101,000** on Streetscene equipment.

The capital programme of £4.145 million was financed in the following way:

	£'000
Capital receipts	212
Capital grants	895
Contributions from reserves	927
Loan	2,111
Total	**4,145**



After financing the capital programme the Council has approximately £7.7 million of available capital resources to finance the future capital programme to 2014/15 and help deliver its priorities.

Treasury Management

The Council borrowed £3 million from the PWLB on 22 October 2008 in accordance with the borrowing strategy, which identified an underlying need to borrow to finance capital spending. This loan was for a period of 3 years at a rate of 4.11% and was therefore repaid in full when it matured in October 2011. No new long term borrowing was undertaken in 2011/12. Other long-term debt stands at £0.198 million (being longstanding mortgage loans with Royal London Assurance).

During most of 2011/12 investment decisions were driven by cash flow considerations and funds placed in business reserve accounts for easy access. However opportunities were also taken to place funds in higher interest bearing investments when cash flow requirements would allow. The average investment balance in 2011/12 was £22.3 million (£24.0 million in 2010/11). Interest receipts increased marginally to £0.319 million in 2011/12 from £0.293 million in 2010/11.

CERTIFICATION OF ACCOUNTS
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The 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 Deputy Chief Executive with S151 responsibilities;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Deputy Chief Executive with S151 Responsibilities

The Deputy Chief Executive 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 of Practice").

In preparing this Statement of Accounts, the Deputy Chief Executive has:

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

The Deputy Chief Executive has also:

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

Certification by Deputy Chief Executive

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2012.

M Vickers .... Date 17/08/2012

M Vickers BA (Econ) CPFA - Deputy Chief Executive

* this certificate replaces the previous version signed on the 28 June 2012

Certification by the Chairman of the Accounts and Audit Committee

I certify that the Statement of Accounts relating to the year ended 31 March 2012 was considered and approved by the Audit and Accounts Committee of the Council on 11 September 2012.

W R Simpson .... Date 11/09/2012

Councillor W R Simpson - Chairman of the Audit and Accounts Committee

The original signed certificate is held in Financial Services

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2011	**(1,486)**	**(11,752)**	**(1,974)**	**(2,170)**	**(17,382)**	**(2,529)**	**(19,911)**
Movement in reserves during 2011/12							
(Surplus)/deficit on the provision of services	3,013				3,013		3,013
Other Comprehensive Income and Expenditure	5,868				5,868		5,868
Total Comprehensive Income and Expenditure	**8,881**	**-**	**-**	**-**	**8,881**	**-**	**8,881**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(7,990)		(274)	208	(8,056)	8,056	-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	**891**	**-**	**(274)**	**208**	**825**	**8,056**	**8,881**
Transfers to/from Earmarked Reserves (Note 8)	(1,198)	1,198			-		-
(Increase)/Decrease in 2011/12	**(307)**	**1,198**	**(274)**	**208**	**825**	**8,056**	**8,881**
Balance at 31 March 2012	**(1,793)**	**(10,554)**	**(2,248)**	**(1,962)**	**(16,557)**	**5,527**	**(11,030)**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2010	**(1,149)**	**(10,161)**	**(3,701)**	**(1,131)**	**(16,142)**	**15,557**	**(585)**
Movement in reserves during 2010/11							
(Surplus)/deficit on the provision of services	(10,696)				(10,696)		(10,696)
Other Comprehensive Income and Expenditure	(8,630)				(8,630)		(8,630)
Total Comprehensive Income and Expenditure	**(19,326)**	**-**	**-**	**-**	**(19,326)**	**-**	**(19,326)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	17,398	-	1,727	(1,039)	18,086	(18,086)	-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	**(1,928)**	**-**	**1,727**	**(1,039)**	**(1,240)**	**(18,086)**	**(19,326)**
Transfers to/from Earmarked Reserves (Note 8)	1,591	(1,591)			-		-
(Increase)/Decrease in 2010/11	**(337)**	**(1,591)**	**1,727**	**(1,039)**	**(1,240)**	**(18,086)**	**(19,326)**
Balance at 31 March 2011	**(1,486)**	**(11,752)**	**(1,974)**	**(2,170)**	**(17,382)**	**(2,529)**	**(19,911)**

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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.

2010/11 Gross Expend £000	2010/11 Gross Income £000	2010/11 Net Expend £000		2011/12 Gross Expend £000	2011/12 Gross Income £000	2011/12 Net Expend £000
9,845	10,932	(1,087)	Central services to the public	10,185	10,880	(695)
9,450	4,726	4,724	Cultural and Related Services	9,265	4,523	4,742
8,836	3,654	5,182	Environmental & Regulatory Services	8,840	3,483	5,357
3,500	1,047	2,453	Planning and Development Services	3,127	684	2,443
24,924	22,672	2,252	Housing services	26,272	23,125	3,147
1,258	2,328	(1,070)	Highways and transport services	2,150	2,263	(113)
1,815	547	1,268	Concessionary Fares	-	-	-
1,623	-	1,623	Corporate and democratic core	1,592	-	1,592
(10,272)		(10,272)	Pensions past service cost	-	-	-
67	-	67	Non-distributed costs	127	-	127
51,046	45,906	5,140	**Cost of Services**	61,558	44,958	16,600
		323	Other operating expenditure (Note 9)			263
		1,763	Financing and investment income and expenditure (Note 10)			1,377
		(17,922)	Taxation and non-specific grant income (Note 11)			(15,227)
		(10,696)	**(Surplus) / Deficit on Provision of Services**			**3,013**
		(1,035)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 24)			(99)
		-	Impairment losses on non-current assets charged to the Revaluation Reserve			-
		(7,595)	Actuarial (gains)/losses on pension assets/ liabilities (Note 24)			5,967
		(8,630)	**Other Comprehensive Income and Expenditure**			**5,868**
		(19,326)	**Total Comprehensive Income and Expenditure**			**8,881**

BALANCE SHEET

The Balance Sheet shows the value as at 31 March 2012 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example 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'.

31 March 2011 £000		Notes	31 March 2012 £000
36,847	Property, Plant & Equipment	12	35,207
590	Heritage Assets	13	590
1,830	Investment Property	14	1,830
529	Intangible Assets	15	493
11	Long Term Investments	16	11
148	Long Term Debtors	16	2,155
39,955	**Long Term Assets**		**40,286**
15,073	Short Term Investments	16	11,082
40	Inventories	17	74
6,956	Short Term Debtors	18	4,572
376	Cash and Cash Equivalents	19	1,205
22,445	**Current Assets**		**16,933**
(3,000)	Short Term Borrowing	16	-
(4,462)	Short Term Creditors	21	(4,429)
(413)	Grants Receipts in Advance-Revenue	36	(352)
-	Provisions	22	(283)
(7,875)	**Current Liabilities**		**(5,064)**
(2,071)	Long Term Creditors	39	(1,683)
(206)	Long Term Borrowing	16	(198)
(31,325)	Other Long Term Liabilities	42	(38,171)
(1,012)	Grants Receipts in Advance-Capital	36	(1,073)
(34,614)	**Long Term Liabilities**		**(41,125)**
19,911	**Net Assets**		**11,030**
(17,382)	Usable Reserves	23	(16,557)
(2,529)	Unusable Reserve	24	5,527
(19,911)	**Total Reserves**		**(11,030)**

CASH FLOW STATEMENT

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

2010/11 £000		2011/12 £000
(10,696)	Net (surplus) or deficit on the provision of services	3,013
5,327	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	(4,143)
2,145	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	1,150
(3,224)	Net cash flows from Operating Activities	20
3,283	Investing Activities (Note 27)	(1,531)
783	Financing Activities (Note 28)	682
842	Net (increase) / decrease in cash and cash equivalents	(829)
1,218	Cash and cash equivalents at the beginning of the reporting period	376
376	**Cash and cash equivalents at the end of the reporting period (Note 19)**	1,205

NOTES TO THE ACCOUNTS

1. Accounting Policies

(i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

In compiling the disclosure notes the Council has given due regard to materiality and therefore detailed disclosures are not given for items below £50,000 unless there is a statutory override. The general principle used for rounding is to the nearest £000's.

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.
The authority operates a de minimus for accruals of £100. 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 or payable on borrowings is accounted for respectively as income and expenditure on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are 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

Where 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 year 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 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. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(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 leased cars) for current employees are recognised as an expense for services in the year in which employees render the service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, 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 holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Staffordshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

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

- The liabilities of the Staffordshire County Council (SCC) pension fund attributable to the Council are included on 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 an appropriate discount rate determined by the actuary.

- The assets of the SCC 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 funds 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 results 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 SCC pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

(viii) Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events

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

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

(ix) Financial Instruments

Financial 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 two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market

- available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate 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/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.

(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 where 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 transferred to the transferor.

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

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

Community Infrastructure Levy

The Council has the statutory powers to charge a levy on new builds (chargeable developments for the Council), at present the Council has not elected to charge a Community Infrastructure Levy.

(xi) Heritage Assets

Tangible and Intangible Heritage Assets

The Council's heritage assets comprise the Civic Regalia, art collection held at the Civic Centre and collections held across the heritage sites. The collections are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. 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 as detailed below.

Civic Regalia

These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed every five years.

Art Collection at Civic Offices

These items are reported in the Balance Sheet based on the latest valuation available which for this item is an insurance valuation.

Heritage Sites Collections

These items are reported in the Balance Sheet based on the latest valuation available which for this item is a formal valuation.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg. where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see note xviii in this summary of significant accounting policies). The Council may occasionally dispose of heritage assets if unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xviii 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 and development 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. 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 sale proceeds greater than £10,000) the Capital Receipts Reserve.

(xiii) Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

(xiv) Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(xv) 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 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 arms-length. They are not depreciated but are revalued annually at market value. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

(xvi) Leases

Leases are classified as finance leases where the lease terms 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 building elements are considered separately for classification.

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and expenditure Statement. Credits are made on a straight-line basis over the life 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.

(xvii) Overheads and Support Services

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

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic 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.

(xviii) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred. The de minimus value for items to be treated as capital expenditure is £20,000.

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in 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:

- infrastructure, community assets - depreciated historical cost (DHC)
- assets under construction - cost
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. 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 life of the property as estimated by the valuer
- vehicles, plant and equipment - straight-line allocation on historic cost over 5 years or over the period of the lease
- infrastructure - straight-line allocation on historic cost over 25 years

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. The Council has established a de minimus threshold in relation to componentisation of £1 million or 10% of the total asset value.

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 losses previously 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 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 and are 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.

(xix) 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 with 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.

(xx) 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.

(xxi) 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.

(xxii) 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.

(xxiii) Carbon Reduction Commitment Scheme

This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is not currently required to participate as it does not consume the energy level thresholds required.

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

IFRS7 Financial Instruments: Impact of the Adoption of the New Standard on the 2012/13 Financial Statements

The Code of Practice on Local Authority Accounting in the United Kingdom, 2011/12 Code Update has introduced a change in accounting policy in relation to the treatment of financial instruments. This 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 a new standard that has been issued, 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 a new standard in these (2011/12) Financial Statements.

As this change relates to disclosures, this will not require a change to the balance sheet and it is not considered that this will have a material impact on the financial statements of the Council.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- **Future levels of government funding**
  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.

- **Asset valuation**
  The Council holds a number of shops and properties which could be classified as either investment properties and therefore valued at market value, or operational assets which would be valued using existing use valuation techniques. The existing use value would be a lower figure than market value.

  In determining the appropriate basis the Council has considered the primary purpose of holding the assets and determined that the properties are held for regeneration purposes and therefore are not investment properties.

