

WEST LANCASHIRE BOROUGH COUNCIL

**DRAFT UNAUDITED
STATEMENT OF ACCOUNTS**

FOR THE YEAR ENDED 31ST MARCH 2012

CONTENTS

	Page
Introduction	1
Explanatory Foreword	2
Annual Governance Statement	10
Independent Auditor's Report	16
Statement of Responsibilities	19
Movement in Reserves Statement	20
Comprehensive Income and Expenditure Statement	22
Balance Sheet	23
Cash Flow Statement	24
Notes	25
Housing Revenue Account and Notes	81
Collection Fund and Notes	88

Statement of Accounts 2011/2012

INTRODUCTION

This section will not be signed off until after the audit of the accounts has been completed and the Audit and Governance Committee have approved them.

We are pleased to introduce West Lancashire Borough Council's audited Statement of Accounts.

The Statement shows the financial performance and financial position of the Council for 2011/2012. The publication of the Statement is a statutory requirement and demonstrates the Council's stewardship of public money over the last year.

The Audit and Governance Committee approved the Statement of Accounts at its meeting of 25th September 2012 following the external audit of the accounts.

Edward Pope

Chairman of the Audit
And Governance Committee

Marc Taylor

Borough Treasurer

Statement of Accounts 2011/2012

EXPLANATORY FOREWORD

Introduction

This publication contains the Council's Statement of Accounts for the year ended 31st March 2012.

These accounts provide details of the money that the Council spent on delivering services and where this money came from. The accounts also show the Council's financial performance and financial position for the year.

Stewardship of public money and best value

The accounts have been prepared in accordance with the statutory and accounting regulations that govern the Council's financial affairs. These rules are primarily designed to safeguard public money and to promote best value.

The Council's accounts are subject to scrutiny by its elected Councillors and its Internal and External Auditors to verify that these regulations are being followed.

In addition members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website.

Contents of the Accounts

The different parts of the Accounts and their purposes are set out below:

Annual Governance Statement

This outlines key elements of the Council's governance framework, provides a review of its effectiveness, and sets out plans for its future development.

Independent Auditor's Report

This report sets out the External Auditor's opinion on whether the Accounts present a true and fair view of the financial performance and position of the Authority, and whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Statement of Responsibilities

This summarises the responsibilities of the Council and its Chief Finance Officer in relation to the Statement of Accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (which can be applied to fund expenditure or reduce taxation) and other reserves.

Statement of Accounts 2011/2012

The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund and HRA Balance before any discretionary transfers to and from earmarked reserves.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

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

The first category of reserves are usable reserves, which are reserves held by the Council and may be used 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 may only be used to fund capital expenditure or to repay debt).

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold. This category also includes reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustment between accounting basis and funding basis under regulations".

Cash Flow Statement

This shows the changes in cash and cash equivalents for 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

Statement of Accounts 2011/2012

arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

Housing Revenue Account (HRA)

This summarises all transactions relating to the provision and maintenance of Council houses and flats, and reflects a statutory obligation to account separately for local authority housing provision.

Collection Fund

This account shows the income raised from Council Tax and Business Rates and how these funds are distributed to local authorities and central government.

Financial summary

The Council spent £183.405m in providing day-to-day services for the local community. The Council also invested £9.206m in capital projects during the year to maintain and develop the services that it provides. Total usable reserves reduced by £1.472m over the course of the year to £17.348m.

The following paragraphs provide an overview of the Statement of Accounts by highlighting its key features and figures.

Service Provision

In broad terms the following tables show where the money for providing services comes from and what it was spent on.

What the money is spent on

	2011/2012	2010/2011
	£'000	£'000
Central Services	16,325	14,401
Cultural and Leisure Services	4,367	4,556
Environmental Services	7,756	8,778
Highways, Roads and Transport	1,061	2,267
Housing Revenue Account	20,159	19,658
HRA Self Financing Payment	88,212	0
HRA Impairment	9,828	41,897
Other Housing Services	31,473	29,372
Planning and Development	4,224	4,795
Total	183,405	125,724

Statement of Accounts 2011/2012

Statement of Accounts 2011/2012

Where the money comes from

	2011/2012	2010/2011
	£'000	£'000
Council tax	7,408	7,406
General government and NNDR grants	7,822	9,599
Housing rents	20,070	18,527
Service specific fees, charges and grants	49,383	55,134
Funding for HRA Self Financing	88,212	0
All other items (net)	10,510	35,058
Total	183,405	125,724

In 2011-12 the Government introduced a new HRA Self Financing system. As a result of this change, the Council had to make a one off payment of £88.212m to the Government, but will no longer have to make annual subsidy payments in the future. This payment was funded by taking out a number of loans with the Public Works Loans Board.

In 2010-11 there was a formal five yearly revaluation of the housing stock, which saw a significant reduction in the carrying value of dwellings. As a result, revaluation losses / impairment charged through the HRA were significantly lower in the current year.

Financial performance for the year

General Revenue Account (GRA)

This account shows income and expenditure for all services except Council housing. The Council set a net budget of £14.277m for the year for its GRA activities. The final outturn position shows a favourable budget variance of £0.520m, which represents 3.6% of the budget requirement. This favourable variance has mainly been achieved through Business Plan savings being delivered earlier than originally anticipated, the active management of staffing levels, and steady income performance.

In accordance with the Budget agreed by Council in February 2012, £282,000 of this variance will be used to support the development of new capital schemes. Any remaining variance has then been added to Corporate Reserves.

Housing Revenue Account (HRA)

This account shows income and expenditure relating to the Council's housing stock. The Council set a budget of £22.273m for the year for its HRA activities, and expenditure was contained within this target. A small favourable variance of £25,000 was achieved at the year end, which was added to HRA Balances.

Statement of Accounts 2011/2012

The financial performance for the year on both the GRA and the HRA was broadly in line with the overall budget, while the level of balances and reserves continues to be adequate for prudent financial management.

Capital investment in the year

Each year the Council invests money to buy new infrastructure, buildings and equipment and to pay for long-term improvements to its existing assets. This spending is needed to maintain and develop the services that the Council provides.

The following tables provide a breakdown of the total investment for the year.

Where the money comes from

	2011/2012	2010/2011
	£'000	£'000
Capital Receipts	1,846	1,351
Government Grants and Other Contributions	2,093	1,961
Revenue Contributions	4,181	4,741
Increase in underlying need to borrow	726	44
Other	360	685
Total	9,206	8,782

What the money is spent on

	2011/2012	2010/2011
	£'000	£'000
Property, Plant and Equipment	7,303	7,348
Intangible Assets	87	111
Revenue Expenditure Funded from Capital	1,588	1,033
Other	228	290
Total	9,206	8,782

Financial position

The main assets of the Council are its housing stock and the other land, buildings and equipment that it owns. These assets have been valued at £192.006m in the accounts. The Council had a total net worth of £67.905m at 31st March 2012, taking into account all of its assets and liabilities. The debt financing required for HRA self

Statement of Accounts 2011/2012

financing has significantly reduced the net worth of the Council compared to the previous year.

Significant issues in the accounts

The most significant factor in this year's accounts relates to the implementation of HRA self financing. The one off self financing payment of £88.212m made to the Government has been charged to the HRA and consequently has dramatically increased expenditure.

This payment has been funded by borrowing and consequently has significantly reduced the level of the Capital Adjustment Account and the new worth of the Council. However as the annual interest costs on this debt will be substantially below the level of subsidy paid to the Government each year, then the Council will see a significant financial benefit in future years.

There has been a significant reduction in the value of Property Plant and Equipment of £8.191m. This is mainly the result of impairment and depreciation charges on Council dwellings. However these charges are far lower than those in the previous year, when the results of a formal five yearly revaluation of the Housing Stock produced a significant write down in the value of Council dwellings.

There has also been a significant reduction in the value of Investment Properties of £1.537m. This is as a result of movements in the market value of these properties over the year.

The value of the net pension liability in the accounts has increased by £9.807m. The net pension liability represents the excess of long term accrued liabilities, assessed on a prescribed basis, compared with the market value of assets. Statutory arrangements for the funding of the pension scheme mean that the financial position of the Council remains healthy. This deterioration is mainly a result of an actuarial loss of £9.003m on the pension fund.

The value of Debtors has reduced by £1.353m over the year to £5.954m. This is mainly the result of a reduction of £2.170m in a Government debtor relating to Business rates agency collection arrangements.

The level of Usable Reserves has reduced by £1.472m to £17.348m at the year end. This mainly reflects a reduction in the level of the Capital Receipts Reserve, as levels and values of asset sales are currently very low compared to previous periods. It also reflects a reduction in Earmarked General Fund Reserves, particularly the use of the Restructuring Fund to pay for staff pension strain costs.

The Council agreed a set of Major Service Review proposals as well as a shared service arrangement for the provision of its Revenues, Benefits and IT Services in July 2011. This forms part of the planned approach for dealing with the very difficult financial position facing the Council. These initiatives were implemented by the end of the current financial year, and will deliver budgeted savings of £2.052m in 2012-13 for the General Revenue Account. The Major Service Review proposals included a number of redundancies, and the total cost of staff exit packages incurred in the year was £1.209m.

Statement of Accounts 2011/2012

The responsibility for statutory travel concessions was transferred from District Councils to County Councils in April 2011 due to a change in legislation. As a result of this transfer in responsibility net expenditure on Highways, Roads and Transport reduced by £0.864m in the year. This was matched by a similar reduction in the level of general grant funding provided for this service area.

The Council has continued to manage its budgets successfully during the last two years and delivered outturn positions broadly in line with budgets on both its General and Housing Revenue Accounts.

Future revenue spending and capital investment plans

The Council is facing a difficult medium term financial position as a result of the Government reducing the funding it provides to all local authorities. The Council will meet this challenge through a medium term business plan process which will identify a programme of savings to meet the anticipated budget gap while protecting service levels as far as possible. Details on this business plan process have been the subject of a number of reports to Council.

The budget that was set for 2012-13 contained a range of efficiency and savings measures but did not include any significant service reductions. This included large scale savings generated through the Major Service Review process and a shared service arrangement with the County Council and One Connect Limited for the provision of Revenues, Benefits and IT Services.

The Council is very aware of the pressure on our resident's finances due to the difficult financial climate. Consequently it was decided to freeze the Council tax level for the third year in a row. This continues our track record of delivering affordable Council tax increases.

Looking to the future, it is expected that a further Major Service Review will be completed during the year and reported to Council. This Review is one of the key work streams in the business plan, and will set out a series of proposals concerning how services could be restructured to produce the savings necessary to balance the budget in future years.

The capital programme for 2012-13 is based on a budget of £10.156m as set out below. This is a significantly more than the previous year, and largely reflects the increased funding available for investment in the Housing Stock as a result of the implementation of the new HRA self financing system. The budget that was set for the HRA for 2012-13 has been significantly influenced by this new approach, and the HRA Business Plan sets out projections of future expenditure and resources over a 30 year period.