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 as at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by £539,000 for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. 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. The actuary has provided sensitivity information about the effects of changes in assumptions. For a 0.5% decrease in the real discount rate there would be an increase in the employer liability of approximately 9% (£9,117m). An increase in member life expectancy of 1 year would be an increase in the employer liability of approximately 3% (£3,011m). For a 0.5% increase in the salary increase rate there would be an increase in the employer liability of approximately 2% (£2,472m). For a 0.5% increase in the pension increase rate there would be an increase in the employer liability of approximately 7% (£6,591m). However, the assumptions interact in complex ways. During 2011/12 the Council's actuaries advised that the net pensions liability had reduced by £1.6m as a result of estimates being corrected as a result of experience and decreased by £4.5m attributable to updating of assumptions.
Sundry debt arrears	At 31 March 2012 the Council's balance of sundry debts was £1,331,000. A review of significant balances suggested that an impairment of doubtful debts of 71% was appropriate (£942,000). However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £13,000 to set aside as an allowance.
Council tax arrears	At 31 March 2012 the Council's share of the council tax debtors included in the councils accounts was £317,000. A review of significant balances suggested that an impairment of doubtful debts of 39% (£123,000) was appropriate However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £3,000 to set aside as an allowance.

5. Material Items of Income and Expense

The Code requires that where items are not disclosed on the face of the Comprehensive Income and Expenditure Account, that the nature and amount of material items should be disclosed in a note to the accounts. The material items of income and expenses for 2011/12 are as follows:

There has been an increase in the net cost of services of £10.9m, this is primarily due to the following;

	£000
Change in Pensions past service cost	10,332
Reduced impairment charge	430
Reduced Fleming income	644
Reduction in Vat Shelter receipts	262
Concessionary Fares now transferred to SCC	(1,272)
Shared Service savings	(322)
Shared Service provision	283
Elections held in 2011/12	134
Reduction in Safer and Stronger Communities Grant	179
Other changes	233
	10,903

6. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive on 28 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 2011/12 in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2011/12	Usable Reserves General Fund Balance £000	Capital Receipts 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	(2,746)			2,746
Revaluation losses on Property Plant and Equipment to Revaluation Reserve	12			(12)
Revaluation losses on Property Plant and Equipment to Net Cost of Services	99			(99)
Amortisation of intangible assets	(119)			119
Capital grants and contributions applied	594			(594)
Revenue expenditure funded from capital under statute	(1,067)			1,067
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	-			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	560			(560)
Capital Expenditure charged against the General Fund	927			(927)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	93		(93)	
Application of grants to capital financing transferred to the Capital Adjustment Account			301	(301)
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	358	(358)		
Use of the Capital Receipts Reserve to finance new capital expenditure		212		(212)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(128)		128
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	105			(105)

2011/12 continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Usable Reserves			
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 42)	(8,351)			8,351
Employer's pension contributions and direct payments to pensioners payable in the year	1,505			(1,505)
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	7			(7)
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	33			(33)
TOTAL ADJUSTMENTS	**(7,990)**	**(274)**	**208**	**8,056**

2010/11	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Usable Reserves			
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	(2,859)			2,859
Revaluation losses on Property Plant and Equipment to Revaluation Reserve	1,035			(1,035)
Revaluation losses on Property Plant and Equipment to Net Cost of Services	442			(442)
Amortisation of intangible assets	(47)			47
Capital grants and contributions applied	1,040			(1,040)
Revenue expenditure funded from capital under statute	(1,129)			1,129
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	(101)			101

2010/11 continued	Usable Reserves: General Fund Balance £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	672			(672)
Capital Expenditure charged against the General Fund	99			(99)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,111		(1,111)	
Application of grants to capital financing transferred to the Capital Adjustment Account			72	(72)
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	492	(492)		
Use of the Capital Receipts Reserve to finance new capital expenditure		2,229		(2,229)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(5)	5		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(15)		15
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 42)	14,981			(14,981)
Employer's pension contributions and direct payments to pensioners payable in the year	1,564			(1,564)
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	117			(117)
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	(14)			14
TOTAL ADJUSTMENTS	**17,398**	**1,727**	**(1,039)**	**(18,086)**

8. Transfers to/from Earmarked Reserves

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

	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:							
Corporate	(4,564)	506	(1,353)	(5,411)	2,681	(2,140)	(4,870)
Environment Portfolio	(332)	14	(185)	(503)	95	(68)	(476)
Community Portfolio	(54)	41	-	(13)	13	(230)	(230)
Planning & Regeneration Portfolio	(494)	131	(50)	(413)	86	(63)	(390)
Leisure Portfolio	(465)	90	(229)	(604)	211	(93)	(486)
Resources Portfolio	(454)	273	(158)	(339)	132	(414)	(621)
Grants	(1,422)	562	(506)	(1,366)	800	(201)	(767)
VAT Shelter	(2,042)	(7)	(811)	(2,860)	977	(547)	(2,430)
Insurance Reserve	(334)	141	(50)	(243)	27	(68)	(284)
TOTAL	**(10,161)**	**1,751**	**(3,342)**	**(11,752)**	**5,022**	**(3,824)**	**(10,554)**

Corporate reserves relate to monies earmarked for future budget support, provision for future maintenance and windfalls from Fleming backdated VAT claims.

Amounts set aside in Portfolio reserves primarily arise from unavoidable delays in projects which will be delivered during the 2012/13 financial year.

In accordance with best practice, the grants reserve relates to external funding received for which no condition exists for repayment but has not yet been spent.

The VAT shelter reserve relates to income received as part of the housing stock transfer agreement. The receipts can be used to support either revenue or capital spend.

The Council's self insurance reserve meets insurance liabilities in respect of its obligations as an employer, liability to the public and for Council property, limited to the first £5,000 (£10,000 for Employer's Liability) of every claim up to £100,000. The level of the fund is reviewed once every 3 years by external advisors.

9. Other Operating Expenditure

2010/11 £000		2011/12 £000
708	Parish council precepts	727
(385)	(Gains)/Losses on the disposal of non-current assets	(464)
323	**TOTAL**	**263**

10. Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
741	Interest payable and similar charges	636
1,160	Pensions interest cost and expected return on pensions assets	875
(293)	Interest receivable and similar income	(319)
155	(Gain) / loss on trading accounts (Note 31)	236
-	Other Investment Income	(51)
1,763	**TOTAL**	**1,377**

11. Taxation and Non Specific Grant Incomes

2010/11 £000		2011/12 £000
(7,594)	Council tax income	(7,622)
(7,645)	Non domestic rates	(4,945)
(1,146)	Non-ringfenced government grants	(1,973)
(1,537)	Capital grants and contributions	(687)
(17,922)	**TOTAL**	**(15,227)**

12. Property, Plant and Equipment

Movements on Balances

Movements in 2011/12	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2011	31,301	9,244	3,167	618	16	422	44,768
Additions	512	410	25	28	-	20	995
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	59	-	-	-	-	-	59
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(89)	-	-	-	-	(10)	(99)
Derecognition - disposals	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held For Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	373	-	-	-	-	(373)	-
at 31 March 2012	**32,156**	**9,654**	**3,192**	**646**	**16**	**59**	**45,723**
Accumulated Depreciation and Impairment							
at 1 April 2011	(1,190)	(5,296)	(1,435)	-	-	-	(7,921)
Depreciation charge	(1,106)	(1,337)	(127)	-	-	-	(2,570)
Depreciation written out to the Revaluation Reserve	41	-	-	-	-	-	41
Depreciation written out to the Surplus/ Deficit on the Provision of Services	22	-	-	-	-	-	22
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(88)	-	-	-	-	-	(88)
Derecognition - disposals	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
at 31 March 2012	**(2,321)**	**(6,633)**	**(1,562)**	**-**	**-**	**-**	**(10,516)**
Net Book Value							
at 31 March 2012	**29,835**	**3,021**	**1,630**	**646**	**16**	**59**	**35,207**
at 31 March 2011	**30,111**	**3,948**	**1,732**	**618**	**16**	**422**	**36,847**

Movements in 2010/11	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2010	30,401	7,989	3,146	573	14	121	42,244
Additions	604	1,293	21	35	-	388	2,341
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	476	-	-	-	1	-	477
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15)	-	-	-	1	(4)	(18)
Derecognition - disposals	(71)	(38)	-	-	-	-	(109)
Derecognition - other	(150)	-	-	-	-	-	(150)
Assets reclassified (to)/from Held For Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	56	-	-	10	-	(83)	(17)
at 31 March 2011	**31,301**	**9,244**	**3,167**	**618**	**16**	**422**	**44,768**
Accumulated Depreciation and Impairment							
at 1 April 2010	(851)	(4,015)	(1,309)	-	-	-	(6,175)
Depreciation charge	(1,089)	(1,311)	(126)	-	-	-	(2,526)
Depreciation written out to the Revaluation Reserve	526	-	-	-	-	-	526
Depreciation written out to the Surplus/ Deficit on the Provision of Services	184	-	-	-	-	-	184
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(88)	-	-	-	-	-	(88)
Derecognition - disposals	2	30	-	-	-	-	32
Derecognition - other	126	-	-	-	-	-	126
Other movements in depreciation and impairment	-	-	-	-	-	-	-
at 31 March 2011	**(1,190)**	**(5,296)**	**(1,435)**	**-**	**-**	**-**	**(7,921)**
Net Book Value							
at 31 March 2011	**30,111**	**3,948**	**1,732**	**618**	**16**	**422**	**36,847**
at 31 March 2010	**29,550**	**3,974**	**1,837**	**573**	**14**	**121**	**36,069**

Depreciation

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

- Other Land and Buildings - 15-70 years
- Vehicles, Plant, Furniture & Equipment - straight line on historic cost over 5 years or period of the lease
- Infrastructure - straight line on historic cost over 25 years

Capital Commitments

At 31 March 2012, the Council has not entered into any contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years. Similar commitments at 31 March 2011 were £405,000.

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. Land and Buildings are subject to detailed valuation every 5 years. The valuations are carried out by the external valuer, Lambert Smith Hampton (Director TD Sandford BSc MRICS).

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- In respect of the Civic Centre the valuation is based on the assumption that the freehold title is vested with the Council, in spite of the fact they occupy the premises on a leasehold basis and pay a full market rent for the property.
- The apportionment between land and buildings has been undertaken in accordance with RICS Valuation Standards by deducting the value of the land for existing use from the valuation with the residual sum being the depreciable amount attributable to the building.
- In the appraisal of useful life regard is had to the Council's continuing use of the asset being equal to the physical and economic life of the building assuming a programme of reasonable maintenance.
- The Depreciated Replacement Cost (DRC) method has been applied to a significant number of the properties valued as these assets are rarely, if ever, sold and therefore can be classified as specialised properties where there is limited, if any, evidence of market transactions.

	Other Land and Buildings	**Vehicles, Plant, Furniture and Equipment**	**Surplus Assets**	**Total**
	£000	**£000**	**£000**	**£000**
Carried at historical cost	-	3,021	-	3,021
valued at fair value as at:				
31 March 2008	12,380	-	16	12,396
31 March 2009	5,737	-	-	5,737
31 March 2010	6,650	-	-	6,650
31 March 2011	4,163	-	-	4,163
31 March 2012	905	-	-	905
Total Cost or Valuation	**29,835**	**3,021**	**16**	**32,872**

13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council

	Civic Regalia	Art collection at Civic Offices	Collections at Heritage Sites	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
1 April 2011	236	81	273	590
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-
Depreciation	-	-	-	-
31 March 2012	**236**	**81**	**273**	**590**

	Civic Regalia	Art collection at Civic Offices	Collections at Heritage Sites	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
1 April 2010	173	81	273	527
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	63	-	-	63
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-
Depreciation	-	-	-	-
31 March 2011	**236**	**81**	**273**	**590**

Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets 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 24)

In applying the new accounting policy, the Council has recognised £590,000 in respect of heritage assets that were not previously recognised in the Balance Sheet with a corresponding increase in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £527,000 and the Revaluation Reserve has increased by £527,000.

- The adjustments that have been made to the fully restated 1 April 2010 Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010 £000	**Restatement £000**	**Restatement required to opening balances as at 1 April 2010 £000**
Heritage Assets	-	527	527
Long Term Assets	38,226	527	38,753
Total Net Assets	58	527	585
Unusable Reserves	16,084	(527)	15,557
Total Reserves	(58)	(527)	(585)

Comprehensive Income and Expenditure Statement

During 2010/11, the civic regalia was revalued at £236,000, an increase of £63,000. The increase in valuation is credited to the Revaluation Reserve and reflected in the Comprehensive Income and Expenditure Account in the line (Surplus) or Deficit on Revaluation of Property, Plant and Equipment assets. The previously reported figure for 2010/11 was a surplus of 972,000 and therefore the restated figure for 2010/11 is a surplus of £1,035,000.

Movement in Reserves Statement - Unusable Reserves 2010/11

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

	As Previously Stated 31 March 2011 £000	**As Restated 31 March 2011 £000**	**Restate-ment 2011 £000**
Balance as at the end of the previous reporting period - 31 March 2010	16,084	15,557	(527)
Surplus or Deficit on the Provision of Services	**-**	**-**	-
Other Comprehensive Income and Expenditure	-	-	-
Adjustments between the accounting basis and the funding basis under regulations	(18,023)	(18,086)	(63)
Increase/(decrease) in the year	**(18,023)**	**(18,086)**	**(63)**
Balance at the end of the current reporting period 31 March 2011	**(1,939)**	**(2,529)**	**(590)**

The resulting restated Balance Sheet for 31 March 2011 is provided on Page 17. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

	As Previously Stated 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement 2011 £000
Heritage Assets	-	590	590
Long Term Assets	39,365	39,955	(590)
Total Net Assets	19,321	19,911	(590)
Unusable Reserves	(1,939)	(2,529)	590
Total Reserves	(19,321)	(19,911)	590

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £590,000 on the Balance Sheet resulting in an increase to the Revaluation Reserve of £590,000.

14. Investment Properties

The Council holds one asset as an investment property which relates to land at Chell Road, Stafford. The asset is held solely for capital appreciation and there are no rentals or operating expenses receivable in relation to this asset. The asset value of £1.83 million has remained unchanged from 2010/11 to 2011/12 and no additions, disposals or transfers have occurred. The land is leased to J Sainsburys plc on a long lease (125 years) and there is therefore a restriction on disposal.

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. The intangible assets currently relate only to purchased licences as the council does not currently have any internally generated intangible assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

Due to the low value of the Council's intangible asset amortisation a detailed disclosure of where the charge is made to the Comprehensive Income and Expenditure account is not provided.

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

2010/11 Total £000		2011/12 Total £000
	Balance at start of year:	
233	Gross carrying amounts	655
(80)	Accumulated amortisation	(126)
153	**Net carrying amount at start of year**	**529**
	Additions:	
405	Purchases	83
17	Reclassified from Assets under Construction	-
(46)	Amortisation for the period	(119)
529	**Net carrying amount at end of year**	**493**
	Comprising:	
655	Gross carrying amounts	738
(126)	Accumulated amortisation	(245)
529		**493**

The table below shows the amortisation profile of the intangible assets, where the carrying value of individual assets are above £100,000 they are detailed separately.

	Carrying Amount	
	31 March 2012	**31 March 2011**
Remaining Amortisation Period	**£000**	**£000**
1 Year	2	3
2 Years	40	3
3 Years	30	61
4 Years	338	40
5 Years	83	422
	493	**529**

The amount contained within 4 years includes an amount of £301,000 for the Revenues and Benefits software.

The Council revalues intangible assets where there is an active market, however it is currently considered that there is no active market for the software held and they have consequently not been revalued.

16. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2012 £000	**31 March 2011 £000**	**31 March 2012 £000**	**31 March 2011 £000**
Investments				
Loans and receivables	-	-	11,082	15,073
Available-for-sale financial assets	11	11	-	-
Total Investments	11	11	11,082	15,073
Debtors				
Loans and receivables	2,155	148	-	-
Financial assets carried at contract amounts	-	-	2,803	2,402
Total Debtors	2,155	148	2,803	2,402

	Long Term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Borrowings				
Financial liabilities at amortised cost	198	206	-	3,000
Total Borrowings	198	206	-	3,000
Other Long Term Liabilities				
Finance lease liabilities	1,683	2,071	389	430
Total Other Long Term Liabilities	1,683	2,071	389	430
Creditors				
Financial liabilities carried at contract amount	-	-	4,316	4,365
Total Creditors	-	-	4,316	4,365

Reclassifications

There were no reclassifications of financial instruments during 2011/12.

Financial Instruments Gains and Losses

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

Income, Expense, Gains and Losses

2011/12	**Financial Liabilities measured at amortised cost** £000	**Financial Assets: Loans and Receivables** £000	**Total** £000
Interest expense	84	-	**84**
Total expense in Surplus or deficit on the Provision of Services	**84**	**-**	**84**
Interest income	-	(319)	**(319)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(319)**	**(319)**
Net gain/(loss) for the year	**84**	**(319)**	**(235)**

2010/11	**Financial Liabilities measured at amortised cost** £000	**Financial Assets: Loans and Receivables** £000	**Total** £000
Interest expense	154	-	**154**
Total expense in Surplus or deficit on the Provision of Services	**154**	**-**	**154**
Interest income	-	(293)	**(293)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(293)**	**(293)**
Net gain/(loss) for the year	**154**	**(293)**	**(139)**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long terms 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, new loan borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;

- For loans receivable, prevailing benchmark 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 2012 Carrying Amount £000	31 March 2012 Fair Value £000	31 March 2011 Carrying Amount £000	31 March 2011 Fair Value £000
PWLB Debt	-	-	3,000	3,091
Non-PWLB Debt	198	286	206	275
Trade Creditors	4,316	4,705	4,795	4,795
Total Debt	4,514	4,991	8,001	8,161
Long-term creditors	1,683	1,683	2,071	2,071
Total Financial Liabilities	6,197	6,674	10,072	10,232

The fair value of the liabilities 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 rates available for similar loans in the market at the Balance Sheet date.

	31 March 2012 Carrying Amount £000	31 March 2012 Fair Value £000	31 March 2011 Carrying Amount £000	31 March 2011 Fair Value £000
Fixed Term Deposits < 1 yr	11,082	11,123	15,073	15,095
Long Term Debtors	2,155	2,155	148	148
Trade Debtors	2,803	2,803	2,402	2,402
Total Loans and Receivables	**16,040**	**16,081**	**17,623**	**17,645**

The differences between carrying amount and fair value are due to fixed term deposits held by the Council where the interest rate receivable is higher than the prevailing rate estimated to be available at 31 March.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in 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. The Council's war stock is carried at cost of £11,000 and has not been valued as a fair value cannot be measured reliably.

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

17. Inventories

The Council only carries stock as consumable stores and the balance carried is not material, therefore detailed disclosure notes of movements are not shown. At the 31 March 2012 the balance of stocks held was £74,000, an increase of £34,000 from the previous financial year.

18. Short Term Debtors

31 March 2011 £000		31 March 2012 £000
3,764	Central government bodies	1,406
1,973	Other local authorities	1,569
142	NHS bodies	25
5	Public corporations and trading funds	1
1,072	Other entities and individuals	1,571
6,956		**4,572**

The Other entities and individuals balance above includes an impairment allowance of £650,000 at the 31 March 2011 and £1,218,000 at the 31 March 2012.

19. Cash and Cash Equivalents

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

2010/11 £000		2011/12 £000
	Current Assets	
5	Cash held by the Council	6
371	Bank current accounts	1,199
376	**Total Cash and Cash Equivalents**	**1,205**

20. Assets Held For Sale

There were no assets held for sale as at 31 March 2012 (and 31 March 2011).

21. Short Term Creditors

31 March 2011 £000		31 March 2012 £000
342	Central government bodies	264
783	Other local authorities	777
44	NHS bodies	11
293	Public corporations and trading funds	82
3,000	Other entities and individuals	3,295
4,462		**4,429**

22. Provisions

	Shared Service Provisions £000
Balance at 1 April 2011	-
Additional provisions made on 2011/12	283
Amounts used in 2011/12	-
Unused amounts reversed in 2011/12	-
Unwinding of discounting in 2011/12	-
Balance at 31 March 2012	**283**

The provision shown above represents an estimate of the Council's share of restructuring costs as part of the rationalisation of shared services with Cannock Chase District Council.

23. Usable Reserves

31 March 2011 £000		31 March 2012 £000
(1,486)	General Fund Balance	(1,793)
(11,752)	Earmarked General Fund Reserves	(10,554)
(1,974)	Capital Receipts Reserve	(2,248)
(2,170)	Capital Grants Unapplied	(1,962)
(17,382)	**Total Usable Reserves**	**(16,557)**

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

24. Unusable Reserves

31 March 2011 £000		31 March 2012 £000
(5,285)	Revaluation Reserve	(4,319)
(28,545)	Capital Adjustment Account	(28,284)
31,325	Pensions Reserve	38,171
(148)	Deferred Capital Receipts Reserve	(125)
36	Collection Fund Adjustment Account	29
88	Accumulated Absences Account	55
(2,529)	**Total Unusable Reserves**	**5,527**

Revaluation Reserve

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

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

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

	2010/11 £000			2011/12 £000
	(4,333)	**Balance at 1 April**		**(5,285)**
(1,065)		Upward revaluation of assets	(112)	
30		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	13	
	(1,035)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(99)
-		Adjusted amounts with the Capital Adjustment Account	982	
79		Difference between fair value depreciation and historical cost depreciation	83	
4		Accumulated gains on assets sold or scrapped	-	
	83	Amount written off to the Capital Adjustment Account		1,065
	(5,285)	**Balance at 31 March**		**(4,319)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11 £000			**2011/12 £000**
	(28,044)	**Balance at 1 April**		**(28,545)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,859		Charges for depreciation and impairment of non-current assets	2,746	
(442)		Revaluation losses on Property, Plant and Equipment	(12)	
47		Amortisation of intangible assets	119	
1,129		Revenue Expenditure funded from capital under statute	1,067	
101		Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	-	
	3,694			3,920
	(83)	Adjusting amounts written out of the Revaluation Reserve		(1,065)
	(24,433)	Net written out amount of the cost of non-current assets consumed in the year		(25,690)
		Capital financing applied in the year:		
(2,229)		Use of the Capital Receipts Reserve to finance new capital expenditure	(212)	
(1,040)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(594)	
(72)		Application of grants to capital financing from the Capital Grants Unapplied Account	(301)	
(672)		Statutory provision for the financing of capital investment charged against the General Fund	(560)	
(99)		Capital expenditure charged against the General Fund	(927)	
	(4,112)			(2,594)
	(28,545)	**Balance at 31 March**		**(28,284)**

Pensions Reserve

The Pensions Reserve absorbs the timing difference 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 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
47,870	**Balance at 1 April**	**31,325**
(7,595)	Actuarial (gains) or losses on pensions assets and liabilities	5,967
(7,386)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,384
(1,564)	Employers pensions contributions and direct payments to pensioners payable in the year	(1,505)
31,325	**Balance at 31 March**	**38,171**

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
(163)	**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	(105)
15	Transfer to the Capital Receipts Reserve upon receipt of cash	128
(148)	**Balance at 31 March**	**(125)**

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
153	**Balance at 1 April**	**36**
(117)	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	(7)
36	**Balance at 31 March**	**29**

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, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers neutralised by transfers to or from the Account.