Statement of Accounts 2011/2012

Statement of Accounts 2011/2012

Sources of funding for the capital programme

	2012/2013	2011/2012
	£'000	£'000
Capital grants	355	380
HRA funding	7,721	4,145
Capital receipt funding	1,780	2,885
Other resources	300	604
Total	10,156	8,014

Key elements of the programme include:

- Maintaining and improving the condition of the Council's housing stock
- Funding for the expansion of CCTV coverage, the upgrading of existing equipment and the creation of a new CCTV suite
- The provision of financial assistance targeted at vulnerable residents to achieve decent homes in the private sector
- Funding for affordable housing
- Planned enhancements and improvements to Council Buildings

Further information

It is the Council's policy to provide full information about its financial affairs. Further details about the accounts, and summary versions of the statement in other languages, can be obtained by:

- E-mailing Marc.Taylor@westlancs.gov.uk
- Telephoning (01695) 585092
- Writing to West Lancashire Borough Council
52 Derby Street
Ormskirk
Lancashire L39 2DF

Statement of Accounts 2011/2012

WEST LANCASHIRE BOROUGH COUNCIL

2011/12 ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

West Lancashire 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 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.

To discharge this overall responsibility, the Council must have in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011, in relation to the production of an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

Statement of Accounts 2011/2012

THE GOVERNANCE FRAMEWORK

The Council has in place a comprehensive governance framework, the key elements of which are as follows:

The Council reviews its vision and priorities regularly. A statement of the current vision, values and priorities is available in a number of formats and, together with a number of other documents referred to in this Annual Governance Statement, can be viewed online on the Council's [website](#).

The Council's 4 year Business Plan sets out how it will deal with the very difficult financial challenges facing all local authorities as a result of government decisions on grant funding reductions.

The Council's Covalent Performance Management System is used to monitor achievement of the Council's objectives and progress against priority delivery projects. Information from this system is presented to Management and Members on a regular basis.

A new management structure has been put in place this year where the Chief Executive's post has been disestablished and replaced with Joint Managing Directors. This innovative new approach will continue to provide high quality management for the Council but at a significantly reduced cost.

The Council has a number of core customer service standards which apply to all customers and staff. These corporate customer care standards provide a clear commitment of our desire to attain the highest quality of customer service. They include response times for letters and emails, telephone calls, complaints, visits to our offices, visits to customer's homes and out of hours emergencies. They cover targets and the attitude and behaviour of staff and customers.

The Council has in place Codes of Conduct which set out the standards of behaviour expected of all members and officers. These are provided to all members and officers on appointment and are available on the Council's intranet site. The Council also has a Standards Committee whose role is to promote and maintain high standards of conduct.

A corporate Equality and Diversity steering group is in place which meets periodically to ensure the Council complies with its duties under Equality legislation.

The Council's Constitution clearly sets out the respective roles and responsibilities of the Council, its Executive and Overview and Scrutiny functions, and delegations to Committees, Portfolio holders and Chief Officers as well as those functions which, by Statute, are to be exercised by a designated "Proper Officer".

As part of the Constitution the Council has agreed a Protocol on Member/Officer Relations and Conventions for the Management of Council Business.

Statement of Accounts 2011/2012

The Council's professionally qualified Chief Finance Officer (the "Section 151" officer) is responsible for the proper administration of its financial affairs. The Officer attends Directorate Service Head meetings and has a direct reporting line to the joint Managing Directors. Financial advice is provided for all the key decisions that are made.

A Medium Term Financial Forecast and Treasury Management Strategy, which fully assesses the potential financial risks to the Authority, are in place and reviewed regularly. Standing orders and financial regulations, that detail the Authority's financial management arrangements, are also maintained and developed.

The Council has a comprehensive Risk Management process in place which is fully embedded throughout the Authority and forms an integral part of the management process. This includes a dedicated resource committed to this area of work to ensure consistency and compliance throughout the Authority.

The Council's Audit and Governance Committee undertakes the core functions of an audit committee as identified in CIPFA's publication *Audit Committees – Practical Guidance for Local Authorities*.

The Council's Monitoring Officer Protocol sets out how the Council deals with issues of concern including legality, probity, vires and constitutional issues.

The Council is committed to the highest possible standards of openness, probity and accountability and has in place a formal Complaints Procedure, Anti-Money Laundering Policy, Whistleblowing Code and Anti-Fraud, Bribery and Corruption Policy.

Recruitment Procedures are in place to ensure the appointment of appropriately skilled employees. An induction process is also in place for employees along with guidance for Managers on how to induct new employees into their teams. Ongoing training needs are identified through a Development Appraisal Scheme.

The Council is committed to consulting local people and a 'Your Views' section is available on the Council's website dedicated to engaging the public.

A Key Decision Forward Plan is produced on a monthly basis and provides the public with details of all key decisions that are due to be taken by Officers and Members. This promotes openness and transparency in the decision making processes of the Council.

The Council has in place a Protocol which sets out how the essential elements of local governance, accountability and transparency will be maintained within any proposed arrangements for service delivery through partnerships.

FINANCIAL MANAGEMENT ARRANGEMENTS

The Authority's Financial Management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Statement of Accounts 2011/2012

Statement of Accounts 2011/2012

REVIEW OF EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

West Lancashire Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Service within the Authority who have responsibility for the development and maintenance of the governance environment, by the Head of Internal Audit's annual report, and also by the work undertaken by the External Auditors and other review agencies and inspectorates.

The Council is ultimately responsible for maintaining an up to date governance framework which is chiefly contained in its Constitution and is made up of its standing orders, financial regulations and scheme of delegation together with various associated policies and procedures.

The Council's External Auditor's are the Audit Commission, and their most recent Annual Audit Letter concluded that the Council has effective arrangements in place for internal control and did not raise any significant issues of concern.

As part of the procedure for producing this statement, the Council's Heads of Service are required to review whether there are any significant control or governance issues that require addressing, and no such issues were identified through this process. The Borough Treasurer, who has overall responsibility for the Authority's financial framework, has also not identified any significant governance or internal control issues in relation to financial matters.

In carrying out a continuous audit of the Council's business the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements and report to the Audit and Governance Committee accordingly. The Internal Audit Manager's Annual Report for 2011/12 does not identify any serious deficiencies in the Council's internal control mechanisms.

The Audit and Governance Committee are charged with monitoring Contract Procedure Rules, Financial Regulations and other provisions of the Constitution. This Committee also considers how well the Council has complied with its own and other published standards and controls in so far as these contribute to the adequacy of its framework of internal control.

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and plans to address development issues and ensure continuous improvement of the system are in place.

PROGRESS ON ISSUES IDENTIFIED IN THE LAST ANNUAL GOVERNANCE STATEMENT

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

Due to robust financial monitoring and management the Council has achieved a favourable budget variance for 2011-12 and has also set a balanced budget for

Statement of Accounts 2011/2012

2012-13. Consequently the Council is taking appropriate action to secure a stable financial position.

Statement of Accounts 2011/2012

The new self financing system for the HRA has been implemented, with a budget for 2012-13 agreed on this new basis by Council in February 2012. As part of these arrangements, the Council took on £88m worth of debt from the Government in exchange for no longer having to make annual subsidy payments. Effective treasury management, financial and asset management processes have meant that this major change has been introduced without any significant problems.

HOUSING INSPECTION REPORT

Significant progress has been made on the actions contained in the Housing Self Improvement Plan and a wide range of enhancements have been delivered. Residual work from the plan together with other areas identified for improvement have been incorporated into the Housing Service Action Plan for 2012/13

SHARED SERVICES

The Council has entered into a shared service arrangement with Lancashire County Council and One Connect Limited for the delivery of its Revenues, Benefits and IT services. This new approach should ensure that service levels are maintained and costs are reduced, and the contract has operated satisfactorily to date. This area will continue to be monitored to ensure that governance arrangements operate effectively and that targets and milestones are managed and reported appropriately.

CONTRACTS

A range of actions to improve contract management have been delivered including the provision of training, improvements to management information systems, and more detailed scrutiny . This has enhanced performance in this area, and Internal Audit will further examine processes relating to contracts to ensure that value of money services are delivered.

CURRENT SIGNIFICANT GOVERNANCE ISSUES

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

Financial constraints and the economic climate continue to be the primary challenge for the Authority. The Medium Term Financial Forecast identifies a need for the Council to make 30% savings over a 4 year period and this will become increasingly difficult over time. This is an unprecedented time for Local Government where rapid and significant change will be required.

This level of savings will mean that the Council will need to radically change its structures and the way it operates to secure a sound financial position. The Council's Business Plan has been developed to achieve these savings through a measured and well thought out process. However this level of change will create significant risks in the governance framework that will need to be managed and reviewed effectively.

Statement of Accounts 2011/2012

We propose to monitor the above issues over the coming year, and to take steps to maintain and develop our governance arrangements.

SIGNED:

Date

LEADER

SIGNED:

Date

MANAGING DIRECTOR (PEOPLE AND PLACES)

.

SIGNED:

Date

MANAGING DIRECTOR (TRANSFORMATION)

On behalf of West Lancashire Borough Council

Statement of Accounts 2011/2012

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST
LANCASHIRE BOROUGH COUNCIL**

This report will be included in the Statement of Accounts in September once the audit of the accounts has been completed.

Statement of Accounts 2011/2012

This page has been intentionally left blank for formatting purposes.

Statement of Accounts 2011/2012

This page has been intentionally left blank for formatting purposes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The following responsibilities are placed upon the Authority and its Chief Finance Officer in relation to the Council's financial affairs.

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Borough Treasurer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

The Chief Finance Officer's Responsibilities

As the Authority's Chief Finance Officer, I am responsible for preparing the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, I have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

I have also:

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

The Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31st March 2012 and its income and expenditure for the year then ended.

Marc Taylor
Borough Treasurer
June 2012

Statement of Accounts 2011/2012

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 31 March 2010	1,674	8,912	921	1,553	6,853	555	459	20,927	182,181	203,108
<i>Movement in Reserves during 2010-2011</i>										
Surplus or deficit (-) on the provision of services	2,047		-36,925					-34,878		-34,878
Other Comprehensive Income and Expenditure								0	9,280	9,280
Total Comprehensive Income and Expenditure	2,047	0	-36,925	0	0	0	0	-34,878	9,280	-25,598
Adjustments between accounting basis and funding basis under regulations (note 6)	-2,059		36,378		-916	-173	-459	32,771	-32,771	0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	-12	0	-547	0	-916	-173	-459	-2,107	-23,491	-25,598
Transfers to / from Earmarked Reserves (note 7)	-513	513	257	-257				0		0
Increase / Decrease (-) in 2010-11	-525	513	-290	-257	-916	-173	-459	-2,107	-23,491	-25,598
Balance at 31 March 2011	1,149	9,425	631	1,296	5,937	382	0	18,820	158,690	177,510

Statement of Accounts 2011/2012

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 31 March 2011	1,149	9,425	631	1,296	5,937	382	0	18,820	158,690	177,510
<i>Movement in Reserves during 2011-2012</i>										
Surplus or deficit (-) on the provision of services	-5,035		-95,440					-100,475		-100,475
Other Comprehensive Income and Expenditure								0	-9,130	-9,130
Total Comprehensive Income and Expenditure	-5,035	0	-95,440	0	0	0	0	-100,475	-9,130	-109,605
Adjustments between accounting basis and funding basis under regulations (note 6)	4,574		95,861		-1,676	154	90	99,003	-99,003	0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	-461	0	421	0	-1,676	154	90	-1,472	-108,133	-109,605
Transfers to / from Earmarked Reserves (note 7)	461	-461	-396	396				0		0
Increase / Decrease (-) in 2011-12	0	-461	25	396	-1,676	154	90	-1,472	-108,133	-109,605
Balance at 31 March 2012	1,149	8,964	656	1,692	4,261	536	90	17,348	50,557	67,905