	2010/11 £000			2011/12 £000
	74	**Balance at 1 April**		88
(74)		Settlement or cancellation of accrual made at the end of the preceding year	(88)	
88		Amounts accrued at the end of the current year	55	
	14	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		(33)
	88	**Balance at 31 March**		**55**

25. Cash flow Statement - Non Cash Movements

The non cash movements removed from the Comprehensive Income and Expenditure Account include the following items:

2010/11 £000		2011/12 £000
	Adjust Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	
(2,859)	Depreciation	(2,746)
442	Impairment and downward valuations	12
(47)	Amortisation	(119)
7	(Increase)/decrease in impairment for bad debts	(568)
18	(Increase)/ decrease in Creditors	(228)
(1,078)	Increase/(decrease) in Debtors	633
(5)	Increase/(decrease) in Stock	34
8,950	Movement in pension liability	(878)
(101)	Carrying amount of non-current assets sold or derecognised	-
-	Other non-cash items charged to the net surplus or deficit on the provision of services	(283)
5,327		**(4,143)**

2010/11 £000		2011/12 £000
	Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	
1,653	Proceeds from short-term (not cash equivalents) and long-term investments	679
492	Proceeds from the sales of Plant, Property and Equipment, investment property and intangible assets	471
-	Any other item for which the cash effects are investing or financing cash flows	-
2,145		**1,150**

26. Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(507)	Interest received	(358)
737	Interest paid	581

27. Cash flow Statement - Investing Activities

The cash flows for investing activities include the following items:

2010/11 £000		2011/12 £000
2,472	Purchase of property, plant and equipment, investment property and intangible assets	1,341
106,720	Purchase of short-term and long-term investments	135,820
-	Other Payments for investing activities	2,000
(967)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(128)
(103,720)	Proceeds from short-term and long-term investments	(139,820)
(1,222)	Other receipts from investing activities	(744)
3,283	**Net cash flows from investing activities**	**(1,531)**

28. Cash flow Statement - Financing Activities

The cash flows for financing activities include the following items:

2010/11 £000		2011/12 £000
(12,860)	Cash receipts of short and long term borrowing	-
559	Cash payments for the reduction of the outstanding liabilities relating to finance leases	430
15,900	Repayment of short and long term borrowing	3,008
(2,816)	Other payments for financing activities	(2,756)
783	**Net cash flows from financing activities**	**682**

29. Amounts Reported For Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are used for management purposes and are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

- expenditure on some support services is budgeted for centrally and not charged to portfolios.

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

Portfolio Income and Expenditure	**Community**	**Environment**	**Leisure**	**Planning and Regeneration**	**Resources**	**Total**
2011/12	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	444	5,783	3,712	3,895	3,261	17,095
Government grants	182	28	75	-	30,688	30,973
Total Income	**626**	**5,811**	**3,787**	**3,895**	**33,949**	**48,068**
Employee expenses	505	2,678	2,835	1,358	4,038	11,414
Other service expenses	846	7,125	3,496	2,519	36,290	50,276
Total Expenditure	**1,351**	**9,803**	**6,331**	**3,877**	**40,328**	**61,690**
Net Expenditure	**725**	**3,992**	**2,544**	**(18)**	**6,379**	**13,622**

Portfolio Income and Expenditure	**Community**	**Environment**	**Leisure**	**Planning and Regeneration**	**Resources**	**Total**
2010/11	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	450	5,986	3,808	3,828	1,892	15,964
Government grants	343	152	130	601	29,491	30,717
Total Income	**793**	**6,138**	**3,938**	**4,429**	**31,383**	**46,681**
Employee expenses	373	2,885	2,830	1,654	5,326	13,068
Other service expenses	928	7,149	3,915	4,045	33,008	49,045
Total Expenditure	**1,301**	**10,034**	**6,745**	**5,699**	**38,334**	**62,113**
Net Expenditure	**508**	**3,896**	**2,807**	**1,270**	**6,951**	**15,432**

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

This reconciliation shows how 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**
15,432	Net expenditure in the Portfolio Analysis	13,622
(6,939)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	4,173
(3,353)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,195)
5,140	**Cost of Services in Comprehensive Income and Expenditure Statement**	**16,600**

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	Portfolio 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 Accounts £000	Total £000
Fees, charges & other service income	17,095	1,185	(2,221)	9,870	25,929	390	26,319
Interest and investment income	-	-	-	-	-	4,564	4,564
Income from council tax	-	-	-	-	-	7,622	7,622
Government grants and contributions	30,973	-	(50)	-	30,923	7,606	38,529
Total Income	**48,068**	**1,185**	**(2,271)**	**9,870**	**56,852**	**20,182**	**77,034**
Employee expenses	11,414	270	(374)	54	11,364	76	11,440
Other service expenses	50,276	1,189	(2,712)	1,127	49,880	171	50,051
Support service recharges	-	-	(89)	8,667	8,578	89	8,667
Depreciation, amortisation and impairment	-	3,921	(291)	-	3,630	291	3,921
Interest Payments	-	-	-	-	-	5,704	5,704
Precepts & Levies	-	-	-	-	-	727	727
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	(358)	(358)
Gain or Loss on Non Current Deferred receipts	-	-	-	-	-	(105)	(105)
Total Expenditure	**61,690**	**5,380**	**(3,466)**	**9,848**	**73,452**	**6,595**	**80,047**
(Surplus) / deficit on the provision of services	**13,622**	**4,195**	**(1,195)**	**(22)**	**16,600**	**(13,587)**	**3,013**

2010/11	Portfolio 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 Accounts £000	Total £000
Fees, charges & other service income	15,964	1,739	(1,915)	10,282	26,070	450	26,520
Interest and investment income	-	-	-	-	-	4,691	4,691
Income from council tax	-	-	-	-	-	7,594	7,594
Government grants and contributions	30,717	615	-	-	31,332	10,328	41,660
Total Income	**46,681**	**2,354**	**(1,915)**	**10,282**	**57,402**	**23,063**	**80,465**
Employee expenses	13,068	(9,699)	(399)	25	2,995	102	3,097
Other service expenses	49,045	1,671	(4,552)	1,077	47,241	186	47,427
Support service recharges	-	-	(73)	9,030	8,957	73	9,030
Depreciation, amortisation and impairment	-	3,593	(244)	-	3,349	244	3,593
Interest Payments	-	-	-	-	-	6,299	6,299
Precepts & Levies	-	-	-	-	-	708	708
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	(385)	(385)
Gain or Loss on Non Current Deferred receipts	-	-	-	-	-	-	-
Total Expenditure	**62,113**	**(4,435)**	**(5,268)**	**10,132**	**62,542**	**7,227**	**69,769**
(Surplus) / deficit on the provision of services	**15,432**	**(6,789)**	**(3,353)**	**(150)**	**5,140**	**(15,836)**	**(10,696)**

30. Acquired and Discontinued Operations

There are no significant operations which were acquired or discontinued during the year.

31. Trading Operations

The Council manages St Johns Market, generating rental income from the letting of stalls. The trading objective is to break even before Capital Charges.

2010/11 £000		2011/12 £000
(450)	Turnover	(391)
362	Expenditure	336
(88)	(Surplus)/Deficit before Capital Charges	(55)
243	Capital Charges	291
155	**(Surplus) / Deficit**	**236**

32. Agency Services

The Council provides payroll services for Lichfield District Council but in line with the Council's materiality threshold, detailed disclosures are not shown.

33. Members Allowances

Members allowances paid during 2011/12 totalled £289,839.98 (2010/11 £296,209). Further details are available on the Council's website.

34. Officers Remuneration

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

Senior Officers emoluments 2011/12 - salary is between £50,000 and £150,000 per year

Post Title		Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
Chief Executive		107,307	7,804	17,639	132,750
Deputy Chief Executive		90,134	6,596	16,238	112,968
Head of Environment		69,106	5,147	11,555	85,808
Head of Finance	(ii)	-	-	-	-
Head of Human Resources		60,037	5,147	10,066	75,250
Head of Law & Administration	(i)	71,418	5,147	12,798	89,363
Head of Leisure & Culture		64,931	5,147	10,848	80,926
Head of Planning & Regeneration		64,706	5,147	10,848	80,701
Head of Policy & Improvement		55,915	5,147	9,394	70,456
Head of Technology		52,720	5,147	8,844	66,711
		636,274	**50,429**	**108,230**	**794,933**

(i) The Council's Head of Law & Administration's remuneration includes payment for acting as Solicitor and Monitoring Officer for Cannock Chase District Council.
(ii) The Head of Finance remuneration now forms part of Cannock Chase officers remuneration representing the lead authority for shared services.

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

Post Title		Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
Chief Executive		108,212	7,876	16,589	132,677
Deputy Chief Executive		90,060	6,665	13,218	109,943
Head of Environment		68,782	5,396	10,867	85,045
Head of Finance		64,572	5,184	10,202	79,958
Head of Human Resources		59,915	5,167	9,467	74,549
Head of Law & Administration	(i)	71,030	5,546	12,461	89,037
Head of Leisure & Culture		64,572	5,384	10,202	80,158
Head of Planning & Regeneration		64,572	5,159	9,925	79,656
Head of Policy & Improvement		55,915	5,147	8,835	69,897
Head of Technology		52,642	5,147	8,317	66,106
		700,272	**56,671**	**110,083**	**867,026**

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

2010/11 Number of employees	Remuneration band	2011/12 Number of employees
1	£50,000 - £54,999	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	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000
£0 - £20,000	-	-	11	9	11	9	112	101
£20,001 - £40,000	-	-	-	2	-	2	-	55
£40,001 - £60,000	-	-	1	1	1	1	54	48
£60,001 - £80,000	-	-	1	-	1	-	72	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
TOTAL	-	-	13	12	13	12	238	204

The Council acts as the lead authority for a number of services. Within these services 1 termination has been made which will be financed jointly with the other Authority.

Cannock Chase District Council are now the lead authority for a number of services and have made 6 terminations which will be financed jointly with this Authority.

35. External Audit Costs

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

2010/11 £		2011/12 £
112,317	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	105,324
-	Fees payable to the Audit Commission in respect of statutory inspections	-
26,679	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	18,278
138,996	**Total**	**123,602**

36. 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	
6,886	Collection Fund Income (council tax- council)	6,895
708	Collection Fund Income (council tax - parishes)	727
7,645	Distribution from the Non-Domestic Rates Pool	4,945
1,110	Revenue Support Grant	1,529
-	New Homes Bonus Grant	222
-	Council Tax Freeze Grant	172
-	Supplementary Disabled Facilities Grant	60
-	Local Services Support Grant	50
381	Section 106 capital grants	37
897	Growth point	-
164	Regional Housing Pot	-
50	Primary Care Trust	-
81	Other grants	33
17,922	**Total**	**14,670**
	Credited to Services	
28,439	Housing Benefit Subsidy	29,777
686	Housing Benefit Administration Grant	642
454	Disabled Facilities Grant	454
174	Cost of Collection Allowance	175
108	S106 grants	84
249	Community Safety Grant	70
52	Shared Services Grant	66
545	Dept of Transport - Concessionary Fares	-
223	LPSA Grant	-
51	Big Lottery	-
442	Other grants	212
31,423	**Total**	**31,480**

Other grants shown in the tables above includes all grants received less than £50,000.

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

(i) **Current Liabilities**

2010/11 £000		2011/12 £000
	Revenue Grants Receipts in Advance	
319	Sport England (SASSOT)	145
-	Department of Environment (SASSOT)	103
34	England Athletics (SASSOT)	39
-	DCLG	36
-	Coalfields Regeneration Trust (SASSOT)	29
27	Improvement & Efficiency WM (Shared Service)	-
24	England Basketball (SASSOT)	-
9	Electoral Commission	-
413	**Total**	**352**

(ii) **Long Term Liabilities**

2010/11 £000		2011/12 £000
	Capital Grants Receipts in Advance	
1,012	Section 106 Developers capital contributions	941
-	The Football Foundation	132
1,012	**Total**	**1,073**

The Council does not hold a donated assets account.

37. Related Parties

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

Central Government
Central government has significant influence over the general operations of the Council as it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions and in Note 36.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2011/12 is shown in Note 33. Details of member's interest are recorded in the Register of Members' Interest maintained by the Council. During 2011/12, there were no significant works and services commissioned from companies in which members had an interest.

Officers
During 2011/12, there were no significant works of services commissioned from companies in which senior officers had an interest.

Other Public Bodies (subject to common control by central government)
There are no transactions with other public bodies in 2011/12 that are required to be disclosed.

Entities Controlled or Significantly Influenced by the Council
There are no transactions in 2011/12 with entities controlled by the Council that are required to be disclosed.

38. Capital Expenditure and Capital Financing

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

2010/11 £000		2011/12 £000
6,202	**Opening Capital Financing Requirement**	**5,965**
	Capital Investment	
2,341	Property, Plant and Equipment	995
405	Intangible Assets	83
-	Long Term Debtors	2,000
1,129	Revenue Expenditure Funded from Capital under Statute	1,067
	Sources of finance	
(2,229)	Capital receipts	(212)
(1,112)	Government grants and other contributions	(895)
	Sums set aside from revenue:	
(99)	Direct revenue contributions	(927)
(672)	MRP	(560)
5,965	**Closing Capital Financing Requirement**	**7,516**

2010/11 £000		2010/11 £000
	Explanation of movements in year	
-	Increase in underlying need to borrowing (supported by government financial assistance)	-
(237)	Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(1,551)
-	Assets acquired under finance leases	-
(237)	**Increase/(decrease) in Capital Financing Requirement**	**(1,551)**

The Council's Long Term Debtors include mortgage advances and car loan advances to employees in excess of twelve months. The balances are increased by payments/loans advanced during the financial year and reduced as the payments/loans are repaid.

In addition to the advances highlighted above, the Council has advanced a further £2m with Lloyds Banking Group as part of the Local Authority Mortgage Scheme. This scheme is aimed at first time buyers and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council.

At 31st March 2012 there were no mortgages approved, therefore no guarantee default has been provided.

The Council is participating in the Local Authority Mortgage Scheme. Lloyds Bank plc. required a five year deposit from the Council to match the five year life of the indemnity. The deposit placed with the bank provides an integral part of the mortgage lending and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the Council, the returned funds are classed as a capital receipt and the CFR will reduce accordingly. As this is a temporary (5 year) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

39. Leases

Council as Lessee

Finance Leases
The council has acquired a number of assets under finance leases for vehicles, IT equipment and photocopiers.

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

31 March 2011 £000		31 March 2012 £000
2,349	Other Land and Buildings	2,177
1,160	Vehicles, Plant, Furniture and Equipment	729
3,509		**2,906**

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

31 March 2011 £000		31 March 2012 £000
	Finance lease liabilities (net present value of minimum lease payments):	
430	current	389
2,071	non-current	1,683
5,535	Finance costs payable in future years	5,351
8,036	**Minimum lease payments**	7,423

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	**31 March 2011 £000**	**31 March 2012 £000**	**31 March 2011 £000**
Not later than one year	538	613	389	430
Later than one year and not later than five years	835	1,253	385	759
Later than five years	6,050	6,170	1,298	1,312
	7,423	**8,036**	**2,072**	**2,501**

The minimum lease payments 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 £368,919 contingent rents were payable by the Council (2010/11 £368,919).

The Council has sub-let some of the office accommodation held under these finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub-leases was £15,000 (£210,000 at 31 March 2011).

Operating Leases
The Council utilises photocopiers and vehicles held under operating leases.

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

31 March 2011 £000		31 March 2012 £000
17	Not later than one year	8
15	Later than one year and not later than five years	7
-	Later than five years	-
32		**15**

There are no assets sub let under operating leases

The expenditure charged all related to minimum lease payments and was charged as follows:

2010/11 £000		2011/12 £000
	Minimum lease payments:	
4	Central services to the Public	-
68	Environmental & Regulatory Services	17
72		**17**

Council as Lessor

Finance Leases
The Council has no assets leased out as finance leases.

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

- for economic development purposes to provide suitable affordable accommodation for local businesses and the voluntary sector

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

31 March 2011 £000		31 March 2012 £000
68	Not later than one year	53
107	Later than one year and not later than five years	66
15	Later than five years	4
190		**123**

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. There are no contingent rents receivable for either 2010/11 or 2011/12.

40. Impairment Losses

During 2011/12, the Council has recognised an impairment loss of £88,000 in relation to Bridge Street Car Park, this is as a result of the car park being closed due to concerns about its safety.

41. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £204,000 (£238,000 in 2010/11). The number of exit packages and total cost per band are set out in Note 34. The payments relate to Officers employed throughout the Council who were made redundant as part of the Council's rationalisation of services.

42. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/ retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2011/12	2010/11
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
current service cost	1,382	1,661
past service costs	117	(10,272)
settlements and curtailments	10	65
Financing and Investment Income and Expenditure		
interest cost	5,051	5,558
expected return on scheme assets	(4,176)	(4,398)
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**2,384**	**(7,386)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (gains) and losses	5,967	(7,595)
Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**5,967**	**(7,595)**
Movement in Reserves Statement		
reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(8,351)	14,981
Actual amount charged against the General Fund Balance for pensions in the year:		
employers contributions payable to the scheme	1,505	1,564
retirement benefits payable to pensioners		

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £27,474,000.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme 2011/12 £000	2010/11 £000
Opening balance at 1 April	**92,828**	**109,742**
Current service cost	1,382	1,661
Interest cost	5,051	5,558
Contributions by scheme participants	478	569
Actuarial (gains) and losses	4,497	(10,855)
Benefits paid	(3,981)	(3,640)
Past service costs	117	(10,272)
Curtailments / Settlements	10	65
Closing balance at 31 March	**100,382**	**92,828**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the Staffordshire County Council Pension Fund by £10.272 million and has been recognised as a past service gain in accordance with guidance set down in in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme 2011/12 £000	2010/11 £000
Opening balance at 1 April	**61,503**	**61,872**
Expected rate of return	4,176	4,398
Actuarial (gains) and losses	(1,470)	(3,260)
Employers contributions	1,505	1,564
Contributions by scheme participants	478	569
Benefits paid	(3,981)	(3,640)
Settlements	-	-
Closing balance at 31 March	**62,211**	**61,503**

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 £2,714,000 (2010/11 £5,181,000).

Scheme History

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities					
Local Government Pension Scheme	(72,389)	(70,186)	(109,742)	(92,828)	(100,382)
Fair value of assets in the Local Government Pension Scheme	**(72,389)**	**(70,186)**	**(109,742)**	**(92,828)**	**(100,382)**
Surplus/(deficit) in the scheme					
Local Government Pensions Scheme	59,211	44,466	61,872	61,503	62,211
Total	**(13,178)**	**(25,720)**	**(47,870)**	**(31,325)**	**(38,171)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £38m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a overall balance in unusable reserves of £5m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary,

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2013 is £1,243,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council operated Fund based on the latest full valuation of the scheme as at 1 April 2010.

	Local Government Pension Scheme	
	2011/12	**2010/11**
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.2%	7.5%
Bonds	3.3%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.2	21.2

	Local Government Pension Scheme	
	2011/12	**2010/11**
Women	23.4	23.4
Longevity at 65 for future pensioners:		
Men	23.3	23.3
Women	25.6	25.6
Rate of Inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	5.5%
Take-up option to convert annual pensions into retirement lump sum		
- pre April 2008 service	50.0%	50.0%
- post April 2008 service	75.0%	75.0%

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

	31 March 2012 %	31 March 2011 %
Equity Investments	78	78
Bonds	12	11
Property	9	7
Cash	1	4
	100	**100**

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	(7.2)	(39.6)	25.5	(5.3)	(2.4)
Experience gains and losses on liabilities	(3.6)	-	(0.1)	2.4	(1.6)

43. Contingent Liabilities

(i) Subsidence costs

A liability may also exist in the form of an indemnity given as part of the stock transfer agreement in respect of subsidence of homes on North Walls, Stafford. The Council is currently in negotiations with the owner of the homes to acquire their interest in the properties which would extinguish the liability. At present it is not possible to quantify this liability.

(ii) Purchase Notice

A purchase notice has been served on the Council stating where there is effectively no acceptable planning use that can be granted for a piece of land, the owner can require the Council to buy it off them. The Council disputes the validity of the claim and has made no provision in the accounts.

(iii) Municipal Mutual Insurance

Under the Municipal Mutual Insurance Limited Scheme of Arrangement Stafford Borough Council has a potential claw back should there be a deficit in the winding up of the company. It is the view of the Board at the 31st March 2012 that a solvent run off of the Company's business cannot be guaranteed.

44. Contingent Assets

There are no contingent assets at 31 March 2012.

45. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall procedures for managing risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the 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;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its 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 exposures 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 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 each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Full Council on 24 February 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 £21.3m.
- The Operational Boundary was expected to be £17.7m. This is the expected level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at fixed (100%) and variable (50%).
- The maximum and minimum exposures to the maturity structure of debt are shown below

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 reviewed periodically.

Credit Risk

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

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 Standards & Poors Credit Rating 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.

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

- credit watches and credit outlooks from credit rating agencies;
- sovereign ratings to select counterparties from only the most creditworthy countries
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings

The Annual Investment Strategy for 2011/12 was approved by Full Council on 24 February 2011 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies is £11 million at the 31 March 2012. The credit risk cannot be assessed generally as a 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 is rare for such entities to be unable to meet their commitments. A risk of default applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to happen. The Government's deposit protection arrangements will limit any losses to the Council due to the guarantee given to the banks which are covered by the guarantee.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2012 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2012 % C	Estimated maximum exposure to default and uncollectability at 31 March 2012 £000 (A x C)	Estimated maximum exposure at 31 March 2011 £000
Customers (Sundry Debtors)	1,331	2	2	27	35
				27	35

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

The Council does not generally allow credit for customers (sundry debtors), such that £1.331m of the debtors balance of £2.803m shown in note 16 is past its due date for payment. This outstanding sundry debtor balance can be analysed by age as follows:

31 March 2011 £000		31 March 2012 £000
507	Less than three months	264
24	Three to six months	82
55	Six months to one year	71
575	More than one year	914
1,161		**1,331**

During the period the Council held no collateral as security.

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 risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

31 March 2011 £000		31 March 2012 £000
430	Less than one year	389
712	Between one and two years	355
47	Between two and five years	30
1,518	More than five years	1,496
2,707		**2,270**

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

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise

- borrowings at fixed rates - the fair value of the borrowings will fall (no impact on revenue balances)

- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of

Services 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, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus and Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its planned 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 finance section 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.

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

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(231)
Impact on Surplus or Deficit on the Provision of Services	(231)
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
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)	(231)

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

Price Risk

The Council does not invest in equity shares and, therefore, is not exposed to losses arising from movements in the price of shares.

Foreign Exchange Risk

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

46. Trust Funds

The Council acts as custodian trustee for two charities. As a custodian trustee, the Council holds the property but takes no decisions on its use. The funds do not represent the assets of the Council and therefore they have not been included in the Balance Sheet.