Statement of Accounts 2011/2012

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/2011				2010/2011		
Gross Cost £'000	Gross Income £'000	Net Cost £'000		Gross Cost £'000	Gross Income £'000	Net Cost £'000
4,556	533	4,023	Cultural and Leisure Services	4,367	492	3,875
8,778	2,322	6,456	Environmental Services	7,756	1,283	6,473
2,267	1,263	1,004	Highways, Roads & Transport	1,061	1,057	4
19,649	21,061	-1,412	Local Authority Housing (HRA)	20,159	22,635	-2,476
40,110	0	40,110	HRA - impairment	9,828	0	9,828
29,372	28,058	1,314	Other Housing Services	31,473	30,267	1,206
4,795	2,365	2,430	Planning and Development	4,224	2,104	2,120
2,405	2	2,403	Corporate & Democratic Core	2,595	2	2,593
32	0	32	Non Distributed Costs	513	0	513
11,964	10,300	1,664	Other Central Services	13,217	11,613	1,604
0	7,757	-7,757	Exceptional Items	88,212	0	88,212
123,928	73,661	50,267	Cost of Services	183,405	69,453	113,952
1,680	1,024	656	Other operating expenditure (note 8)	1,267	541	726
3,009	1,283	1,726	Financing & investment income & expenditure (note 9)	4,682	2,687	1,995
0	17,771	-17,771	Taxation and non specific grant income (note 10)	0	16,198	-16,198
128,617	93,739	34,878	Surplus (-) or Deficit on Provision of Services	189,354	88,879	100,475
		1,221	Surplus or deficit on revaluation of non current assets			127
		-10,501	Actuarial gains (-) or losses on pension assets and liabilities			9,003
		-9,280	Other Comprehensive Income and Expenditure			9,130
		25,598	Total Comprehensive Income and Expenditure			109,605

Statement of Accounts 2011/2012

BALANCE SHEET

1 April 2010 £'000	31 March 2011 £'000		Notes	31 March 2012 £'000
231,503	192,214	Property, Plant & Equipment	11	184,023
458	458	Heritage Assets		458
9,018	8,819	Investment Property	12	7,282
240	241	Intangible Assets	13	243
15	15	Long Term Investments		15
236	210	Long Term Debtors		76
241,470	201,957	Long term assets		192,097
11,722	9,546	Short Term Investments		10,008
117	148	Inventories	15	58
8,209	7,307	Short Term Debtors	16	5,954
5,943	5,111	Cash and Cash Equivalents	17	5,602
25,991	22,112	Current assets		21,622
-39	0	Bank Overdraft		-574
-8,040	-5,833	Short Term Creditors	18	-6,459
-8,079	-5,833	Current Liabilities		-7,033
-167	-202	Provisions	19	-243
-53,506	-37,213	Pension Liabilities	37	-47,020
-1,356	-1,605	Other Long Term Liabilities	34	-1,528
-1,244	-1,706	Grants & Contributions in Advance	30	-1,778
0	0	Long Term Borrowing		-88,212
-56,273	-40,726	Long Term Liabilities		-138,781
203,109	177,510	Net Assets		67,905
-20,927	-18,822	Usable Reserves	20	-17,350
-182,182	-158,688	Unusable Reserves	21	-50,555
-203,109	-177,510	Total Reserves		-67,905

Statement of Accounts 2011/2012

CASH FLOW STATEMENT

2010-2011 £'000		2011-2012	
		£'000	£'000
-34,316	Net Deficit on the Provision of Services		
37,105	Adjustments for non-cash movements		
-976	Adjustments for items that are investing or financing activities		
1,813	Net Cash Flows from Operating Activities		
-3,285	Investing Activities (note 23)		
679	Financing Activities (note 24)		
-793	Change in Cash and Cash Equivalents		-84
5,904	Cash & Cash Equivalents at start of period		5,111
5,111	Cash & Cash Equivalents at end of period		5,027

Figure for 2011-12 still to be included

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

This Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end of 31st March 2012. It has been prepared in accordance with relevant statutory regulations and proper accounting practice, and in particular the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, the Service Reporting Code of Practice and International Financial Reporting Standards.

The accounting convention adopted in the Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets.

ii. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are recognised as income at the date the goods or services are provided and where it is probable that the income will be received
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and interest payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract
- Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

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

Statement of Accounts 2011/2012

Statement of Accounts 2011/2012

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

The Code of Practice for 2011/12 requires changes to be made to the Council's accounting policies on heritage assets. Details on the impact of this change are set out in note 40.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. **Charges to Revenue for Non Current Assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets:

- 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 cover depreciation, revaluation and impairment losses or amortisation. However it is required to make an annual contribution from revenue towards the reduction in its overall Borrowing Requirement.

Depreciation, revaluation and impairment losses and amortisation are replaced by a Minimum Revenue Provision calculated on a prudent basis by the Council in accordance with statutory guidance. This is achieved through an adjusting transaction between the General Fund Balance and the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. Capital charges to the Housing Revenue Account are calculated in accordance with statutory regulations.

vi. 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 for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These amounts are charged to the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of an officer's employment 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 in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional entries for pension enhancement termination benefits and to replace them with the amount payable to the pension fund in the year.

Post Employment Benefits

The Council participates in a Local Government Pension Scheme administered by the Lancashire County Pension Fund. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate based on high quality corporate bonds.

Statement of Accounts 2011/2012

The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

Statutory provisions require the General Fund balance to be charged with the amount payable to the Pension Fund in the year rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are entries to remove the notional debits and credits for retirement benefits and replace them with the amounts actually payable to the Pension Fund for the year.

Consequently the negative balance that arises on the Pensions Reserve measures the beneficial impact on the General Fund balance of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

vii. 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 Accounts are authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Accounts are 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.

viii. 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 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.

Typically this means for borrowing, that the amount shown in the Balance Sheet is the outstanding principal payable (plus accrued interest), and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Statement of Accounts 2011/2012

Financial Assets

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

These assets are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and then carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Typically this means for investments, that the amount shown in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to 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 asset.

ix. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as income at the date where there is reasonable assurance that the Council will comply with any conditions attached to the payments and that the payments will be received.

Amounts 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 require the grant or contribution to be used in a specified manner or else to be returned.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant line in the Comprehensive Income and Expenditure Statement.

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

Statement of Accounts 2011/2012

x. Heritage Assets

Heritage assets are those which have historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. It is intended that such assets are preserved in trust for future generations because of their cultural, environmental and historical association.

These assets will be recognised at cost in the Council's balance sheet where this can be identified. No depreciation will be accounted for due to their indeterminate useful lives. Reviews of such assets will be undertaken on a visual basis on a yearly cycle. With specific regard to Civic Regalia items these will be valued on a three yearly basis by a specialist valuer.

xi. Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Council (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset.

Intangible assets are initially measured at cost. Amounts are only re-valued where the fair value of an asset 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 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

xii. Inventories and Long Term Contracts

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

In 2004/05 the Council entered into a 15 year agreement with a Leisure Trust and Serco PLC for the operation of its 5 main leisure centres. This includes an investment programme that is financed through a deferred liability

Statement of Accounts 2011/2012

scheme, and the relevant assets and liabilities are included in the balance sheet.

xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. The same treatment is applied for gains and losses on disposals.

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 the Capital Receipts Reserve.

xiv. Leases

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

The Council as Lessee: Finance Leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset that writes down the value of the liability in the Balance Sheet
- A financing charge that is 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

Statement of Accounts 2011/2012

useful life (where the 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 and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council as Lessee: Operating Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased asset.

The Council as Lessor: Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet, and the rental income is credited to the Comprehensive Income and Expenditure Statement.

xv. **Overheads and Support Services**

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

The bases of allocations used for the main support services are time allocations for staff, floor area for administrative buildings, and transaction numbers for exchequer services.

xvi. **Property Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods and services 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 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.

Statement of Accounts 2011/2012

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

Statement of Accounts 2011/2012

Measurement

Assets are initially measured at cost, comprising the purchase price and 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.

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 and assets under construction – depreciated historical cost
- Dwellings – fair value determined using the basis of existing use value for social housing
- All other assets – fair value determined as the amount that would be paid for the asset in its existing use

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Where non property assets have short useful lives or low values, depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

Statement of Accounts 2011/2012

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 the possible difference is 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 gain)
- Where there is no balance in the Revaluation Reserve or an insufficient balance – the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

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 (such as land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Relevant assets are depreciated over their estimated useful lives on a straight line basis assuming no residual values, apart from a small number of vehicle finance leases. The Council's Estates section has determined the useful lives of dwellings and buildings and these vary depending on the nature of the asset considered.

Where an item of Property, Plant and Equipment has major components with significantly different useful lives and whose costs are significant in relation to the total cost of the item, then the components are depreciated separately.

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

Disposals

Where an asset is disposed of or decommissioned, 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. Receipts from disposals (if any) are then also credited to this same line in the Comprehensive Income and Expenditure Statement. The net value of these transactions then reflects the gain or loss on the disposal of the asset. Any revaluation gains accumulated on the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Statement of Accounts 2011/2012

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 to ensure that gains or losses on disposals do not affect the council tax.

A proportion of receipts relating to housing disposals must be paid over to the Government under a pooling arrangement (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances). The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's capital financing requirement. Receipts are appropriated to the Capital Receipts Reserve in the Movement in Reserves Statement.

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event takes place that will probably lead to a future expense, but where the timing or amount of the expense is uncertain.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely cost, taking into account relevant risks and uncertainties. Payments are then charged to the provision set up in the Balance Sheet when they are eventually made.

Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the likely cost. Where a provision is no longer required it will be reversed and credited back to the relevant service.

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

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

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

Statement of Accounts 2011/2012

xviii. 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, retirement and employee benefits. These do not represent usable resources for the Council, and include the capital adjustment account, revaluation reserve and pensions reserve.

xix. Revenue Expenditure Funded from Capital under Statute

Expenditure that has been incurred that may be capitalised under statutory provisions but does not result in the creation of a non current asset has been charged as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where the Council determines that it will meet such expenditure from its capital resources, then a transfer will be made in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account to reverse out the amounts charged so that there is no impact on the level of the Council tax.

xx. VAT

Income and expenditure excludes any amounts that relate to VAT. This is because all VAT collected is payable to HM Revenues and Customs, and all VAT paid is recoverable from them.

xxi. Exceptional items

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

Statement of Accounts 2011/2012

2. 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:

- There is a high degree of uncertainty about future levels of funding for local government. However this uncertainty is not yet sufficient to provide an indication of what assets might be impaired as a result of the need to make savings and potentially reduce service levels in certain areas
- The Council has entered into a 15 year agreement with a Leisure Trust and Serco PLC for the operation of its 5 main leisure centres. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF 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, the actual results could be materially different from the assumptions and estimates.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	The useful lives of assets are estimated when calculating depreciation but it is not possible to know these lives with certainty	An increase in estimated useful lives of 1% would decrease depreciation charges by £41,000
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide expert advice on the assumptions to be applied	The effects on the net pension liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. Note 37 provides details on actuarial gains and losses in recent years
Grant claims	Income for government grants in certain cases is based on estimated claims which are still subject to audit and could possibly change	Details on grant income levels are provided in note 32.

Statement of Accounts 2011/2012

Arrears	Note 18 provides details on levels of debtors and their associated bad debt provisions. However in the current economic climate it is not certain that these provisions will be sufficient	If collection rates were to deteriorate, then the level of bad debt provisions would need to be increased.
Expenditure accruals	At the year end estimates are made of the value of goods and services delivered but not yet paid. These estimates are then used as a basis for accruing expenditure.	Details on creditors are provided in note 20.

4. MATERIAL ITEMS OF INCOME AND EXPENSE

Details on HRA Self Financing of £88.212m and HRA impairment of £9.828m are shown separately on the Income and Expenditure Statement. A past service gain of £7.757m has also been treated as an exceptional item in 2010-11.

Expenditure on Highways, Roads and Transport has reduced by £0.864m as a result of the transfer of responsibility for Travel Concessions from District to County Councils. General Government Grants have reduced by £1.777m, which partly reflects this change, but also an overall reduction in grant funding. Benefit payments and grant funding have increased as a result of the current economic climate, and this has increased expenditure and income on Other Housing Services and Other Central Services.

5. EVENTS AFTER THE BALANCE SHEET DATE

The draft Statement of Accounts were authorised for issue by the Borough Treasurer on 30th June 2012. Events taking place after this date have not been reflected in the financial statement or notes. Where events taking place before this date provide information about conditions existing at 31st March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for events that took place after 31st March 2012, where they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

6. ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASES UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in accordance with proper accounting practice to the resources that are specified by statutory provisions

Statement of Accounts 2011/2012

as being available to the Council to meet future capital and revenue expenditure.

Statement of Accounts 2011/2012

Adjustments between Accounting and Funding Basis Under Regulations 2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non current assets	1,644	2,421				-4,065
Charges for impairment and revaluation losses of non current assets	1,083	9,828				-10,911
HRA Self Financing Payment		88,212				-88,212
Movements in the Market Value of Investment Properties	1,539					-1,539
Amortisation of intangible assets	85					-85
Capital grants and contributions applied	-1,537	-556				2,093
Revenue expenditure funded from capital under statute	1,588					-1,588
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal	14	373				-387
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	-155					155
Capital expenditure charged against the General Fund and HRA balances	-249					249
<i>Adjustments primarily involving the Capital Grants Unapplied Accounts</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-90				90	
Application of grants to capital financing transferred to the Capital Adjustment Account					0	0
<i>Adjustments primarily involving the Major Repairs Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		-4,085		4,085		
Use of the Major Repairs Reserve to finance new capital expenditure				-3,931		3,931

Statement of Accounts 2011/2012

Adjustments between Accounting and Funding Basis Under Regulations 2011/12 (continued)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	-39	-502	541			
Use of the Capital Receipts Reserve to finance new capital expenditure			-1,846			1,846
Contribution from the Capital Receipts Reserve towards administrative costs on non current asset disposal		27	-27			
Contribution from the Capital Receipts Reserve to finance payments to the Housing Capital Receipts Pool	349		-349			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			5			-5
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of retirement benefits items charged to the Income and Expenditure Statement	3,113	621				-3,734
Employer's pension contributions	-2,737	-479				3,216
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which council tax income credited to the Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-34					34
<i>Adjustments primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	0	1				-1
Total Adjustments	4,574	95,861	-1,676	154	90	-99,003

Statement of Accounts 2011/2012

Adjustments between Accounting and Funding Basis Under Regulations 2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non current assets	1,575	2,365				-3,940
Charges for impairment and revaluation losses of non current assets	799	40,110				-40,909
Movements in the Market Value of Investment Properties	200					-200
Amortisation of intangible assets	110					-110
Capital grants and contributions applied	-637	-865				1,502
Revenue expenditure funded from capital under statute	1,033					-1,033
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal	77	489				-566
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	-140					140
Capital expenditure charged against the General Fund and HRA balances	-592	-928				1,520
<i>Adjustments primarily involving the Capital Grants Unapplied Accounts</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	0				0	
Application of grants to capital financing transferred to the Capital Adjustment Account					-459	459
<i>Adjustments primarily involving the Major Repairs Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		-3,048		3,048		
Use of the Major Repairs Reserve to finance new capital expenditure				-3,221		3,221

Statement of Accounts 2011/2012

Adjustments between Accounting and Funding Basis Under Regulations 2010/11 (continued)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	-186	-839	1,025			
Use of the Capital Receipts Reserve to finance new capital expenditure			-1,351			1,351
Contribution from the Capital Receipts Reserve towards administrative costs on non current asset disposal		49	-49			
Contribution from the Capital Receipts Reserve to finance payments to the Housing Capital Receipts Pool	563		-563			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			22			-22
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of retirement benefits items charged to the Income and Expenditure Statement	-2,524	-495				3,019
Employer's pension contributions	-2,322	-451				2,773
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which council tax income credited to the Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-44					44
<i>Adjustments primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	29	-9				-20
Total Adjustments	-2,059	36,378	-916	-173	-459	-32,771

Statement of Accounts 2011/2012

7. TRANSFERS TO AND FROM EARMARKED RESERVES

	Balance 31/3/10 £'000	Movement in year £'000	Balance 31/3/11 £'000	Movement in year £'000	Balance 31/3/12 £'000
Insurance Fund	3,305	-547	2,758	-47	2,712
Renewal and Repairs Funds	271	45	316	45	361
Corporate Reserves	4,064	1,182	5,246	-291	4,955
Ring Fenced Reserves	717	4	721	-141	580
Specific Grant Reserves	555	-171	384	-27	357
General Fund subtotal	8,912	513	9,425	-461	8,965
HRA Reserves	1,553	-257	1,296	396	1,692
Total	10,465	256	10,721	-65	10,657

8. OTHER OPERATING EXPENDITURE

	2011/2012 £'000	2010/2011 £'000
Parish Council Precepts	504	502
Payments to the Government Housing Capital Receipts Pool	349	563
Gains / losses on the disposal of non current assets	-127	-409
Total	726	656

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/2012 £'000	2010/2011 £'000
Interest payable and similar charges	154	120
Pensions interest cost and expected return on pension assets	1,076	2,261
Interest income	-225	-283
Income, expenditure and changes in the fair value of investment properties	989	-372
Gains and losses on trading accounts	0	0
Total	1,994	1,726

Statement of Accounts 2011/2012

10. TAXATION AND NON SPECIFIC GRANT INCOME

	2011/2012	2010/2011
	£'000	£'000
Council tax income	7,408	7,406
Non domestic rates distribution	5,658	8,347
Non ring fenced government grants	2,164	1,252
Capital grants and contributions	968	766
Total	16,198	17,771

Statement of Accounts 2011/2012

11. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2011-12	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or Valuation</i>							
Balance at 1 st April 2011	160,361	37,840	7,043	554	1,674	487	207,959
Additions	5,047	1,659	274	195	128		7,303
Revaluation increases / decreases recognised in the Revaluation Reserve		99					99
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services							0
De-recognition - disposals and decommissioning	-694	-23	-512				-1,229
Other revaluations and transfers	487					-487	0
Balance at 31st March 2012	165,201	39,575	6,805	749	1,802	0	214,132
<i>Accumulated Depreciation and Impairment</i>							
Balance at 1 st April 2011	-6,367	-5,109	-4,266	0	0	0	-15,742
Depreciation written out to the Revaluation Reserve	-10	-164					-174
Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,361	-774	-757				-3,892
Impairment Losses / Reversals recognised in the Revaluation Reserve	-159	-68					-227
Impairment Losses / Reversals recognised in the Surplus / Deficit on the Provision of Services	-9,827	-1,083					-10,910
De-recognition - disposals and decommissioning	320	9	512				841
Other revaluations and transfers							0
Balance at 31st March 2012	-18,404	-7,189	-4,511	0	0	0	-30,104
<i>Net Book Value</i>							
Balance at 1 st April 2011	153,994	32,731	2,777	554	1,674	487	192,217
Balance at 31 st March 2012	146,797	32,386	2,294	749	1,802	0	184,028

Statement of Accounts 2011/2012

Movement on Balances 2010-11	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
Balance at 1 st April 2010	266,997	36,968	5,634	554	1,517	275	311,945
Additions	4,945	430	1,409		157	407	7,348
Revaluation increases / decreases recognised in the Revaluation Reserve	-315	324					9
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	-36,219						-36,219
De-recognition - disposals and decommissioning	-497	-77					-574
Other revaluations and transfers	-74,550	195				-195	-74,550
Balance at 31st March 2011	160,361	37,840	7,043	554	1,674	487	207,959
Accumulated Depreciation and Impairment							
Balance at 1 st April 2010	-74,550	-2,873	-3,017	0	0	0	-80,440
Depreciation written out to the Revaluation Reserve	-82	-164					-246
Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,284	-601	-810				-3,695
Impairment Losses / Reversals recognised in the Revaluation Reserve	-119	-1,112					-1,231
Impairment Losses / Reversals recognised in the Surplus / Deficit on the Provision of Services	-3,890	-359	-439				-4,688
De-recognition - disposals and decommissioning	8						8
Other revaluations and transfers	74,550						74,550
Balance at 31st March 2011	-6,367	-5,109	-4,266	0	0	0	-15,742
Net Book Value							
Balance at 1st April 2010	192,447	34,095	2,617	554	1,517	275	231,505
Balance at 31st March 2011	153,994	32,731	2,777	554	1,674	487	192,217

Statement of Accounts 2011/2012

Depreciation

All of the following assets, except infrastructure, are depreciated on a straight line basis over the life of the asset. No residual value is assumed for these assets apart from leased refuse collection vehicles for which a residual value is estimated at around £10,000 per vehicle.

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

- Council Dwellings – 75 years
- Other Land and Buildings – these have a range of lives varying between 10 and 60 years, although the majority of assets have an estimated life of around 30 to 40 years
- Vehicles, Plant, Furniture and Equipment – this covers a range of different types of asset with estimated useful lives mostly between 5 and 12 years
- Infrastructure – these assets are inalienable in nature, in that value is derived only by continued use of the asset in its current form (there is no prospect of sale or alternative use). As such these assets are not depreciated but will either be written out when there is a change of use or a revaluation exercise.

Capital Commitments

At 31st March 2012 the Council had entered into a number of contracts for the construction or enhancement of non current assets in future years budgeted to cost £2.299m. Similar commitments as at 31st March 2011 were £2.501m.

The major commitments are:

- Flood alleviation schemes £0.747m
- Leisure Centre investment in partnership with Serco £0.560m
- Windows and Door replacement £0.950m

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every 5 years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating fair values are:

- The analysis of value split between land and buildings
- The estimated useful life of the asset
- Full building surveys have not been carried out as part of the valuation process

Statement of Accounts 2011/2012

	Council Dwellings	Other Land & Buildings	Vehicles, Furniture, Plant & Equipment	Total
	£'000	£'000	£'000	£'000
Historical cost at last valuation	156,488	37,576	7,043	201,107
Valued at fair value as at:				
31 st March 2012	146,798	32,387	2,294	181,479
31 st March 2011	153,724	32,715	2,777	189,216
31 st March 2010	191,539	34,000	2,484	228,023
31 st March 2009	198,707	34,999	2,893	236,599
31 st March 2008	222,786	37,342	2,900	263,028

12. HERITAGE ASSETS

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for Heritage Assets. These assets are now carried in the balance sheet at valuation where previously they were recognised as community assets or not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets.

Community assets that are now classified as heritage assets relate to two classes of asset - roundabout sculptures and a war memorial. The value of these assets is some £384,000 at cost.

Certain Civic Regalia items are also now recognised as Heritage Assets. The value of these assets is determined on a three year basis by a specialist valuer. Upon recognition in this year's accounts, it has been necessary to increase the asset register value by £74,000, with a corresponding increase in the revaluation reserve.

The third category of Heritage Assets now recognised relates to other war memorials, a village cross and drinking fountains. The cost of these assets is recorded at a nominal value and hence they are recognised as an asset but this has not necessitated any material accounting adjustments.