2011/12	Income £	Expenditure £	Assets £	Liabilities £
Sidney's	232	-	3,914	-
Izaak Walton	-	-	102	-
Total	**232**	**-**	**4,016**	**-**

2010/11	Income £	Expenditure £	Assets £	Liabilities £
Sidney's	231	-	3,682	-
Izaak Walton	-	-	102	-
Total	**231**	**-**	**3,784**	**-**

47. Heritage Assets Five Year Summary of Transactions

There have been no acquisitions or disposals of the Council's heritage assets in the five year period ended 31 March 2012. A summary of the heritage assets held by the Council is set out in Note 13.

48. Heritage Assets: Further Information on the Collections Held

Civic Regalia

The Council's Civic Regalia includes items such as civic chains and items in connection with civic duties.
Items are held and governed under Council regulations and procedures governing all Council assets.

Art Collection at Civic Offices

The Collection contains paintings and Coats of Arms and China held at the Civic Offices. In addition the Council owns a painting by Matthew Craddock which was donated by Sir Hugh Fraser of Bradshaw.

Art Collection at Heritage Sites

(i) Statue of Izaak Walton
The statute of Izaak Walton was presented to the people of Stafford by the Staffordshire Newspaper to commemorate the Second Millennium. The statute depicts Izaak Walton in an angling repose on the banks of the River Sow.

(ii) Collection at the Ancient High House Museum

The Ancient High House Museum opened in 1987 following extensive restoration work. The museum currently houses the museum of the Staffordshire Yeomanry and exhibitions are staged throughout the year reflecting Stafford's history.

The Collection covers items reflecting the social context of the building including furniture, decorative art, tools and utensils from the late Tudor period up until the Edwardian/Georgian age. It includes 5,000 photographic slides, posters, and 18th and 19th Century Wallpaper. The Collection also included an intricately carved 16th Century coat of arms which was presented to the Corporation of Stafford by Mayor William Feake in 1677, and a picture of Thomas Sidney, one of only three Staffordians to become Mayor of London.

(iii) Collection at Izaak Walton Cottage

The Izaak Walton Cottage Museum opened in its current form in 1990 and houses exhibits dedicated to social history interpreting the life and times of Izaak Walton on the ground floor and angling artefacts and Izaak's written works on the first floor. There are approximately 350 objects and 200 photographs in the Collection.

(iv) First Edition of the Compleat Angler by Izaak Walton

Izaak Walton's book, The Compleat Angler, was first published on 9 May 1653 and is arguably the most important book in Old English style, having gone through over 600 editions since the author's death. Besides angling advice, the book expounds a philosophy for life which has value and relevance today.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non Domestic Rates.

	2010/11			2011/12
£000	**£000**		**£000**	**£000**
		Income		
		Council Tax		
59,896		Taxpayers	59,943	
6,198		Benefits	6,227	
	66,094			66,170
	38,896	Non Domestic Rates		39,944
	850	Contribution towards previous year's Collection Fund Deficit		-
	105,840	**Total Income**		**106,114**
		Expenditure		
		Precepts and Demands		
46,876		Staffordshire County Council	47,014	
7,576		Stafford Borough Council (including Parishes of £0.727m)	7,615	
3,082		Staffordshire Fire Authority	3,091	
8,092		Staffordshire Police Authority	8,116	
	65,626			65,836
		Non-Domestic Rates		
38,139		Payments to National Pool	39,054	
174		Cost of Collection	175	
	38,313			39,229
		Impairment of debts		
		Write offs		
182		Council Tax	166	
641		Non Domestic Rates	911	
		Provisions		
120		Council Tax	107	
(58)		Non Domestic Rates	(196)	
	885			988
	104,824	**Total Expenditure**		**106,053**
	(1,016)	**(Surplus)/Deficit for Year**		**(61)**
		Movement of Collection Fund Balances		
	1,314	**Balance brought Forward**		**298**
	(1,016)	Add (Surplus)/Deficit for the Year		**(61)**
	298	**Balance Carried Forward**		**237**

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. Council Tax Base and Council Tax Levels

Council Tax income is derived from charges made to taxpayers according to the value of residential properties. Charges are levied in accordance with the valuation band assigned to a property.

The calculation of the Council Tax chargeable in any year is obtained by dividing the total of the precepts and the demands made on the fund by the Council's Tax Base, which represents the total equivalent number of Band D properties as adjusted for discounts and an estimated collection rate. The following shows how the tax base for the year was calculated and the amount of tax chargeable for the year.

Council Tax Base 2011/12

Band	Number of Properties	Properties adjusted for Discounts etc	Band D Equivalent
A	11,833	9,695	6,460
B	12,779	11,006	8,560
C	12,551	11,276	10,023
D	8,586	8,016	8,017
E	5,595	5,228	6,389
F	3,130	2,929	4,231
G	1,518	1,428	2,380
H	105	67	134
	56,097	**49,645**	**46,194**
	Adjusted for Collection Rate (98.5%)		**45,501**
	Add Contributions in Lieu		**196**
	(2010/11 - 45,563)		**45,697**

The actual tax base for the year was **45,739** which was slightly higher than anticipated by 0.09% and therefore resulting in an overall surplus position for the year.

2. Council Tax Chargeable for a Band D Property

	2011/12 Precept £000	2011/12 Council Tax £	2010/11 Council Tax £
Staffordshire County Council	47,014	1,028.81	1,028.81
Stafford Borough Council:			
Parish Council (Average)	727	15.91	15.55
Stafford Borough	6,888	150.73	150.73
Staffordshire Police Authority	8,116	177.61	177.61
Stoke on Trent and Staffordshire Fire and Rescue Authority	3,091	67.64	67.64
Total	**65,836**	**1,440.70**	**1,440.34**

Individual amounts chargeable are derived from the above according to property banding and individual Parish Demands.

3. Non-Domestic Rates (NNDR)

The Council is responsible for the collection of Non-Domestic Rates from businesses in its area, but pays the proceeds into a central NNDR pool managed by Central Government. Government then re-distributes these proceeds to authorities based upon a standard amount per head of population.

The rates payable, subject to relief's and reductions, are calculated on the basis of Rateable Value of individual properties multiplied by a specified rate. The specified rate for 2011/12 was 43.3p (2010/11 41.4p).

The total non-domestic rateable value at 31 March 2012 was £110.820m (£110.746m at 31 March 2011).

4. The Fund Balance

The movement in the Fund Balance is summarised as follows:

2010/11					2011/12
Fund Balance at 31 March 2011		Previous Years Deficit Recovered	Add Surplus in 2011/12	Surplus in year (Net Position)	Fund Balance at 31 March 2012
£000		£000	£000	£000	£000
36	Stafford Borough Council	-	(7)	(7)	29
213	Staffordshire County Council	-	(44)	(44)	169
36	Staffordshire Police Authority	-	(7)	(7)	29
13	Stoke on Trent and Staffordshire Fire Authority	-	(3)	(3)	10
298		**-**	**(61)**	**(61)**	**237**

The net position on the Collection Fund shows a surplus of £61,000, this leaves a net deficit of £237,000. This deficit will be shared with the County Council, the Police and Fire Authorities.

5. Precepts and Demands on the Collection Fund

The following authorities have made a Precept / Demand on the Collection Fund:

2010/11		2011/12		
Precepts / Demands less Deficit Recovered		Precept / Demand for Year	Less Share of Deficit Recovered	Precept / Demand for Year
£000		£000	£000	£000
7,477	Stafford Borough Council	7,615	-	7,615
46,269	Staffordshire County Council	47,014	-	47,014
7,988	Staffordshire Police Authority	8,116	-	8,116
3,042	Stoke on Trent and Staffordshire Fire Authority	3,091	-	3,091
64,776		**65,836**	**-**	**65,836**

GLOSSARY OF FINANCIAL TERMS

For the purpose of the Statement of Accounts and the interpretation of CIPFA's Code of Practice, where appropriate, the following definitions have been adopted.

Accounting Concepts

The fundamental accounting principles that are applied to ensure that the Statement of Accounts 'present fairly' the financial performance and position of the local authority.

Accounting Policies

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

Accruals

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

Agent

This is where the council when providing a service is acting as an intermediary which is not part of the councils core business.

Balance Sheet

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

Capital Adjustment Account

This reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Charges

Charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

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

Capital Receipts Reserve

Income received from the sale of capital assets a specified proportion of which may be used to finance new capital expenditure. The balance is set aside in the form of a provision to meet credit liabilities.

Carrying Amount

This is the amount at which an asset is recognised on the balance sheet after deducting any accumulated depreciation and impairment.

Cash Equivalents

Short term highly liquid investments that are convertible into cash within 24 hours and are subject to insignificant risk of changes in value.

CIPFA

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

Code of Practice

This is the Statement of Recommended Practice which was the framework for published accounts to 31 March 2012.

Collection Fund

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

Collection Fund Adjustment Account

This account represents Stafford Borough Council's share of deficit on the Collection Fund and absorbs timing differences in distribution of surplus / deficits between statutory requirements and full accruals accounting.

Community Assets

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

Consistency

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

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would have been incurred by a series of independent, single purpose, nominated bodies managing the same services.

Current Service Cost

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

Curtailment

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Creditors

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

Debtors

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

Deferred Credits

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

Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Depreciable Replacement Cost (DRC)

This is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence.

Depreciation

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

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- the activities related to the operation have ceased permanently;
- the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of local services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical are) or from a material reduction in net expenditure in the local authority's continuing operations;
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes. Operations not satisfying these conditions are classified as continuing.
- activities are discontinued where they cease completely and are not simply transferred to another part of the public sector.

Emoluments

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Expected Rate of Return on Pension Assets

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

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction.

Fees and Charges

Income arising from the provision of services.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee from the lessor. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term includes trade receivables and payables, borrowings, financial guarantees, bank deposits, investments, swaps, forwards and options, debt instruments with embedded swaps or embedded options.

Financial Reporting Standards (FRSs)

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

Financial Year

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

Fixed Assets

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

GAAP

GAAP (Generally Accepted Accounting Principles), is the standard framework of guidelines for financial accounting. It includes standards, conventions and rules accountants follow in recording and summarising transactions, and in the preparation of financial statements.

Government Grants

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

Heritage Assets

These are assets held by the council principally for their contribution to knowledge and culture, it does not relate to assets used in the delivery of services.

Impairment

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

Income and Expenditure Account

The Income and Expenditure account combines the income and expenditure relating to all the Council's functions including the General Fund and the Collection Fund. It is structured on the basis of the private sector and thereby excludes calculations done due to statutory and non statutory practices e.g. gains and losses on the sale of fixed assets and statutory provision for the repayment of debt.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and footpaths.

Intangible Assets

Intangible assets are those assets whereby access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection. Examples include development expenditure and goodwill.

International Financial Reporting Standards (IFRS)

The government have announced that from the 2010/11 financial year they will expect public sector accounts to be prepared using International Financial Reporting Standards, adapted as necessary for the public sector.

Interest Cost

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

Investments

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

Leasing

Method of financing the provision of various capital assets, usually in the form of an operating lease, which do not provide for the title to the asset to pass to the Council.

Liquid Resources

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities.

National Non-Domestic Rate (NNDR)

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are pooled and then redistributed by the Government to local authorities based on the local resident population.

Net Book Value

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

Net Current Replacement Cost

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

Net Debt

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Net Realisable Value

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

Non Distributed Costs

These are overheads that are not apportioned to services to accord with CIPFA's Best Value Accounting Code of Practice.

Non-Operational Assets

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases

A lease other than a finance lease.