The total value of Heritage Assets is £458,000 and there have been no changes to this value over the last 5 years. The change in accounting policy means that a prior year adjustment has been made to adjust the opening balance sheet values for 2010-11 to reflect this issue in the accounts.

Statement of Accounts 2011/2012

Civic Regalia:

The Council owns a range of Civic regalia items including Mayoral Chains, Pendants and various other Chains and items of Office. These items are used by the Mayor for Civic functions and are valued periodically by a specialist professional firm for insurance purposes, the last valuation being undertaken during 2011.

Public Sculptures

Three public sculptures were built within the Skelmersdale area of the Borough and were identified as the 'Roundabout Sculptures.' These were built to provide some character to the area as well as exhibiting high technology and innovation, and interaction with the local community. The sculptures are commonly termed the Daffodil Sculpture, the Faces Roundabout and the Lighting Column. They are valued on the asset register at cost and no depreciation is accounted for as they have an indeterminate useful life. These assets are visually inspected on an annual basis to review any potential impairment.

Memorials, fountains and village cross

The Council has a number of war memorials located within the Borough, relating to the Boer war and First and Second world wars. The Council also owns two fountains and a village cross. These assets have an indeterminate useful life and it is not considered appropriate to value these assets as it would not be material and would not add any enhancement to the understanding of the accounts.

13. INVESTMENT PROPERTIES

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

	2011/2012	2010/2011
	£'000	£'000
Rental income	-1,147	-1,001
Direct operating expenses	597	429
Net gain / loss	-550	-572

There are restrictions on a number of investment properties concerning how any disposal proceeds or income generated can be used. The Council has no contractual obligations to purchase, construct, or develop investment property or repairs, maintenance or enhancement.

Statement of Accounts 2011/2012

The movement in the fair value of investment properties is shown below:

	2011/2012	2010/2011
	£'000	£'000
Balance at start of year	8,819	9,019
Enhancement expenditure	0	0
Net gains/losses from fair value adjustments	-1,538	-200
Balance at end of year	7,281	8,819

14. INTANGIBLE ASSETS

The Council accounts for purchased software licences as 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. Most assets have a useful life of 5 years. The carrying amount of intangible assets is amortised on a straight line basis. During the course of the year fully amortised assets with a gross carrying value of £285,000 were written off.

	2011/2012	2010/2011
	£'000	£'000
Balance at start of year:		
- Gross carrying amount	710	599
- Accumulated amortisation	-468	-358
Net carrying amount at start of year	242	241
Purchases	87	111
Amortisation for the period	-85	-110
Net carrying amount at end of year	244	242

Balance at end of year:		
- Gross carrying amount	512	710
- Accumulated amortisation	-268	-468
Net carrying amount at end of year	244	242

Statement of Accounts 2011/2012

15. IMPAIRMENT AND REVALUATION LOSSES

A desktop review of the values of Council Dwellings was completed in year, which determined that their value should be reduced by £5.678m. This review was completed in accordance with statutory and accounting regulations.

Council dwellings were also impaired by a further £4.308m, mainly as a result of an element of the Housing capital programme not increasing the book value of these properties. This position was reached after consultation with the Council's Estates section, who reviewed the elements of the capital programme and assessed those elements that increased the book value of properties and those that could be discounted. This procedure took account of the nature of the work, local property factors, and regulations that are in place.

Other Land and Buildings were impaired by £1.151m in the year. This was largely the result of capital investment that has not increased the book value of assets.

16. FINANCIAL INSTRUMENTS

Financial liabilities are classified as liabilities at amortised cost and financial assets are classified as loans and receivables. Details of the carrying value of these instruments are provided in the Balance Sheet and these notes.

The Council took out £88.212m of loans from the Public Works Loans Board this year to fund HRA self financing. It also made interest payments in the year in relation to deferred liabilities and finance leases. Investment income is generated mainly from investments of short-term funds invested in Banks, Building Societies and Local Authorities. Details of interest payments and income are shown in note 9.

The fair value of trade debtors and creditors (as shown in notes 18 and 20) are taken to be the invoiced or billed amount. Consequently these items' carrying value is judged to be not materially different from their fair value. The fair value of investments is assumed to approximate to its carrying value, as these instruments will mature within the next 12 months.

17. INVENTORIES

	2011/2012	2010/2011
	£'000	£'000
Railcards and Travel Tokens	0	16
Work in progress	39	112
All other items	19	20
Total	58	148

Statement of Accounts 2011/2012

18. DEBTORS

	2011/2012 £'000	2010/2011 £'000
General Government Bodies		3,314
Other Local Authorities		1,909
Rent payers		1,220
Council tax arrears		617
Other Entities and Individuals		2,609
Payments in Advance		336
Sub total		10,005
Provision for impairments		-2,698
Total		7,307

Figures for 2011-12 have still to be included

19. CASH AND CASH EQUIVALENTS

	2011/2012 £'000	2010/2011 £'000
Cash and Bank	401	111
Money at call	5,200	2,000
Short term deposits	0	3,000
Sub total	5,601	5,111
Bank overdraft	-574	0
Total	5,027	5,111

Statement of Accounts 2011/2012

20. CREDITORS

	2011/2012	2010/2011
	£'000	£'000
General Government Bodies		632
Other Local Authorities		683
Other Entities and Individuals		3,052
Receipts in Advance		1,466
Total		5,833

Figures for 2011-12 have still to be included

21. PROVISIONS

	2011/2012	2010/2011
	£'000	£'000
Opening balance	202	167
Additional provisions made	107	166
Amounts used	-15	-38
Unused amounts reversed	-50	-93
Closing balance	244	202

The main provisions held by the Council include:

- Potential claims for the repayment of Land Charges income following a change in the statutory rules on charging
- Disputed utility costs on a leased Investment Property
- Potential costs arising from a legal case

Statement of Accounts 2011/2012

22. USABLE RESERVES

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

23. UNUSABLE RESERVES

	2011/2012	2010/2011
	£'000	£'000
i. Revaluation Reserve	6,885	7,185
ii. Capital Adjustment Account	90,612	188,950
iii. Deferred Capital Receipts	14	19
iv. Pensions Reserve	-46,734	-37,213
v. Collection Fund Adjustment Account	-19	-53
vi. Accumulated Absences Account	-201	-200
Total	50,557	158,688

i. Revaluation Reserve

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

- Re-valued 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 realised

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

Statement of Accounts 2011/2012

	2011/2012 £'000	2010/2011 £'000
Balance at start of year	7,185	8,732
<i>Surplus or deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</i>		
Upward revaluation of assets	99	942
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	-226	-2,164
Sub total	-127	-1,222
<i>Amount written off to the Capital Adjustment Account</i>		
Difference between fair value depreciation and historical cost depreciation	-173	-246
Accumulated gains on assets sold or scrapped	0	-79
Sub total	-173	-325
Balance at end of year	6,885	7,185

ii. Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Statement of Accounts 2011/2012

	2010/2011 £'000	2010/2011 £'000
Balance at start of year	188,950	227,191
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
Charges for depreciation and impairment, and revaluation losses	-14,975	-44,849
Amortisation of intangible assets	-85	-110
Revenue expenditure funded from capital under statute	-1,588	-1,033
Non-current assets written off as part of the gain / loss on disposal of assets	-387	-566
HRA Self Financing	-88,212	0
Sub total	-105,247	-46,558
<i>Capital financing applied in the year</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,846	1,351
Use of the Major Repairs Reserve to finance new capital expenditure	3,932	3,221
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to capital financing	2,093	1,502
Application of grants to capital financing from the Capital Grants Unapplied Account	0	459
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	155	139
Capital expenditure charged against the General Fund and HRA balances	248	1,520
Sub total	8,274	8,192
Adjusting amounts written out of the Revaluation Reserve	174	325
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-1,539	-200
Balance at end of year	90,612	188,950

Statement of Accounts 2011/2012

iii. Deferred Capital Receipts Reserve

This 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.

	2011/2012	2010/2011
	£'000	£'000
Balance at start of year	19	41
Transfer to the Capital Receipts Reserve upon receipt of cash	-5	-22
Balance at end of year	14	19

iv. Pensions Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2011/2012	2010/2011
	£'000	£'000
Balance at start of year	37,213	53,506
Actuarial gains and losses on pension assets and liabilities	9,003	-10,501
Reversal of Items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services	3,734	-3,019
Employer's pension contributions payable in the year	-3,216	-2,773
Balance at end of year	46,734	37,213

Statement of Accounts 2011/2012

v. Collection Fund Adjustment Account

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

	2011/2012	2010/2011
	£'000	£'000
Balance at start of year	53	97
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	-34	-44
Balance at end of year	19	53

vi. Accumulated Absences Account

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

	2011/2012	2010/2011
	£'000	£'000
Balance at start of year	200	179
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	1	21
Balance at end of year	201	200

Statement of Accounts 2011/2012

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2011/2012	2010/2011
	£'000	£'000
Interest received	-183	-254
Interest paid	116	120

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2011/2012	2010/2011
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets		-7,482
Purchase of short term and long term investments		-39,700
Proceeds from the sale of non-current assets		944
Proceeds from short term and long term investments		41,900
Other receipts from investing activities		1,052
Net cash flows from investing activities		-3,286

Figures for 2011-12 have still to be included

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2011/2012	2010/2011
	£'000	£'000
Receipts from financing activities		1,116
Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities		-437
Net cash flows from financing activities		679

Figures for 2011-12 have still to be included

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However decisions about resource allocation are made by the Council and its Cabinet on the basis of budget reports analysed across Services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's contributions) rather than current service cost of benefits accrued in the year
- DSO activity is included within service budgets rather than being outside the net cost of services
- HRA reports include all HRA items rather than just those within the net cost of services
- Certain contributions to and from reserves are included within service reports

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

	2011/2012	2010/2011
	£'000	£'000
Net expenditure in the Service Analysis		19,077
Net expenditure of services and support services not included in the analysis		1,152
Amounts in the Income and Expenditure Statement not reported to management in the Analysis		-7,962
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement		39,796
Cost of Services in the Income and Expenditure Statement		52,063

Figures for 2011-12 have still to be included

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

Statement of Accounts 2011/2012

Income and Expenditure	Assistant Chief Exec	Community Services	Housing & Prop Maint	HRA	Legal & Democracy	Planning Services	Street Scene	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Income and Expenditure 2011-12								
Fees, charges and other service income								
Government grants								
Total income								
Employee expenses								
Other service expenses								
Capital Charges								
Support service recharges								
Total expenditure								
Net expenditure								
Service Income and Expenditure 2010-11								
Fees, charges and other service income	8,376	2,591	2,457	65,539	3,493	1,931	10,140	94,527
Government grants	36,784	463	668	0	44	111	1,364	39,434
Total income	45,160	3,054	3,125	65,539	3,537	2,042	11,504	133,961
Employee expenses	3,537	2,188	860	3,953	2,143	1,500	4,805	18,986
Other service expenses	38,520	3,183	2,145	15,086	1,518	488	10,191	71,131
Capital Charges	351	672	755	44,271	14	12	384	46,459
Support service recharges	5,627	1,695	781	2,229	2,587	1,856	1,687	16,462
Total expenditure	48,035	7,738	4,541	65,539	6,262	3,856	17,067	153,038
Net expenditure	2,875	4,684	1,416	0	2,725	1,814	5,563	19,077

Statement of Accounts 2011/2012

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service 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.

Reconciliation to Subjective Analysis 2011-12	Service Analysis	Services not in Mngt Analysis	Amounts not reported to management	Amounts not included in I&E statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income								
Interest and investment income								
Income from council tax								
Government grants and contributions								
Other Items								
Total income								
Employee expenses								
Other service expenses								
Capital Charges								
Support service recharges								
Interest payments								
Precepts								
Payments to Housing Capital Receipts Pool								
Other Items								
Total expenditure								

Statement of Accounts 2011/2012

Surplus or deficit on the provision of services								
--	--	--	--	--	--	--	--	--

Reconciliation to Subjective Analysis 2010-11	Service Analysis	Services not in Mngt Analysis	Amounts not reported to management	Amounts not included in I&E statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	94,527	3,553	6,092	-9,545	-60,556	34,071	1,000	35,071
Interest and investment income						0	283	283
Income from council tax						0	7,406	7,406
Government grants and contributions	39,434	156				39,590	10,365	49,955
Other Items						0	1,024	1,024
Total income	133,961	3,709	6,092	-9,545	-60,556	73,661	20,078	93,739
Employee expenses	18,986	1,241	-345	-3,151		16,731		16,731
Other service expenses	71,131	2,398	-1,325	34,491	-60,556	46,139		46,139
Support service recharges	46,459	496	-200	-339		46,416		46,416
Capital Charges	16,462	726		-750		16,438		16,438
Interest payments						0	120	120
Precepts						0	502	502
Payments to Housing Capital Receipts Pool						0	563	563
Other Items						0	3,504	3,504
Total expenditure	153,038	4,861	-1,870	30,251	-60,556	125,724	4,689	130,413
Surplus or deficit on the provision of services	19,077	1,152	-7,962	39,796	0	52,063	-15,389	36,674

Statement of Accounts 2011/2012

Statement of Accounts 2011/2012

28. TRADING OPERATIONS

Trading Services

The Council operates a market in Ormskirk on Thursdays and Saturdays under a market charter, as well as several car parks, and a commercial assets portfolio.

Direct Service Organisations

The Council has a number of DSOs that operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. The DSO's income shown below largely represents internal transfers from service revenue accounts and this element is netted off in producing the Comprehensive Income and Expenditure Statement.

The surpluses generated on the DSOs have been repatriated to client services in line with the Best Value Accounting Code of Practice.

	2011-12 Expenditure	2011-12 Income	2011-12 Deficit/ Surplus(-)	2010-11 Deficit/ Surplus(-)
	£'000	£'000	£'000	£'000
Trading Services				
Market	204	249	-45	4
Car Parks	382	712	-330	-276
Commercial Assets Portfolio	703	991	-288	-501
Total	1,289	1,952	-663	-773
DSOs				
Refuse Collection & Street Cleaning	4,817	5,210	-393	-300
Grounds Maintenance	1,780	1,812	-32	-49
Repatriation of balances		-425	425	349
Deficit / Surplus (-) transferred to I&E Statement	6,597	6,597	0	0

Statement of Accounts 2011/2012

29. MEMBER ALLOWANCES

The total allowances and expenses paid in the year were £0.345m (£0.342m in 2010-11).

30. OFFICER REMUNERATION

The remuneration paid to senior officers whose salary is £50,000 or more is shown overleaf. These details reflect a senior management restructuring that took place in 2011-12, which included the deletion of the Chief Executive's post from 1/11/11, and which will produce a net ongoing saving of £165,000 per year.

The number of other staff whose remuneration exceeded £50,000, excluding employer's pension contributions, is shown below. In each of these cases the employee's salary was below £50,000, but they left during the year and received a redundancy payment that took them above the £50,000 threshold.

The relatively high number of employees in 2011/12 reflects the Major Service Review initiative that was implemented to reduce the Council's costs. The Council's redundancy policy requires that the savings generated by redundancies must be sufficient to repay any exit costs within a 3 year payback period.

Remuneration band	Number of employees	
	2011/12	2010/11
£50,000 - £54,999	2	
£60,000 - £64,999		1
£65,000 - £69,999	3	
£70,000 - £74,999	1	
£80,000 - £84,999	1	
£85,000 - £89,999	2	
£95,000 - £99,999	1	
Total	10	1

Statement of Accounts 2011/2012

Post Title	Salary £	Expenses £	Compensation for loss of office £	Benefits in Kind £	Total before pensions £	Pension contribution £	Total £
<u>2011-12 Remuneration</u>							
Chief Executive (left in year)	67,137	252	116,877	3,745	188,011	152,507	340,518
Managing Director (People and Places)	84,843	252	0	4,871	89,966	17,730	107,696
Managing Director (Transformation)	83,956	0	0	4,871	88,827	16,756	105,583
Assistant Director Housing and Regeneration	67,630	377	0	4,871	72,878	13,526	86,404
Assistant Director Community Services	67,734	151	0	4,871	72,756	13,523	86,279
Assistant Director Street Scene	61,590	0	0	4,871	66,461	12,294	78,755
Economic Regeneration & Strategic Property Officer	64,011	0	0	1,624	65,635	12,778	78,413
Borough Planner	60,135	0	0	4,695	64,830	12,027	76,857
Borough Treasurer	51,221	0	0	0	51,221	10,244	61,465
Transformation Manager	51,388	0	0	0	51,388	10,242	61,630
Borough Solicitor	51,250	0	0	0	51,250	10,215	61,465
Head of Leisure, Cultural and Arts Services	50,718	0	0	0	50,718	10,144	60,862
Exchequer Services Manager	50,518	0	0	0	50,518	10,105	60,623
<u>2010-11 Remuneration</u>							
Chief Executive	113,367	433	0	6,420	120,220	21,053	141,273
Deputy Chief Executive (left in year)	18,958	72	113,839	1,070	133,939	3,186	137,125
Council Secretary and Solicitor	71,247	433	0	4,871	76,551	14,343	90,894
Assistant Chief Executive	70,617	0	0	4,871	75,488	13,417	88,905
Executive Manager Housing & Property Maintenance	67,969	433	0	4,871	73,273	12,893	86,166
Executive Manager Community Services	67,544	151	0	4,871	72,566	12,833	85,399
Executive Manager Street Scene	61,470	151	0	4,871	66,492	11,679	78,171
Executive Manager Regeneration and Estates	61,560	0	0	4,871	66,431	11,679	78,110
Acting Executive Manager Planner	60,746	0	0	0	60,746	11,542	72,288
Head of Leisure, Culture and Arts Services	50,718	0	0	0	50,718	9,636	60,354
Exchequer Services Manager	50,718	0	0	0	50,718	9,636	60,354

Statement of Accounts 2011/2012

The Council terminated the contracts of a number of employees in 2011-12 incurring liabilities of £1.209m (£0.261m in 2010-11). Of this total, £0.256m was paid to the Chief Executive Officer in the form of compensation for loss of office and enhanced pension benefits. The remaining £0.953m is payable to 31 staff in a range of different service areas.

Exit package cost band	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11
			£'000	£'000
£0 - £20,000	11	4	63	22
£20,001 - £40,000	11	1	343	35
£40,001 - £60,000	5	0	266	0
£60,001 - £80,000	4	0	281	0
£80,001 - £100,000	0	1	0	91
£100,001 - £150,000	0	1	0	114
Over £150,000	1	0	256	0
Total	32	7	1,209	261

Within the figures shown above there were 4 compulsory redundancies with a total exit cost of £0.011m in 2011-12, compared to 3 compulsory redundancies with a total exit cost of £0.098m in 2010-11.

31. EXTERNAL AUDIT COSTS

	2011/2012	2010/2011
	£'000	£'000
Fees payable in relation to the audit of the accounts and inspection fees	88	91
Fees payable for the certification of grant claims and returns	40	35
Total	128	126

Statement of Accounts 2011/2012

32. GRANT INCOME

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement.

	2011/2012	2010/2011
	£'000	£'000
<i>Credited to Taxation and Non Specific Grants</i>		
Revenue Support Grant	1,749	1,212
New Homes Bonus	192	0
Council Tax Freeze Grant	173	0
Other Grants	50	40
Total	2,164	1,252
<i>Credited to Services</i>		
Benefit Payments and Administration		36,299
Concessionary Travel		317
Regeneration Grants		110
Capital Grants		736
Other Grants		752
Contributions to Refuse and Cleansing		1,067
Contribution to Highways		294
Other Contributions		15
Total		39,590

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the provider. The balances at the year end are as follows:

	2011/2012	2010/2011
	£'000	£'000
<i>Grants and Contributions Received in Advance</i>		
Section 106 Agreements		1,395
Commuted Sums		141
St Richards		170
Total		1,706

Figures for 2011-12 have still to be included

33. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosures of these transactions allow 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 is responsible for providing the statutory framework within which the Council operates. It provides the majority of the Council's funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties. Details of grant income are shown in note 30.

Precept payments to Lancashire County Council, Lancashire Fire Authority and Lancashire Police Authority are shown in the Collection Fund, while the total precepts paid to Parish Councils are shown in note 8. Details of the payments made to the Lancashire Pension Fund are shown in note 37.

During the course of the year the Council entered into a long term contractual arrangement with Lancashire County Council and One Connect Limited for the provision of Revenues, Benefits and IT Services worth £3.4m per annum. The Council also receives income of around £1.3m per year from Lancashire County Council in relation to Refuse and Recycling, Street Cleansing and Highways Maintenance activities.

Members of the Council have direct control over the Council's financial and operating policies. The total of Member allowances and expenses paid in 2011-12 was £0.345m.

During the year the Council provided grant funding in total of £0.117m to Parish Councils, and 20 out of 54 Council Members are also Parish Councillors. Decisions on the overall level of funding to be provided to Parish Councils are taken by full Council with due regard to procedures for preventing undue influence. Decisions on how this funding pot is allocated to parishes are determined by the Borough Treasurer using a set formula in consultation with a Cabinet Member who is not a Parish Councillor.

Grant payments were also made to a number of voluntary organisations in which Council Members had interests as follows:

- Council for Voluntary Services – £33,000 – 2 Members
- Women's Refuge – £11,000 – 1 Member

The Council is committed to maintaining and developing sound arrangements for its corporate governance, including having procedures in place to prevent undue influence. As part of this commitment, Members and Chief Officers must make disclosures of their interests to the Council's Monitoring Officer.

Statement of Accounts 2011/2012

Details of these disclosures are recorded and maintained in registers of interests. This includes Members having to declare interests in any agenda items at the start of Committee meetings.

Payment of subsidy of £526,000 was made to West Lancashire Community Leisure Ltd in 2011/12 as part of the Council's Leisure services arrangement. The Council provides the majority of the Trust's funding and also appoints one out of the Trust's 6 Board Members.

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure for the year is shown in the table below (including the value of assets acquired under finance leases and long term contracts), together with the resources used to finance it.

	2011/2012	2010/2011
	£'000	£'000
Opening Capital Financing Requirement	5,600	5,300
<i>Capital Investment</i>		
Property, Plant and Equipment	7,303	7,348
Intangible Assets	87	111
HRA Self Financing Payment	88,212	0
Revenue Expenditure Funded from Capital Under Statute	1,588	1,033
<i>Sources of Finance</i>		
Capital Receipts	-1,846	-1,351
Government Grants and Other Contributions	-2,093	-1,961
Direct Revenue Contributions	-4,181	-4,741
Minimum Revenue Provision	-155	-139
Closing Capital Financing Requirement	94,515	5,600
<i>Explanation of Movement in Year</i>		
Increase in underlying need to borrow	726	44
Increase in borrowing for HRA Self Financing	88,212	0
Movement in other long term liabilities	132	457
Minimum Revenue Provision	-155	-139
Other	0	-62
Change in Capital Financing Requirement	88,915	300

Statement of Accounts 2011/2012

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, which is a measure of the capital expenditure incurred by the Council that has yet to be financed.