Operational Assets

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

Past Service Cost

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

Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

Demands made upon the collection fund by other authorities (Staffordshire County, Police and Fire Authorities) for the services that they provide.

Principal

This is when the Council is providing a service as part of its own core business.

Prior Year Adjustments

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

Provisions

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

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Public Works Loan Board (PWLB)

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

Related Party

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

Reserves

Sums set aside to meet future expenditure for specific purposes.

Revaluation Reserve

This is used to record the net gain from revaluations made after 1 April 2007.

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute (Formerly Deferred Charges)

Expenditure that is not capital in accordance with generally accepted accounting principles but which statute allows to be funded from capital resources.

Revenue Support Grant (RSG)

Grant paid to local authorities by Central Government to help finance its general expenditure. It is determined under the SSA system.

Scheme Liabilities

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

SeRCOP

SeRCOP (Service Reporting Code of Practice) provides guidance on local authority financial reporting to stakeholders below the Statement of Accounts level. It aims to ensure consistency in reporting across local authorities.

Settlement

An irrevocable action that relieves the employer (or the defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Termination Benefits

These are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Useful Life

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAFFORD BOROUGH COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Stafford 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 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 Stafford 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 Deputy Chief Executive with s151 Responsibilities and auditor

As explained more fully in the Statement of the Deputy Chief Executive with s151 Responsibilities, the Deputy Chief Executive 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 financial 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 Deputy Chief Executive; 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 Stafford 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 explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

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, Stafford 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 Stafford Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson
District Auditor

No 1 Friarsgate, 1011 Stratford Road, Solihull, B90 4EB

September 2012

APPENDIX 1

STAFFORD BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2011/12

1 SCOPE OF RESPONSIBILITY

1.1 Stafford 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

1.3 Stafford Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is on our website at http://www.staffordbc.gov.uk/live/welcome.asp?id=5823 or can be obtained from the Head of Law and Administration. This statement explains how Stafford Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Audit and Accounts Regulations 2011 in relation to the publication of an annual governance statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 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.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore 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 Stafford Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Stafford Borough Council for the year ended 31 March 2012 and up to the date of approval of the Annual Governance Statement.

3 THE GOVERNANCE FRAMEWORK

3.1 The key elements of the systems and processes that comprise the authority's governance arrangements include the following.

(a) The Borough Council has agreed its Corporate Plan for the period of the present political administration and as part of the budgetary process compiles a rolling annual action plan to achieve its four priorities

(b) The Corporate Plan and the four priorities contained in it were developed following consultation with the Police Citizens Panel and using data provided by the Staffordshire Observatory.

(c) A Business Management and Reporting Framework by which to focus on and monitor achievement of Council priorities and service improvement, including Corporate Governance issues. This includes future arrangements for reviewing the Corporate Action Plan annually in November as part of the budget process to establish a golden thread between resources and achievement of vision /priorities. This allows service planning to be undertaken at officer level and also adjustment of performance targets in line with various projects for submission to scrutiny committees from 1 April each year.

(d) The Borough Council measures public satisfaction with it's services on a regular basis. As part of a shared service with Staffordshire Police the Council now uses the Police citizens panel on a regular basis. This panel comprises 600 residents the make up of which reflects the geographical, age and gender make up of the Borough. Once a year panel members are asked to indicate their satisfaction with the principal services of the Council. In addition, the customer contact centre undertakes 100 telephone surveys per month in respect of customers that have used that particular provision. Random customer surveys are undertaken at our principal reception areas to measure satisfaction of residents who personally visit the Council. Other satisfaction surveys are carried out by individual services.

(e) The effective operation of, and compliance with, policies and decision making processes including a Cabinet of 5 portfolios with three Scrutiny Committees, and delegated decision powers. The roles and responsibilities of the Executive, Scrutiny and other Committees of the Council are clearly defined in the Constitution. The roles of statutory officers are also defined and the scheme of delegation to officers set out in that document which is available to all members and officers and the public as a paper or electronic document. There is a Protocol for

Officer / Member relations as part of the Constitution to assist in defining the separate roles and aid appropriate communication.

(f) Codes of Conduct for Members and Officers have been approved and adopted by the Council and are available to all members and officers as part of the Constitution. The document "Our Values" is available on the intranet and as a paper document and is currently being reviewed. Training and awareness sessions are provided for members and officers, and officers are reminded of their duty to declare interests and hospitality.

(g) Arrangements specified within the Council's Constitution require a regular annual update of procedure rules, financial regulations, the scheme of delegation and associated procedure notes where applicable. This is carried out in conjunction with members through a Task and Finish Review and is reported to a full meeting of Council in April each year.

(h) A corporate Leadership Team to provide for the operation of statutory officer roles (Head of Paid Service, Section 151 Officer, Monitoring Officer), to support the Cabinet and Scrutiny Committees, and to manage operational services.

(i) The adoption of (and commitment to) a set of six business values plus Investors in People processes linking corporate objectives to service business plans and individual performance and development objectives.

(j) The adoption of a Code of Corporate Governance monitored via the annual reporting framework.

(k) The operation of an Audit and Accounts Committee with terms of reference specified to meet the requirements of an audit committee (as specified by the Chartered Institute of Public Finance and Accountancy)

(l) The Deputy Chief Executive who acts as the Council's Section 151 Officer has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of internal control. The council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in that:

- he is a member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;

- he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the council's financial strategy;

- he leads 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.

In delivering these responsibilities he directs a finance function that is resourced to be fit for purpose and includes staff that are professionally qualified and suitably experienced.

(m) The Council has appointed a Monitoring Officer who is a member of the Leadership Team. He reports to the Council, Executive and Committees with legal implications being referred to the Council's Legal Services Unit, which employs qualified and experienced staff. There is a system for bringing new legislation to the notice of officers. The Council's Audit and Accounts Committee (with terms of reference that ensure independence from the Executive) oversees the work of and receives reports from Internal and External Auditors.

(n) A system of financial management and reporting delivered through the medium term Financial Strategy, annual Financial Plan and comprehensive accounting and budgetary control systems. All reports that involve expenditure fully evaluate the financial implications of the proposal with any associated risks. All reports are consulted on with appropriate financial and legal officers and are accompanied by a comprehensive checklist signed off by the reports author. No expenditure is authorised unless it is from an approved budget or is subject to separate virement arrangements in accordance with the Council's Constitution.

(o) Implementation of the Council's Risk Management Strategy including:-

- annual identification, prioritisation and control of strategic risks / opportunities
- monitoring of risk management action plans by the Leadership Team (LT) and Cabinet Members
- operation of a Strategic Risk Management Group
- facilitation of risk management workshops for the LT
- annual report to the Audit and Accounts Committee on the effectiveness of risk management arrangements.

(p) A performance management framework to monitor and report on identified performance measures in order to secure continuous improvement in services.

(q) A Whistleblowing policy in place to encourage anyone to feel confident about raising serious concerns about practices and to provide avenues by which to raise those concerns and to receive feedback on any action taken. This can be accessed via the Council's website.

(r) A Complaints Procedure is in place for investigating complaints from the public, and the Council investigated 33 corporate complaints in 2011/12. The annual number of such complaints has fallen over the past four years from a former figure of approximately 80 to its current level. The Resources and Corporate Services Scrutiny Committee consider the level and nature of Corporate complaints on an annual basis.

(s) Business Continuity arrangements are in place including the maintenance of a Major Incidence plan, Corporate Business Continuity Plan and Business Continuity Plans for all mission critical activities. Plans are tested on a regular basis and action taken to address issues raised.

(t) Member training requirements are based on the following information sources:

- (i) a formal Induction programme for all Members of the Council;
- (ii) an audit of training requirements undertaken of all new and existing members; and
- (iii) consideration of Corporate Priorities.
- (iv) An annual survey of members training needs

(u) Training needs for senior officers (to support both service delivery and personal development) are identified by the annual Performance and Development reviews (PDR). At a strategic level the Council has entered into a partnership with Staffordshire County Council to deliver Institute of Leadership and Management courses and has fully participated in the capacity building opportunities offered from within the Staffordshire Plus Improvement Partnership, including the West Midlands Catalyst Leadership Training programme.

(v) With regards to communication with all sections of the community and stakeholders, the Borough Council consults widely via the police citizens panel and other consultation exercises during the year. In addition the revised website has a section designated for consultation exercises and where appropriate invitations for comments are requested by press and media.

(w) With regard to partnerships following the abolition of CAA and the LAA a review of governance arrangements has taken place with partners and a new structure and working practices agreed. This new arrangement will be subject to further development following the appointment of Police and Crime Commissioners and changes to public health responsibilities.

4 GOVERNANCE FRAMEWORK - REVIEW OF EFFECTIVENESS

4.1 Stafford Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including a review of its internal audit. The review of effectiveness is informed by the work of the managers within the council who have responsibility for the development and maintenance of the governance environment, by input from Members, the Internal Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The Strategic Risk Management group are responsible for reviewing the governance framework using various sources of assurance and (from this) drafting the Annual Governance Statement.

4.2 The Council's Constitution clearly sets out the responsibilities of members and senior managers, particularly the three statutory posts of the Head of Paid Service, Monitoring Officer and Section 151 Officer. Members monitor the effectiveness of the governance framework via the consideration of regular performance management and financial information reports from senior management. Individual Cabinet members receive regular feedback from senior officers within their portfolios on the progress of objectives and the management of risks linked to these objectives. Issues of strategic and corporate importance are referred to Cabinet.

4.3 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework, includes the following:

4.4 **The role of the authority** in approving and updating the Constitution and Codes of Conduct, approving the statement of the Council's Values and holding the Executive to account.

4.5 **The role of the executive** in agreeing the Strategic Risks to be included in the Strategic Risk Register and approving and monitoring the Action Plans to address the risks identified.

4.6 **The role of the audit committee** in monitoring the effectiveness of risk management and business continuity arrangements, reviewing corporate governance issues, and reviewing the effectiveness of its internal audit and anti fraud and corruption arrangements.

4.7 **The role of scrutiny committees** in holding the Executive to account in a public forum for its effectiveness and performance against agreed policies and plans. The Resources and Corporate Services Scrutiny Committee reviews the Constitution annually and makes recommendations to the Authority. The Leadership Team is also held to account with a specific member of that group assigned to each scrutiny committee as an adviser on corporate issues.

4.8 **The role of the standards committee** in promoting good ethical standards, monitoring standards against the approved Code of Conduct and handling complaints of breaches of the Code of Conduct.

4.9 The Role of Internal Audit

4.9.1 Arrangements for the provision of internal audit are set out in the Financial Procedure Rules (contained within the Constitution) that require the Section 151 Officer to "maintain a continuous internal audit of the Council's accounting, financial and other operations".

4.9.2 Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom. A review of the effectiveness of internal audit has been undertaken. This review has been undertaken via a self-assessment and a review by the Head of Governance, together with discussions with the s151 Officer. The review concluded that the system of internal audit is operating effectively and assurance can be taken from the work of Internal Audit.

4.9.3 Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. Internal Audit reports on the results of each audit to the service manager, Head of Service, the s151 Officer/Deputy Chief Executive and the Chief Executive and Monitoring Officer where appropriate. The audit reports include recommendations for improvements that are included in an action plan and require management agreement or rejection. Follow-up reviews are undertaken to check that recommendations are acted upon. The work undertaken on the annual audit plan for 2011-12 has been used to provide an independent view on the adequacy of the governance framework. In their annual report to the Accounts and Audit Committee, the Internal Audit section independently assessed the Council's internal control environment as being satisfactory overall based on their work during the year.

4.9.4 Internal Audit did not identify any areas for improvement to be included in the Annual Governance Statement. Whilst 9 systems/areas were identified as marginal, none of them were considered to be significant governance issues.