35. LEASES

Authority as Lessee: Finance Leases

The Council has acquired a number of vehicles under finance leases. The assets acquired under these leases are shown under Vehicles, Plant, Furniture and Equipment in the Balance Sheet with a net value of £0.263m in 2011/12 and £0.472m in 2010/11.

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

	2011/2012	2010/2011
	£'000	£'000
Finance lease liabilities	128	422
Finance costs payable in future years	13	32
Total	141	454

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

	2011/2012	2010/2011
	£'000	£'000
Not later than one year	116	222
Later than one year and not later than five years	25	232
Total	141	454

Authority as Lessee: Operating Leases

The Council has acquired a number of vehicles by entering into operating leases, typically with lives not exceeding five years.

Statement of Accounts 2011/2012

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

	2011/2012	2010/2011
	£'000	£'000
Not later than one year	7	63
Later than one year and not later than five years	-	16
Total	7	79

Authority as Lessor: Operating Leases

The Council leases out property and equipment under operating leases for the provision of community services such as community centres, and for economic development purposes to provide suitable accommodation for the business community.

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

	2011/2012	2010/2011
	£'000	£'000
Not later than one year	1,758	1,764
Later than one year and not later than five years	1,588	2,617
Later than five years	2,705	2,860
Total	6,051	7,241

36. OTHER LONG TERM LIABILITIES

The Council has agreed a 15-year investment programme in its leisure centres through a partnership arrangement with Serco that started in January 2005. This investment will be repaid over the lifetime of the contract. The Council has also acquired a number of vehicles under finance leases that are reflected below.

	2011/2012	2010/2011
	£'000	£'000
Balance brought forward	1,605	1,357
Investment	360	685
Leisure trust repayments	-228	-228
Lease principal repayments	-209	-209
Balance carried forward	1,528	1,605

37. **DEFINED BENEFIT PENSION SCHEMES**

Participation in Pension Schemes

The Council offers retirement benefits as part of the terms and conditions of employment of its staff. Although these benefits will not actually be payable until staff retire, the authority has to recognise these costs at the time that employees earn their future entitlement.

The Council participates in the Lancashire County Pension Fund, which is a defined benefit multi-employer scheme. This is a funded scheme, meaning that the Council and employees pay contributions into the Fund calculated at a level intended to balance the pension liabilities with the investment assets.

Previously the Council had arrangements in place for the award of discretionary post retirement benefits upon early retirement, although these awards are no longer made. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Lancashire County Council carries out the administration of the Fund. Further information on the Fund can be found in the County Council's Superannuation Fund Annual Report, which is available from the County Treasurer, Lancashire County Council, County Hall, Preston, Lancashire, PR1 8XJ.

Transactions Relating to Retirement 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 we are required to make against Council tax is based on the cash payable in the year. Consequently the accounting 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 Movement in Reserves Statement:

Statement of Accounts 2011/2012

	Discretionary Benefits		All Benefits	
	2011-12	2010-11	2011-12	2010-11
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	0	0	2,227	2,440
- Past service cost / gain (-)	0	-299	0	-7,757
- Settlements and curtailments	0	0	431	37
<i>Financing and Investment Income and Expenditure</i>				
- Interest Cost	288	348	7,103	7,921
- Expected return on scheme assets	0	0	-6,027	-5,660
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	288	49	3,734	-3,019
Actuarial Gains and Losses	122	-662	9,003	-10,501
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	410	-613	12,737	-13,520
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-288	-49	-3,734	3,019
Actual amount charged against the General Fund Balance for pensions	376	360	3,216	2,773

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2012 is a loss of £25.5m.

Statement of Accounts 2011/2012

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of the present value of scheme liabilities	Discretionary Benefits		All Benefits	
	2011-12	2010-11	2011-12	2010-11
	£'000	£'000	£'000	£'000
Opening Balance	5,419	6,392	130,011	142,706
Current service cost	0	0	2,227	2,440
Interest cost	288	348	7,103	7,921
Contributions by scheme participants	0	0	784	805
Actuarial gains and losses	122	-662	4,492	-10,392
Benefits paid	-376	-360	-4,746	-5,749
Past service costs / gains	0	-299	0	-7,757
Curtailments	0	0	431	37
Closing Balance	5,453	5,419	140,302	130,011

Reconciliation of the fair value of assets	Discretionary Benefits		All Benefits	
	2011-12	2010-11	2011-12	2010-11
	£'000	£'000	£'000	£'000
Opening Balance	0	0	92,798	89,200
Expected rate of return	0	0	6,027	5,660
Actuarial gains and losses	0	0	-4,511	109
Employer contributions	376	360	3,216	2,773
Contributions by scheme participants	0	0	784	805
Benefits paid	-376	-360	-4,746	-5,749
Closing Balance	0	0	93,568	92,798

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on scheme assets in the year was a gain of £1.516m (gain of £7.111m in 2010-11).

Statement of Accounts 2011/2012

Scheme History

	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
<i>Present value of liabilities</i>					
Local Government Pension Scheme	134,849	124,592	136,314	100,024	118,206
Discretionary Benefits	5,453	5,419	6,392	5,334	6,228
Total value of liabilities	140,302	130,011	142,706	105,358	124,434
Fair value of Local Government Pension Scheme assets	93,568	92,798	89,200	67,767	86,220
Net value of liabilities	46,734	37,213	53,506	37,591	38,214

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Statutory arrangements for the funding of these liabilities mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total normal contributions the Council expect to pay to the Pension scheme in the year to 31st March 2013 are £2.408m. Expected contributions for Discretionary Benefits in the year to 31st March 2013 are £0.376m.

Basis for Estimating Assets and Liabilities

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

Mercer Limited, an independent firm of actuaries, has assessed these liabilities based on the last full actuarial valuation of the scheme as at 31st March 2010.

Statement of Accounts 2011/2012

The main assumptions used by the actuary are set out below:

	2011/2012	2010/2011
	£'000	£'000
<i>Financial Assumptions</i>		
Rate of CPI inflation	2.5%	2.9%
Rate of increase in salaries	4.5%	4.9%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	4.9%	5.5%
Take up of option to convert annual pension into retirement lump sum	50%	50%
<i>Expected rate of return on assets</i>		
Equities	7.0%	7.5%
Government Bonds	3.1%	4.4%
Other Bonds	4.1%	5.1%
Property	6.0%	6.5%
Cash / Liquidity	0.5%	0.5%
Other Assets	7.0%	7.5%
<i>Mortality Assumptions</i>		
Life expectancy of a male / female		
- Current pensioner aged 65	21.7 / 24.3	21.6 / 24.2
- Future pensioner aged 65 in 20 year's time	23.1 / 25.9	23.0 / 25.8

The discretionary benefits arrangement has no assets to cover its liabilities. An analysis of the different types of asset held by the Local Government Pension scheme is shown below:

Analysis of Assets	2011/2012	2010/2011
	%	%
Equities	58	64
Government Bonds	5	7
Other Bonds	15	14
Property	10	8
Cash / Liquidity	5	1
Other	7	6
Total	100	100

Statement of Accounts 2011/2012

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities:

	2011/12 %	2010/11 %	2009/10 %	2008/09 %	2007/08 %
Differences between the expected and actual return on assets	4.8	0.1	20.1	-34.5	-8.6
Experience gains and losses on liabilities	-	7.9	-	-	0.4

38. CONTINGENT LIABILITIES AND ASSETS

A Business Plan process is being used to manage the difficult financial position facing the Council as a result of reductions in government grant funding. As part of this process a voluntary redundancy programme has been developed, which could lead to a significant level of redundancy and other exit costs. However no decisions have been made on future redundancies at this date and consequently no provision has been made for this issue.

The Council, along with many other local authorities, was a member of the Municipal Mutual Insurance Scheme (MMI), which ran between 1975 and 1993 when the scheme ceased in its current form. Since that date MMI has been in a scheme of arrangement whereby claims for the period are settled under the arrangement terms, with an objective of matching assets to liabilities to achieve a solvent run off. The most recent report to scheme creditors indicated that run off projections do not currently show a break even position, which could potentially result in additional costs for the Council in the future.

The Council has lodged a claim with HM Revenues and Customs (HMRC) in relation to the VAT element on income generated on Trade Waste Activities in previous financial years. A recent announcement by HMRC stated that VAT on this service should not be levied on customers by the Council. However this position is still uncertain and consequently this potential income has not yet been recognised.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Treasury Management Code of Practice, and our Treasury Management policy and strategy (available at www.westlancs.gov.uk) set out a framework for the control of risk arising from financial instruments. The Council's activities expose it to a variety of financial risks as set out below:

(a) Credit risk - the possibility that other parties might fail to pay amounts due to the Council

Credit risk from deposits with banks and other financial institutions is minimised through the Annual Treasury Management Strategy which requires that deposits are only made with institutions that meet identified minimum credit criteria, and places limits on the time period and amounts to be invested with individual counter parties.

Investments are only made with UK based institutions with excellent credit ratings and other local authorities. The Council prioritises minimising risk above maximising its investment returns. Consequently the Council does not expect any losses from defaults on its investments, and this position has been validated by historical experience.

The Council is also exposed to credit risk that it may not recover all of its debtor balances in full from its customers and other parties. Details on debtor balances and the associated bad debt provisions, which are based on the age of the debt and experience of default / uncollectability, are shown in note 18.

(b) Liquidity risk - the possibility that the authority might not have funds available to meet its commitments to make payments

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The main financial liability is fixed interest rate Public Works Loan Board debt although there is also a significant level of short term creditors.

The Council typically has an average of over £20m invested short-term at any point in time. Consequently there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council also has ready access to an overdraft with its bank or borrowing through the Public Works Loan Board if it were required.

(c) Market risk - the possibility that there will be a financial loss because of changes in interest rates, market prices, foreign exchange currency rates etc.

Statement of Accounts 2011/2012

The Council is exposed to risk in interest rate movements on its short-term investments. Investment income in 2011-12 was £0.2m based on an average rate of interest earned of around 1%.

There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and budget monitoring during the year. Consequently the historically low level of interest rates has been taken into account in the budget for 2012-13.

The Council does not have any investments in shares or any financial instruments denominated in foreign currencies. Consequently it does not have any direct risk from movements in stock prices or foreign exchange rates.

40. TRUST FUNDS

The Council acts as sole trustee for three trust funds. These funds do not represent assets of the Council and are not included in the balance sheet. There has been negligible expenditure and income on these trust funds over the last 2 years.

The Richard Berry Charity was established in 1906 to provide help for the aged poor in Skelmersdale. The assets of the trust are £2,712 and there are no liabilities.

The Jervis Charity was established in 1898 to provide help for the poor or ill associated with coal mining in Skelmersdale. The assets of the trust are £1,116 and there are no liabilities.

The Ruff Public Park and Pleasure Ground was conveyed to the former Ormskirk District Council on charitable trust to be used as a public park in perpetuity.

41. PRIOR YEAR ADJUSTMENTS

This note has still to be completed.

Statement of Accounts 2011/2012

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, and the following table shows in detail the income and expenditure on HRA services.