4.9.5 Where deficiencies in internal control were identified, assurance was provided that these had been or would be resolved in an appropriate manner. Such cases will continue to be monitored as part of the routine operation of the internal audit function.

4.10 External Audit / Other Review Agencies

4.10.1 During the year the Council received the following key reports.

4.10.2 Shared Services Progress Report

The overall conclusion from the Audit Commission's review was that both Councils are clear that sharing services is a three stage process: bringing services together; streamlining the structures; and implementation of the transformational plans, including LEAN improvements. Each of these stages is required to deliver economy, efficiency and effectiveness. Each service is at a different stage in their journey, but progress has been made in all areas and plans are in place for how to further develop the seven services to maximise benefits for the councils' and end users.

Going forward, the impetus for change will reduce as services embed. Strong corporate leadership should be maintained to ensure that the benefits of sharing services are maximised.

.

4.10.3 **Annual Governance Report**

There were a number of key messages contained in the Audit Commissions Annual Governance Report which was presented to the Audit and Accounts Committee in September 2011. These covered the financial statements, the unqualified audit opinion, the fact that the financial statements were free from material error, there was an adequate internal control environment and that the Council demonstrated robust arrangements to secure economy, efficiency and effectiveness. The Audit Commission did recommend that the Council should ensure that it has clear objectives in line with its strategic objectives for all its earmarked reserves to ensure the best value for money in their use.

4.10.4 Streetscene - in order to ensure that the Streetscene continues to deliver value for money in the delivery of its services a study was commissioned. This resulted in a number of recommendations that are currently being implemented.

4.11 **Other Issues Which Arose During 2011/12**

4.11.1 Cipfa Benchmarking Data

Over the past two years the council has benchmarked all its services with other district council in terms of cost and performance. The objective has been to ensure that l services are not high cost, low performing, with an ultimate aim to ensure that services were low cost, high performing. This has resulted in the development of three service improvement plans.

4.12 **The Code of Corporate Governance**

4.12.1 In July 2002 the Council adopted a Code of Corporate Governance and a comprehensive action plan to comply with that Code was implemented in full by 2008.

4.12.2 The Council has adopted the principles of the CIPFA / Solace framework 2007 (including the implementation of an appropriate Communications Strategy). This has formed the basis of the compilation of the Annual Governance Statement. Further work will carried out during 2012 to fully integrate the Code into the performance of the Council.

4.12.3 A self-assessment has been undertaken against the Cipfa/SOLACE Governance Framework and a summary of this is given at APPENDIX 2. The key issues arising from this are:

(i) The need to develop the use of needs analysis in determining the Council's priorities;
(ii) The development of engagement and consultation strategies; and
(iii) Finalise the Council's values and communicate them to staff, members, partners and the community

4.13 **The Role of Risk Management**

4.13.1 During 2011/12 the Audit and Accounts Committee received regular progress reports regarding risk management arrangements. In the annual report on risk management the key issues highlighted were:-

(a) The Council's arrangements for managing risk are considered to be adequate and operating effectively.

(b) The risk management strategy was largely implemented as scheduled during 2011/12; and

(c) the strategic risk management process was successful in managing 7 potential risks/ opportunities to below the tolerance level of 10 and a further 2 risks have been deleted from the risk register, as they are no longer considered to be strategic risks.

4.13.2 During 2011/12 the corporate Strategic Risk Management Group (SRMG) were responsible monitoring progress on the implementation of the Annual Governance Statement action plan for 2010/11. Progress has been reported to the Committee throughout the year, with the last update being given at the March 2012 meeting.. There are a small number of outstanding items and these will be incorporated within the Action Plan for 2011/12.

4.13.3 New areas for development identified during 2011/12 include the implementation of the action plans in respect of the inspections / issues as set out in paragraphs 4.10 and 4.11 above.

4.13.4 Other areas for improvement were identified by the SRMG as:-

- Revision of the Code of Corporate Governance (including a new Communications Strategy)
- Review of the Council's Anti Fraud and Corruption Strategy in view of the new Bribery Act
- Revised version of "Our Values" to be finalised

4.14 **Budget 2012/2013**

4.14.1 The Budget for 2012/2013 was compiled against the continuing backdrop of further reductions (13.8%) in the funding available to the Council. The process for finalising the budget was led by the Cabinet and the Leadership Team and involved as many officers as was feasible. A balanced Budget was approved in February 2012 with the deficit (£750,000) being bridged with a managed process of staffing reductions (without the need to resort to compulsory redundancies) and not requiring the use of significant income increases. Efficiency savings formed the backbone of the approved Budget and these will continue to be achieved through careful management of the Budget through out the year and not just at Budget setting time. One of the prime areas for efficiency savings was the implementation of shred services. Council Tax was frozen for 2011/12. It will be important to ensure that the Budget process for 2013/14 onwards is as robust as in previous years as the Council faces further significant challenges from continued reductions in Government support. However the overall finances of the Council are sound and it is well placed to meet those challenges.

The Council also approved a Capital programme in the sum of £9.6 million to be spent in the period up to 31 March 2015.

4.15 The Role of Performance Management

4.15.1 During 2011/2012 various initiatives were implemented to continue to improve performance management within the Council

Performance Clinics continued bi annually for each service area with particular emphasis on the development of benchmarking and assessment of service value for money, customer satisfaction and methods of communicating with customers and the development of a nucleus of performance indicators that represent the core work of the service.

Performance Plus was further developed in service areas with additional officers able to input their data into the system thus increasing efficiency and reducing the risk of error.

Following the abolition of the national performance framework the Cabinet and Leadership Team have agreed to continue to monitor on a quarterly basis 15 former national indicators across the services. Performance against these indicators is examined by the Scrutiny Committees.

The Corporate Plan was refreshed, reviewed and streamlined into a focused action plan for 2011-12.

A corporate value for money analysis was undertaken to identify service vfm status and a programme of work established based on services that were categorised as high performance, high cost or low performance, high cost.

4.16 Statements of Assurance from Managers

4.16.1 During 2011/12 specific statements of assurance were utilised for the S151 Officer, the Monitoring Officer and the Heads of Service in order to incorporate their views as to the effectiveness of the governance framework including internal controls in their areas of responsibility. No significant issues were highlighted.

4.17 Statements of Assurance from Members

4.17.1 During the year Members were surveyed in respect of their awareness of corporate governance issues in accordance with CIPFA guidelines. The results were very positive in respect of the overall aims and objectives of the Authority, the role of Members, standards of conduct and behaviour, being an effective councillor and listening to our community and partners.

4.17.2 The Survey showed improvements to last year with high levels of awareness indicated by members in respect of the various questions raised regarding the council's priorities, members roles and the role of scrutiny in the authority

4.18 Results From the Review of the Effectiveness of the Governance Framework

4.18.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Cabinet, audit committee, scrutiny function, senior managers, Internal Audit, risk management process and external review, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 All significant governance issues are included in the action plan below.

ISSUE	ACTION	TARGET DATE
Outstanding items from 2010/11 AGS	One item from Surveillance Commissioners report	As part of Shared Service Transformation
	Revision of Council's Code of Corporate Governance to reflect the principles of the 2007 CIPFA statement (including a new communications strategy).	Dec 2012
Our Values	Revised version of "Our Values" to be finalised for consideration by Cabinet and publicised	Dec 2012
Bribery Act	Fraud and Corruption strategy / arrangements to be reviewed and updated to take account of the new Bribery Act	Dec 2012

Shared Services	Review of the shared service governance arrangements Monitoring of the delivery of the Transformation Plans.	September 2012 Ongoing throughout 2012-13
Planning	Implementation of transformation plan	Dec 2012
Streetscene	Compilation of transformation plan and implementation of actions arising	March 2013
Project Management	Implementation of refreshed approach to Project Management	March 2013
Earmarked Reserves	Ensure that there are clear objectives, in line with the Council's strategic objectives, for all earmarked reserves	Dec 2012
Needs Analysis	Develop the use of needs analysis in determining the Council's priorities;	Feb 2013
Engagement and Consultation	The development of engagement and consultation strategies	Mar 2013

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

(Signed) ______________________________ (Dated) ________________
Chief Executive

(Signed)______________________________ (Dated) ________________
Leader of the Council

APPENDIX 2

Code of Corporate Governance
Summary of Self-Assessment for 2011-12

A review has been undertaken by senior governance officers of compliance with the Council's Code of Corporate Governance.

In summary the Council is complying with the Code of Corporate Governance, it has adequate measures in place and these are generally operating effectively. There is however, inevitably, room for improvement.

Outlined below, against each of the six principles of the Code of Corporate Governance, is a summary of the extent of our compliance with the Code.

1. Focusing on the purpose of the authority and on outcomes for the community creating and implementing a vision for the local area

Compliance against this principle is good with adequate measures in place in all areas but with some minor areas for improvement in effectiveness.

The Council has a Corporate Plan which outlines its vision and priorities and this is developed in consultation with the community, key stakeholders and partners. The Corporate Plan includes priority promises action plans which outline how the Council's priorities will be delivered.

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

Compliance against this principle is good with adequate measures in place in all areas but with one minor areas for improvement in effectiveness.

The Constitution clarifies the roles and responsibilities of the Executive and Committees. Job descriptions are in place for employees. There is a scheme of delegation in place which outlines those decisions and activities that can be undertaken by officers. Statutory officers are in place to ensure proper financial management and compliance with the law. There is a Member/Officer Protocol in place to ensure effective working relationships.

Consideration is to be given to undertaking a needs analysis to support the development of the Council's priorities.

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Compliance against this principle is adequate but with some minor areas for improvement in effectiveness.

The Council has a defined set of values and Codes of Conduct for Members and employees.

The Council's values have been reviewed; they are to be finalised and then promoted to Members, employees, partners and the community.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Compliance against this principle is good with adequate measures in place in all areas.

The Council has adequate scrutiny and audit arrangements. Adequate information is provided to decision makers in the form of reports which include robust financial and legal implications. A solicitor attends the main Committee meetings to ensure that decisions are lawful and advice is provided on reports. Officers and Members are risk aware.

5. Developing the capacity and capability of Members and Officers to be effective

Compliance against this principle is good with adequate measures in place in all areas.

There is a framework in place to develop the capacity and capability of employees as required. Employees have a Personal Development Review each year. The lead HR officer for learning & development identifies courses where appropriate for common skills gaps and there is a corporate training budget to fund relevant corporate training need. There is a service led induction programme for all new employees.

For Members, there is an induction programme for new members and training is mandatory for sitting on certain regulatory committees such as planning. Members have been surveyed on their training needs. Members attend external courses and conferences as appropriate.

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

Compliance against this principle is adequate with measures in place in most areas but with some areas for improvement in effectiveness.

The Council undertakes consultation with the community and stakeholders through a variety of mechanisms eg surveys, Community Forums, website, use of Social Media.

Consultation and Engagement Strategies to be developed to provide a framework for consultation and engagement activities.

The Role of the Chief Finance Officer in Good Governance

The self-assessment of compliance against the Council's Code of Governance also includes an assessment of compliance with Cipfa's "Statement on the Role of the Chief Financial Officer in Local Government (2010)", which has been included in the "Application Note to Delivering Good Governance in Local Government: a Framework" issued by Cipfa and SOLACE in March 2010. .

The self-assessment has concluded that compliance with the Statement is good. The Deputy Chief Executive has been designated as the s151 Officer for the Council. The Deputy Chief Executive is a member of the Leadership Team and as such is able to bring influence to bear on material decisions taken by the Council. The Deputy Chief Executive ensures that there is a robust financial framework and medium term financial strategy in place.