2010/2011 £'000		2011/2012 £'000	£'000
	Expenditure		
-3,310	Repairs and maintenance (note 1)	-3,628	
-7,360	Supervision and management	-7,632	
-203	Rents, rates, taxes and other charges	-191	
-6,362	Negative HRA subsidy payable (note 2)	-6,205	
-	HRA self financing payment (note 13)	-88,212	
-2,365	Depreciation (note 3)	-2,421	
-40,110	Impairment (note 3)	-9,828	
-	Debt management costs	-31	
-50	Movement in bad debt provision	-50	
-59,760	Total expenditure		-118,198
	Income (note 5)		
18,527	Dwelling rents	20,070	
412	Non-dwelling rents	431	
2,122	Charges for services and facilities	2,134	
21,061	Total income		22,635
-38,699	Net Cost of Services in the Comprehensive Income & Expenditure Statement		-95,563
-399	HRA share of Corporate & Democratic Core		-379
1,266	HRA share of Pension Past Service Gain/Cost(-)		-72
-37,832	Net Cost of HRA Services		-96,014
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
300	Gain on Disposal of Non-Current Assets		102
-	Interest payable		-34
113	Interest and Investment Income		129
-371	Pensions interest cost and expected return on pensions assets		-179
865	Capital grants and contributions receivable		556
-36,925	Deficit for the year on HRA services		-95,440

Statement of Accounts 2011/2012

Statement of Accounts 2011/2012

MOVEMENT ON THE HRA STATEMENT

This statement shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on HRA Balances, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2010/2011 £'000		2011/2012 £'000
921	HRA Balances brought forward	632
-36,925	Surplus or Deficit (-) for the year on the HRA Income and Expenditure Statement	-95,440
36,379	Adjustments between accounting basis and funding basis under statute	95,861
-546	Net change before transfers to or from reserves	421
257	Transfers to or from reserves	-396
-289	Increase or Decrease in balances in year	25
632	HRA Balances carried forward	657

Adjustments between accounting basis and funding basis under statute

2010/11 £'000		2011/12 £'000
-9	Transfers to/from Accumulated Absences Account	1
-300	Gain or loss on sale of non-current assets	-102
-946	HRA share of contributions to or from the Pensions	142
-928	Capital expenditure funded by the HRA	0
-3,048	Transfer to Major Repairs Reserve	-4,085
	Transfers to and from the Capital Adjustment Account	
40,110	- Impairment (note 3)	9,828
2,365	- Depreciation (note 3)	2,421
0	- HRA self financing (note 13)	88,212
-865	- Capital Grants	-556
36,379	Total adjustments	95,861

Statement of Accounts 2011/2012

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Repairs and Maintenance

Details of repairs and maintenance expenditure are as follows:

	2011/2012 £'000	2010/2011 £'000
Programmed Work (including painting)	712	779
Day to day repairs	2,916	2,531
Total	3,628	3,310

2. Housing Subsidy

Under the Housing Subsidy system the Council must make a payment to central government calculated in accordance with a set formula. The Housing Subsidy position for the last 2 years is shown below:

	2011/2012 £'000	2010/2011 £'000
Guideline rent income	20,223	19,151
Management and maintenance allowance	-9,822	-9,720
Major Repairs Allowance	-4,085	-3,048
Charges for Capital	-80	-22
HRA Self Financing Adjustment	-32	0
Interest on receipts	1	1
Total	6,205	6,362

3. Capital charges

An impairment charge of £9.828m (£40.110m in 2010-11) has been made to the HRA in the year. This reflects impairment and revaluation decreases that could not be charged against the Revaluation Reserve. These charges do not affect the bottom line position of the HRA as they are reversed in the Adjustments section of the Movement on the HRA Statement.

Depreciation charges of £2.421m have been made to the HRA to reflect its use of assets (£2.365m in 2010-11). Additional amounts have then been

Statement of Accounts 2011/2012

transferred to the Major Repairs Reserve to ensure it is credited with the full amount of the Major Repairs Allowance of £4.085m (£3.048m in 2010-11).

4. Pensions

The HRA has been compiled on a FRS17/IAS19 compliant basis. This treatment does not affect the bottom line position of the HRA, as accounting entries are reversed out in the Adjustments section of the Movement on the HRA Statement and replaced with the HRA's actual contribution to the pension fund.

5. Rents and Service Charges

Dwelling rents (gross) comprises the total rent income for all Council owned dwellings in the year. The average rent of our dwellings at the end of 2011/12 was £60.68 (on a 52 week basis). This is an increase of £3.80 over the figure at the end of 2010/11.

Non-dwelling rents include the rent of garages, garage sites, and miscellaneous plots of housing land. The Council also levies service charges to contribute towards the costs of special services such as Caretakers, door entry systems, sheltered dwellings, and furnished homes.

6. Rent Arrears and Provision for Bad Debts

	2011/2012	2010/2011
	£'000	£'000
Arrears carried forward	1,199	1,220
Provision for bad debts carried forward	644	665

Statement of Accounts 2011/2012

7. Housing Stock

The Council owned an average of 6,320 dwellings (including flats and maisonettes, houses and bungalows) during 2011/2012. This table shows the changes in stock over the last two years.

	2011/2012	2010/2011
Opening Stock	6,316	6,330
Sales	-10	-18
Additions	17	0
Other Changes	0	4
Closing Stock	6,323	6,316

This table shows an analysis of the housing stock at 31st March 2012:

	PRE 1919	1919-44	1945-64	AFTER 1964	TOTAL
Low-Rise Flats					
1 Bedroom	-	-	50	1,026	1,076
2 Bedroom	-	-	111	85	196
3 (or more) Bedroom	-	-	-	11	11
Sub Total	-	-	161	1,122	1,283
Medium-Rise Flats					
1 Bedroom	-	1	1	315	317
2 Bedroom	-	-	-	635	635
3 (or more) Bedroom	-	-	1	125	126
Sub Total	-	1	2	1,075	1,078
Houses					
1 Bedroom	-	32	287	264	583
2 Bedroom	4	56	223	267	550
3 Bedroom	3	149	495	1,814	2,461
4 (or more) Bedroom	-	5	6	357	368
Sub Total	7	242	1,011	2,702	3,962
Totals	7	243	1,174	4,899	6,323

Statement of Accounts 2011/2012

Low-rise flats are those in blocks of 2 storeys, medium-rise flats are those in blocks of 3 to 5 storeys. In addition the Council has a number of leases with Housing Associations providing Social Rented Housing.

8. Movement in the Balance Sheet Value of HRA Fixed Assets

	Intangible Assets	Council dwellings	Other land / buildings	Plant & Equipment	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening value	49	153,994	140	270	487	154,940
Additions/Enhancements	73	5,047	0	22	0	5,142
Disposals	0	-374	0	0	0	-374
Depreciation	0	-2,371	0	0	0	-2,371
Impairment/Revaluation	0	-9,986	0	0	0	-9,986
Transfers / other	-11	487	-3	-40	-487	-54
Closing value	111	146,797	137	252	0	147,297

9. Vacant Possession Value of Council Dwellings

The vacant possession value of dwellings on the 1st April 2011 was £417.1m (£437.2m at 1st April 2010).

The difference between the vacant possession value and balance sheet value of dwellings within the HRA reflects the economic cost to the Government of providing Council housing at less than open market rents.

10. Movement in the Major Repairs Reserve

	2011/2012	2010/2011
	£'000	£'000
Balance brought forward	382	555
Major Repairs Allowance	4,085	3,048
Funding for Capital Expenditure	-3,932	-3,221
Balance carried forward	535	382

Statement of Accounts 2011/2012

11. Sources of Funding for HRA Capital Expenditure

	2011/2012 £'000	2010/2011 £'000
Major Repairs Reserve	3,932	3,221
HRA Contribution	0	928
Capital Receipts	0	554
Capital Grants	556	865
Internal Borrowing	726	43
Total	5,214	5,611

12. Capital Receipts

	2011/2012 £'000	2010/2011 £'000
Receipts on disposals of HRA assets	480	812

13. HRA Self Financing

The Government has introduced a new HRA Self Financing system, and as a result the Council has had to make a one off payment of £88.212m in the year, but will no longer have to make annual subsidy payments in the future. This payment has been initially charged to the HRA, but then transferred to the Capital Adjustment Account in the Movement in the HRA Statement.

Statement of Accounts 2011/2012

COLLECTION FUND ACCOUNT

The Council acts as a billing authority for the collection of council tax and business rates and is required by statute to keep a separate account for these transactions.

2010-2011 £'000		2010-2011 £'000	2010-2011 £'000
	INCOME		
48,298	Income from Council Tax - amount receivable net of benefits and transitional relief (note 1)	48,685	
9,093	Transfers from the General Fund (Council tax benefits and transitional relief)	8,962	
456	Contributions to Previous Year's Deficit - Council tax (note 4)	407	
27,161	Income from Business rate payers (note 2)	28,879	
85,008	Total income		86,933
	EXPENDITURE		
57,118	Precepts and demands (note 3)	57,152	
	Business rate		
27,027	- Payment to national pool	28,747	
134	- Costs of collection	132	
	Bad and doubtful debts / appeals		
112	- Write offs – Council tax	304	
283	- Provisions – Council tax	337	
84,674	Total expenditure		86,672
334	Movement on Fund Balance (note 5)		261

Statement of Accounts 2011/2012

NOTES TO COLLECTION FUND

1. Council Tax Base

The council tax base for 2011/2012 was 37,721.13 (37,699.51 in 2010/11) Band D equivalent properties calculated as follows:

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
A	12,179.15	6/9	8,119.43
B	7,369.04	7/9	5,731.49
C	8,264.20	8/9	7,345.94
D	6,031.42	1	6,031.42
E	4,259.34	11/9	5,205.87
F	2,234.82	13/9	3,228.07
G	1,393.87	15/9	2,323.13
H	58.40	2	116.80
Total Relevant Amount			38,102.15
Estimated Collection Rate			99%
Council Tax Base			37,721.13

2. National Non-Domestic Rates (NNDR)

NNDR is the business rate and is organised on a national basis. The Government specifies an amount (43.3p in 2011/12 and 41.4p in 2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying that amount by their rateable value.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a national NNDR pool. The Government then redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income after reliefs and provisions was £28.83m for 2011/2012 (£27.161m for 2010/11). The rateable value for the Council's area at the end of the financial year 2011/12 was £81.189m (£80.823m for 2010/11).

Statement of Accounts 2011/2012

3. Precepts and Demands

Authority	2011/2012	2010/2011
	£'000	£'000
Lancashire County Council	41,806	41,782
West Lancashire Borough Council	7,427	7,421
Lancashire Police Authority	5,518	5,514
Lancashire Fire Authority	2,401	2,400
Total	57,152	57,117

4. Surplus / Deficit on Council Tax Collection

The final outturn on Council Tax operations shows a deficit of £0.148m, which compares with the estimated deficit of £0.035m declared in January 2012 and which will be recovered in 2012-13.

The financing arrangements for deficits / surpluses in respect of Council Tax provide for a sharing between major precepting authorities in proportion to their demands on the Collection Fund. The following table shows how these items have been shared over the last 2 years.

	2011/2012	2010/2011
	Deficit	Deficit
	£	£
Lancashire County Council	-297,422	-334,448
Lancashire Police Authority	-39,253	-42,876
Lancashire Fire Authority	-17,081	-18,833
West Lancashire Borough Council	-52,828	-59,376
Total	-406,584	-455,533

5. Movement on Fund Balance

	2011/2012	2010/2011
	£'000	£'000
Balance at start of year	-409	-743
Movement in year	261	334
Balance at end of year	-148	-409